

# IPS PCF Application

## Response to LSB Queries

### Budget

- Table 3 has been re-drafted and expanded to include further detail and comparisons with 2012 budget. For the sake of clarity, 'other activities' primarily comprises non-PCF membership income & expenditure, International & Paralegal income & expenditure and ITC income & expenditure.
- The budgeting process has involved consideration of the practice rights applications. IPS has taken into account that the LSB will take the time, in accordance with its rules, to consider the applications and thereafter the probate and conveyancing applications will require parliamentary orders. We have made allowance for additional income and expenditure in relation to applications by Fellows to become authorised litigators. We anticipate about 40 such applications. The costs and income relating to entity regulation which might arise in 2013 have not been included as they do not relate to the Practice Certificate fee. It would be wrong to load any costs relating to entity regulation onto the individual practice certificate fee. Separate budgeting for this is being developed as part of the application for rights.
- The OLC/LSB Levy budget for 2013 has been amended to £240,500. This reflects the accounting treatment on an accruals basis.

LSB	£230,000
OLC	£10,500
Total	£240,500

### Reserves

- There appears to be some misunderstanding about the nature and purpose of the CILEx Group's reserves. The reserves have been accumulated since the formation of the Institute and provide financial stability, and ensure that the Institute's activities can be funded and that its obligations to its members can be carried out.
- The CILEx Council believes that it is prudent to maintain a healthy level of reserves to enable it to:
  - Meet unexpected fluctuations in business
  - Fund research & development which will enhance the education, training and professional practice of the members of CILEx
  - Ensure that CILEx is able to fund expenditure on IT and the use of the internet to provide services to members
  - Enable CILEx to plan sensibly for future expansion, including staff and accommodation needs
  - Invest in new services for members
  - Invest in new MIS
  - Provide contingency funds for unforeseen/unbudgeted expenditure

- The policy states that reserves should be maintained at a level which is at least equivalent to 12 month's budgeted PCF and membership subscription income, which for 2013 is £3,265,000. This is a minimum level, and as at the end of 2011 (the last available audited accounts), group reserves stood at £8,589,796.
- Given that the policy only requires reserves to be maintained at a minimum level, there is no requirement to reduce reserves to that minimum.

## **Consultation**

- In 2011 CILEx wrote to members to inform them of the finalised Practice Certificate fee. A note was sent with the letter identifying what the fee income covered along with visual breakdowns of the activities by proportion of fee. A similar letter with a note and breakdown is being composed for 2012 and will be sent once the PCF has been approved. It remains the view of IPS and CILEx that joint correspondence on the Practice Certificate fee is appropriate. IPS's view is that regulation works better where the membership is engaged and supportive, provided independence is secured.
- While the consultation on the Practice Certificate fee was sent as a joint consultation by CILEx and IPS, as the draft submission makes clear, IPS as the regulatory body took the lead on the work. It identified the costs of its regulatory activities independently of CILEx. Information was sought from CILEx on permitted purpose activity which was added to the required Practice Certificate fee income. As the approved regulator under the legislation CILEx is involved in the decision making on the fees. The Protocols between IPS and CILEX provide for this and for disagreements to be referred to the LSB. Permitted purposes, which can be charged to the practice fee, go beyond the direct regulatory costs incurred by IPS and it is helpful to make clear to Fellows that the current subsidy for regulatory activities from other income is endorsed by CILEx.

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