IPReg

Application by the Patent Regulation Board and the Trade Mark Regulation Board to the Legal Services Board under the Legal Services Act 2007 (section 51) for approval of practising fees for 2020

21 August 2019

IPReg

Table of Contents

IPReg

Summary and overview

- ***Please briefly summarise the proposal and state whether the proposal is for an increase, decrease or no change to the PCF relative to the previous year.***

1. IPReg is proposing to increase the 2020 practising fees by 2.3%.[1] The IPReg Board considers that the proposed 2020 budget will enable it to deliver its business plan which carries forward the work we have started on improving our operation of the registers by implementing a new CRM system, preparing to move offices and revising our regulatory arrangements.

- ***Please state how the current application addresses the matters (if applicable) raised in the LSB's decision letter approving the previous year's PCF application.***

2. In agreeing our proposal to increase 2019 practising fees by 8.8%, the LSB stated that its "general expectation is that the costs of regulation should be reduced, or at least stabilised". However, it accepted that "in some cases, where a business case is made, […] an increase may be necessary". The LSB also stated that it would expect IPReg "to be in a position to bring down the level of fee to reflect any reductions in costs and efficiency savings" once our three priority projects (the CRM system, office move and review of regulatory arrangements) are complete. Work on these projects is now underway and we have a better understanding of the extent of the work that we need to do over the coming years.

3. Although the LSB has said that it expects the cost of regulation to stabilise or reduce, a significant element (~7%) of our expenditure is the LSB levy. The amount of the levy is outside our control and our share of it has unexpectedly increased by 10.7% (£6,303)[2] for 2019/20 (on top of an increase of 9.1% in 2018/19).

4. The new CRM system will be used for the first time for the 2020 renewal process. We will review the efficiencies it has enabled once that process is complete. However, it is important to understand that the efficiencies will not just be financial (in the sense of a reduction in budget) – other types of efficiencies will be realised such as a reduction in risk and time in sending bulk emails, more targeted communication with registrants (e.g. tailored reminders to persistent late payers), better management information about our registrant base which will help our understanding of the market(s) we regulate thereby enabling a more targeted approach to regulation overall and quicker compilation of information that the LSB requires (e.g. the performance management dataset).

[1] This is the RPI figure for March 2019 which was published in April 2019

[2] The indicative levy for 2019/2020 is £64,849. The actual levy for 2018/2019 was £58,546 (rounded to £58,600 in the 2019 Budget)

5. In terms of moving to a more suitable and accessible office, we consider that the appropriate comparison is with the cost of remaining at our current premises. We have been informed that it is very likely that there will be a substantial rent increase when the lease ends in February 2020. The budget therefore makes allowance for this.

6. The scoping of our review of regulatory arrangements is underway; the overall review is likely to continue into 2021.

7. The LSB also welcomed our assurance that we would monitor the impact of the increase on attorneys – we have done so and the information is in the Regulatory and Equality Impact Assessment section of this application.

• ***If any pre-application discussion was held with the LSB prior to the submission of this application, please set out what (if any) issues were identified by the LSB and how this application addresses them.***

8. The IPReg CEO notified our LSB relationship manager of our approach and timing on 24 May 2019. The matter was discussed at the relationship management meeting on 14 June. No specific issues were identified by the LSB. A draft application was sent to the LSB on 7 August. We received the LSB's comments on the draft on 14 August and have addressed them in this application.

Developing the overall budget and application

A. The budget statements and figures and a description of how the overall budget was developed and settled, in particular:
• a breakdown and clear description of the budget setting process and how the budget was arrived at, including consultation with the regulatory and representative arms
• evidence that the immediate and medium-term needs have been taken into account, ensuring it has been developed in accordance with business/strategic plans

9. In March 2019, the IPReg Board met to discuss its strategic priorities. The Board reaffirmed that its priorities for 2019/20 are: (a) to implement a new CRM system in time for the 2020 annual renewal process; (b) move to offices that have more suitable facilities and better accessibility (before the current lease expires in February 2020); and (c) conduct a full review its regulatory arrangements. In setting its strategic priorities (as part of that review and more widely) the Board wants to be more externally focused to ensure that its regulatory framework encourages and supports innovation:

    - In the provision of services that providers are able to offer consumers and the ways in which those services are provided, including the use of law tech. We will do this by ensuring that our review of regulatory arrangements focuses on setting reasonable standards but does not 'gold plate' them;

    - By encouraging the entry of new providers of education courses (at both the foundation and advanced levels). We want people who want to become trade mark attorneys and patent attorneys to have a variety of routes into the profession (including apprenticeships). We want these to be provided using different delivery methods and to introduce new subjects (e.g. law tech). We consider that, over time, this will help to increase diversity, improve quality and lower costs. We also want to review on a more regular basis the quality and performance of existing accredited education providers; and

    - By ensuring that its requirements for continuing competence, in addition to protecting consumers, are relevant to the changing way in which legal services are provided and the commercial requirements of regulated individuals and entities.

10. The 2020 budget was developed against this background. The Board considers that it should plan over a rolling 3-year horizon and the business plan sets out the work that we propose to do up to 2021 (see Annex 1). The budget has been set to ensure that the business plan can be delivered over this timescale. Consistent with our 2019 application, we intend to recruit a paralegal to carry out routine day to day work to enable us to make more efficient use of experienced members of the team; we have therefore included funding for that post in the 3-year projected budgets (see Annex 2). **However, the 3-year budgets should not be interpreted as binding the IPReg Board to any future approach to fees or expenditure.**

11. On 28 May, we provided CIPA and CITMA with an advance copy of the consultation document and detailed budget. These documents were published on our website on 29 May. An

IPReg

Addendum concerning registered body fees was published on 31 May. Our registrants were notified of the consultation by email. We discussed the proposed budget and practising fees with CIPA and CITMA at our quarterly Regulatory Forum on 6 June. The Forum was attended by the IPReg Chair and CEO, the CIPA President, Vice President and Deputy CEO and the CITMA President and CEO and discussed: the use of CPI rather than RPI as an appropriate measure of inflation; IPReg's intention to recruit a paralegal; and complaint levels.

A description of contingency/reserves arrangements. This must include:
• assurance that reserves are set at an adequate level for the upcoming budget
• assurance that the impact of high-level reserves (if appropriate) have been considered when setting the fee levels.

12. We have assessed the level of reserves that we need to ensure that we can respond to unexpected events such as an inability to collect practising fees for three months at the beginning of the year (general contingency reserve of £170k) or significant litigation (reserve of £200k). In addition, we keep reserves to fund appropriate diversity initiatives (£23k). We allocated a significant amount (£122.6k) of our reserves to fund development of the new CRM system in 2019 and also allocated £25k to help finance our office move (including any 'buy out' of the remainder of the current lease). Our reserves policy is on our website together with the level of reserves at 1 January 2019. These are reproduced at Annexes 3a and 3b.

13. Assuming that all the reserves allocated to the CRM system and the office move have been spent by the end of 2019, our reserves would be reduced from their current level of £570k to around £412k (see Annex 3c). Although this provides some 'headroom' over the core reserves that we need for contingency and litigation (£370k), we consider that it would be prudent not to reduce them any further and to build them up over time if there is any surplus left at year end.

B. A breakdown of the budget for PCF
Total PCF income collected in the current and budget year and a breakdown of how it was allocated or spent:
• by department or expenditure category
• an explanation of any variation in total PCF spending between the current and budget year

14. A comparison of the 2019 budget against actual expenditure at 30 June 2019 is at Annex 4 and the balance sheet at the same date is at Annex 5.

15. Our audited annual accounts have been agreed by the Board and a link to Companies House has been published on our website.

• a comparison of PCF for approval in the budget year, with level of PCF in the current year and explanation of why the fee level has changed (if applicable)

The following table compares the 2019 fees with the proposed 2020 fees:

Attorneys/Individuals	**2019 Fees**		**Proposed 2020 Fees** (2.3% increase)	
	Single register	Both registers	Single register	Both registers
Attorney solely undertaking corporate work	£173	£277	£177	£283
Attorney in private practice	£210	£345	£215	£353
Attorney not in active practice	£157	£252	£161	£258
Sole trader attorney not employing other attorneys or professionals	£345	£493	£353	£504
Sole trader attorney:	£345	£493	£353	£504
employing other attorneys - add fee per attorney	£69	£69	£71	£71
employing other professionals - add fee per professional	£277	£277	£283	£283

Registered Bodies	**2019 Fees**	**Proposed 2020 Fee** (2.3% increase)
	Single or both registers	Single or both registers
Registered Body through which a single attorney and no other attorneys or other professionals provide services	£135	£138
Any other registered body		
Base Fee	£345	£353
add fee per attorney	£69	£71
add fee per other professional	£277	£283
practising via the registered body		

16. IPReg's fees are set out in its Practice Fee Regulations. If the LSB agrees the proposed 2020 practising fees, the IPReg Board will make new Practice Fee Regulations. We understand that, as in previous years, the LSB will not require IPReg to submit a separate application to alter these regulatory arrangements because the primary approval route for the level of fees is the Legal Services Act (s51) and any consequential alterations to regulatory arrangements would be considered an exempt alteration.

17. The current registrant categories and approach to fee setting have been used by IPReg since its inception in 2010. In the context of the 2013 application for designation as a licensing authority, we explained that in setting our fees, we aim to:

    a. be transparent about the cost basis for our fees;
    b. be fair in terms of the cost allocation to different sizes of firm;
    c. ensure that our fees genuinely reflect the cost of regulation;
    d. ensure that our fees are not directly, or indirectly, or unjustifiably discriminatory;
    e. facilitate the efficient regulation of individuals and firms, in particular by their simplicity to administer;
    f. ensure that no firm cross-subsidises the cost of regulating other firms;
    g. prevent the structure of the practice fee distorting the choice of designation of an entity.[3]

18. Our new CRM system should provide much more flexibility in terms of setting up different registrant categories. This, together with the fact that the fee structure has now been in place for nearly a decade, means that we consider it is appropriate to review whether the current categories and structure remain appropriate. This review will be done in the context of the review of our regulatory arrangements because we consider that the two issues are inter-linked. For example, if there were to be a new category of "overseas attorney" with a lighter version of our regulatory arrangements, it might be appropriate for them to have a lower fee level than UK-based attorneys. Any proposals will of course be subject to full consultation and would require LSB approval.

[3] See section 1 of Appendix 5 of the Licensing Authority application

IPReg

In addition, if the proposal is to increase the PCF relative to the current year, include a forecast budget for the current application and for the next three years (where available)

• an estimate of the PCF for the next three years (where available)

19. The 3-year budget at Annex 2 assumes the same RPI increase (2.3%) each year. This would mean that practice fees would increase is shown in the table below. **However, these figures should not be interpreted as binding the IPReg Board to any future approach to fees or expenditure** - there are a number of uncertainties concerning budget projections beyond 2020 such as:

   - The impact of Brexit, particularly if significant numbers of attorneys leave the profession;
   - Changes to registrant categories as a result of the review of our regulatory arrangements;
   - The likely level of the LSB/OLC levy;
   - Changes in RPI (or CPI); and
   - The impact of any unforeseen events (such as lengthy litigation) on the remaining reserves.

Attorneys/Individuals	Proposed 2020 Fees		Indicative only 2021 Fees (2.3% increase)		Indicative only 2022 Fees (2.3% increase)	
	Single register	Both registers	Single register	Both registers	Single register	Both registers
Attorney solely undertaking corporate work	£177	£283	£181	£290	£185	£297
Attorney in private practice	£215	£353	£220	£361	£225	£369
Attorney not in active practice	£161	£258	£165	£264	£169	£270
Sole trader attorney not employing other attorneys or professionals	£353	£504	£361	£516	£369	£528
Sole trader attorney:	£353	£504	£361	£516	£369	£528
employing other attorneys - add fee per attorney	£71	£71	£73	£73	£75	£75
employing other professionals - add fee per professional	£283	£283	£290	£290	£297	£297

Registered Bodies	Proposed 2020 Fees Single or both registers	Indicative only 2021 Fees (2.3% increase) Single or both registers	Indicative only 2022 Fees (2.3% increase) Single or both registers
Registered Body through which a single attorney and no other attorneys or other professionals provide services	£138	£141	£144
Any other registered body			
Base Fee	£353	£361	£369
add fee per attorney	£71	£73	£75
add fee per other professional practising via the registered body	£283	£290	£297

• anticipated income from all sources (including non-PCF income) and its allocation to permitted purposes for the current application and where available, for the next three years

20. Our anticipated income from practice fees in 2020 is £959,536. This assumes that attorney numbers will continue an upward trend. We also estimate £1,200 bank interest on our reserves. In addition, it is likely that we will receive some application fees from entities applying to be licensed. However, since the number of those applications is not under our control we have – as is our normal practice – not included any figure for them in our budget.

21. IPReg is a regulatory body and all the income we receive is used for permitted purposes.

• explain the reserves policy and rationale/requirement for any high-level reserves

22. Please see paragraphs 12 and 13 for information about our reserves.

C. Regulatory activities
• Assurance that the regulatory arm has been given sufficient resources to carry out their functions in compliance with section 30 of the Act and the supporting Internal Governance Rules.

23. The IPReg Board considers that the proposed increase in fees will provide sufficient resources for it to carry out its regulatory functions. We are self-funding and do not rely on CIPA or CITMA to

provide any resources or shared services (other than a broadband fibre shared with CITMA with appropriate firewalls in place). The proposal is therefore consistent with the IGRs.

Consultation on PCF

A. Description of the consultation process conducted with fee paying registrants   ***• including length of time the published consultation was open***

24. The consultation was published on 29 May 2019. In accordance with our usual practice, CIPA and CITMA had been given embargoed copies of the consultation 24 hours prior to it being published.

25. All registrants were notified of the increase by an email which included links to the relevant documents.

26. IPReg's Chair and CEO discussed the proposed practising fees at our quarterly meeting with CIPA and CITMA on 6 June (the "Regulatory Forum"). The meeting was attended by the CITMA President and CEO and by the CIPA President, Vice President and Deputy CEO. The meeting discussed: the use of CPI rather than RPI as an appropriate measure of inflation; IPReg's intention to recruit a paralegal; complaint levels.

27. The consultation closed at 5pm on 4 July.

• summary of consultation responses

28. We received 5 responses. Of these, 3 were from individual attorneys or firms; CIPA and CITMA also responded (see Annex 6).[4] Points made in the responses and our consideration of them are:

    a. There is not enough work to justify this increase considering Brexit means that the representation rights before the EUIPO are going to be limited.

        - <u>IPReg response</u>: our business plan sets out the work that we need to do and the increase is needed to fund that; none of the work is specifically linked to Brexit.

    b. IPReg should consider a reduction in fees (including pro rata) if the attorney is not actively practising.

        - <u>IPReg response</u>: we currently charge a reduced rate for attorneys that are not in active practice. We do not refund/increase fees 'in-year' if an attorney's status changes as it would be administratively burdensome to do so.

[4] The number of responses was much lower than the consultation on the 2019 fees. We believe that this is in part because CIPA actively encouraged its members to respond to the 2019 consultation. The number of responses received to the consultation on the 2020 fees is more typical of the number received in other years.

c. Fees should be reducing in real terms due to a reduction in EU bureaucracy after Brexit.

- IPReg response: the fees are to finance IPReg's regulatory functions which will not change as a result of Brexit.

d. CPI/CPIH should be used rather than RPI: (i) in order to keep fees unchanged in real terms; (ii) because RPI has known and well-documented shortcomings.

- IPReg response: IPReg considered carefully the ONS analysis of the methodological and conceptual shortcomings of RPI compared to CPI and CPIH. We recognise that RPI is no longer considered by ONS to be a good measure of inflation and that its use is discouraged. Although it is often the case that RPI is greater than CPI, we note that this is not the case for the May or June 2019 figures: RPI and CPI were both 2% in both months; in July, the difference was 0.1%. Although the overall difference between increasing fees by the March 2019 figures of RPI (2.3%) or CPI (1.9%) is only an additional £3,753 in fee income, we are faced with a significant (10.7%) increase of £6,303 in the LSB levy for 2019-20.[5] We are also mindful of the need to ensure that we have adequate levels of reserves. Taking all this into account, we consider that it an increase of 2.3% (RPI) is targeted and proportionate. We will keep under review the appropriate index to use. As we plan to consult on practice fees in May each year, we anticipate that we will continue to use the index for March (which is published in April) each year.

e. IPReg should be arguing strongly that the LSB levy should be reduced due to the Government's promised reductions in EU-originated regulation and bureaucracy

- IPReg response: the LSB levy is not directly linked to EU requirements. However, the LSB's accounting practices mean that the levy fluctuates as a result (amongst other things) of adjustments relating to its previous year's actual spend. We will press the LSB to review its approach to ensure a more predictable levy in future.

f. CIPA's main points were:

i. CPI or CPIH should be used rather than RPI (see above for consideration of this point);

ii. Practising fees should be reduced, not increased. CIPA is concerned that there is a suggestion that fees are likely to increase annually and it cannot support a long-term approach to increase fees at or above inflation. It wants greater clarity on how we "intend to meet the expectation [of CIPA and the LSB] that fees will be reduced" once efficiency savings from the 3 key projects have been made.

[5] We have therefore budgeted for a 10% year-on-year increase in the LSB levy in our 3-year budget projection at Annex 2. The figures used in Annex 2 take into account the fact that the LSB's financial year runs from April to March whereas IPReg budgets on a calendar year basis.

- IPReg response:

    - A major cost over which we have no control is the LSB levy which has increased by around 10% last year and this year. We will press the LSB to review its approach so that our share of the levy is more predictable in future;

    - We have been able to build up reserves and use these to cover significant costs such as the development of a new CRM system. Without the reserves, IPReg would have needed to cover the costs by raising the practising fees by significantly more than we have done. The 2019 fee increase, whilst appearing large, was in reality the RPI % increase in fees from when IPReg had previously increased fees in 2016. Our view is that a regular small increase in fees is preferable to a much larger increase every few years.

g. CITMA's main points were:

i. The overall timetable for the review of regulatory arrangements has slipped from the one presented in the 2019 consultation and CITMA would like to know what measures we will put in place to prevent further slippage;

- IPReg response: we will do more detailed scoping work over the summer to set out our overall approach to the review and to develop an initial structure of what the new arrangements could be. We will then discuss this with CIPA and CITMA (as well as other IP stakeholders). We hope that getting this input at an early stage will make the consultation process more straightforward. However, the experience of other regulators who have carried out extensive reviews of their regulatory arrangements is that it takes longer than initially expected – not least because of the time that the LSB takes to approve any changes;

ii. CITMA recognises that it would be difficult to realise "real" financial savings in 2020 but expects to see some reductions in 2021 - in operational costs and fees. CITMA wants to see a clearer indication about when efficiency savings will be realised;

- IPReg response: the new CRM system will reduce staff costs, specifically removing the requirement for a finance temp and the need for staff to work additional days during the fee collection period. For example, in 2019, we budgeted £12k for a temp and £8.6k for additional admin time to support the renewal process. However, our objectives cannot be achieved within the existing staff workload and the budget therefore makes provision for a paralegal to free up more experienced staff time. We have set some" measures of success" for the new CRM system and have captured data from the 2019 renewal process so that we can make comparisons in future years. However, it is important to understand that the efficiencies will not just be financial (in the sense of a reduction in budget) – other types of efficiencies will be realised such as a reduction in risk and time in sending bulk emails, more targeted communication with registrants (e.g. tailored reminders to persistent late payers), better management information about our registrant base which will help our understanding of the market(s) we regulate thereby enabling a more targeted approach to regulation overall and quicker compilation of information that the LSB requires (e.g. the performance management dataset);

iii. CITMA does not object to the proposed RPI increase for 2020 but wants IPReg to consider using CPIH in future.

- IPReg response: see above for consideration of this issue.

• ***changes to the PCF proposals as a consequence of consultation responses***

29. Having carefully considered the issues raised by respondents to the consultation and the discussion at the Regulatory Forum on 6 June, the IPReg Board decided at its meeting on 18 July that increasing fees by 2.3% was proportionate. Since the consultation, we have also changed the budget figures for:

- LSB levy: from £64,849 (estimated to 31 March 2020) to £69,713 (adjusted estimate to 31 December 2020 based on assumed 10% increase in levy in 2020/21); and

- Rent: from £30,000 to £43,000 based on the likely increase of remaining in our current premises and the indicative cost of more suitable and accessible serviced offices elsewhere.

• ***details of consultation with non-commercial bodies (e.g. Law centres federation, Citizens Advice etc.) or an explanation of why their views had not been sought.***

30. IPReg does not regulate any special bodies and has not, therefore, needed to consider any departure from the general practising fees rules for any special body or groups of special bodies. We sent a link to our proposals to the Consumer Panel but, in accordance with what we understand to be its normal practice, it did not respond to the consultation.

Permitted Purposes

This section requires information for both the current and budget year
A. Description of total income (PCF and non-PCF) allocated to permitted purpose including
• Non-PCF income allocated or spent on permitted purposes, broken down by department/expenditure category and Commercial income arising from PCF funded permitted purposes (and explanation if this income is to be used for non-permitted purposes)

31. IPReg retains all the income it receives from practising fees – it does not provide any money to CIPA or CITMA for permitted purposes. In 2019, all IPReg's income has been applied (and in 2020 all income will be applied) solely for permitted purposes. Although we sub-let offices from CITMA, we do not have any shared services with either AR (other than a broadband fibre shared with CITMA with appropriate firewalls in place).

B. Description of total PCF income allocated solely to one or more permitted purposes including a breakdown of
• PCF income allocation to each regulatory permitted purpose

32. In terms of allocation to the statutory permitted purposes, using the definitions in the Legal Services Act section 51(4):

    a. The regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons, including:
    (i) the maintaining and raising of their professional standards, and
    (ii) the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;

    Estimated breakdown of practising fee allocated to this permitted purpose = £884.8k

    b. The payment of a levy imposed on the approved regulator under section 173 [the LSB and the OLC];

    Estimated breakdown of practising fee allocated to this permitted purpose = £74.7k

    c. The participation by the approved regulator in law reform and the legislative process;

    Estimated breakdown of practising fee allocated to this permitted purpose = £0

d. The provision by relevant authorised persons, and those wishing to become relevant authorised persons, of reserved legal services, immigration advice or immigration services to the public free of charge;

   Estimated breakdown of practising fee allocated to this permitted purpose = £0

e. The promotion of the protection by law of human rights and fundamental freedoms;

   Estimated breakdown of practising fee allocated to this permitted purpose = £0

f. The promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions.

   Estimated breakdown of practising fee allocated to this permitted purpose = £0

33. Projected expenditure is shown in more detail in this Table:

Activity	2020 Budget		2019 Budget	
	£	%	£	%
Resources incl. Chair and Board, Staff Costs and additional budget for paralegal (2019: staff in respect of the CRM development & implementation)	£610,650	64.7%	£643,500	59.8%
Operational Costs incl. Corporation Tax, Financial Expenses, General Administrative Expenses, IT Expenses, CRM development, Legal & Professional and Contingency	£155,048	16.4%	£271,200	25.2%
Policy & Governance incl. Compensation Policy Insurance Premium, CMA re Legal Choices, Conduct & Disciplinary, Diversity Initiatives & Education	£97,500	10.3%	£92,500	8.6%
Legal Services Board and Legal Ombudsman Levy	£74,713	7.9%	£63,600	5.9%
PR/Communications	£6,000	0.7%	£5,400	0.5%
TOTAL	**£943,911**	**100.0%**	**£1,076,200**	**100.0%**

For more detail about these figures see Annex 7.

• PCF income allocation to each non-regulatory (representative) permitted purpose

34. Not applicable.

• PCF income allocated to shared/ central services between the regulatory and representative arm (broken down by department/ expenditure category).

35. Not applicable.

C. A description of permitted purposes activities which were/will be undertaken and if possible, an estimate of the proportion of permitted purpose activities undertaken relative to non-permitted purposes activities.

36. Please see the Table at paragraph 33 for anticipated income allocation. No fee income is used to fund activities that are not permitted purposes. Other than payment of the LSB and OLC levies, all IPReg's income is used to fund the permitted purposes set out in the Legal Services Act section 51(4)(a):

    - The regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons, including: (i) the maintaining and raising of their professional standards, and (ii) the giving of practical support, and advice about practice management, in relation to practices carried on by such persons.

Transparency of PCF information to fee-paying registrants

A. A description or copy of the information that will be provided to fee paying members, which is clear and accessible and includes ***• The level of the PCF***

37. Please see draft response below.

• How the PCF has been set

38. Please see draft response below.

• A breakdown of how the PCF income will be allocated to non-regulatory/regulatory and shared services.

39. The draft response explains that all PCF income is allocated to regulatory activity.

• An explanation of why commercial income arising from PCF funded permitted purposes is to be used for non-permitted purposes.

40. This is not relevant to IPReg.

• An accurate presentation and representation of the LSB and Office for Legal Complaints (OLC) levies so the regulated community is clear about the proportion of PCF attributable to the levies

41. Please see draft response below.

42. We will provide details of the 2020 practising fees to all registered individuals and entities by sending emails to them once our new CRM system is operational and nearer to the start of the 2020 re-registration process. We will publish the new Practice Fee Regulations, the 2020 budget and 2020/21 business plan on our website once the LSB has made its decision on this application.

43. We expect that the email to registrants will be:[6]

Dear [Name]

I am writing to let you know that the Legal Services Board (LSB) has agreed that IPReg can increase the practising fees that it charges by [2.3%]. The new fee levels have been published on our website [INSERT HYPERLINK]. The new fees will be payable on 1 January 2020 and will be collected during the 2020 renewal process. The fees were set after a public consultation and discussions with CIPA and CITMA earlier this year.

Your practising fee includes a levy to pay for the LSB and the Legal Ombudsman. IPReg does not have any control over the amount of these levies. IPReg's contribution to the LSB levy for its financial year 2019/20, is estimated to be £64,849. This is an increase of 10.7% (£6,303) on the previous year. Our contribution to the Legal Ombudsman's costs is set at the minimum amount of £5,000 because it receives so few complaints about IPReg registrants. The LSB and Ombudsman levies together comprise around 7.9% of our total expenditure.

All the income we collect from practising fees funds our regulatory activities; if you are a member of CIPA and/or CITMA, they will collect your membership fee separately and use it to fund their own activities.

[6] Note that this draft may change.

Regulatory and Equality Impact assessment

A. A description of how the proposed PCF may potentially impact on various groups, in particular those with protected characteristics, within the approved regulator's membership (whether the proposal is for the PCF to be static, increased or decreased).

44. We recognise that any increase in fees may have an impact on attorneys and firms. However, because IPReg has historically had relatively low levels of fees compared to many of the other legal regulators, the actual monetary value of the increase is relatively small. We recognise that any percentage increase will be likely to have a greater impact on sole practitioners since their fees are higher to start with. However, our experience is that these attorneys take more of IPReg's resources, particularly dealing with issues such as professional indemnity insurance, company structures and run-off cover. A restructuring of attorney/firm categories (and therefore fees) will be considered as part of the review of our regulatory arrangements.

45. The LSB asked us to monitor the impact of the 2019 increase on attorneys. As part of the 2019 annual re-registration process, we received 36 applications to be removed from our registers. The reasons given for the applications were:

- Retirement: 25 (13 patent, 5 trade mark, 7 dual-registered);
- Career change: 4 (1 patent, 3 trade mark);
- To work in the unregulated sector: 2 (1 patent, 1 dual-registered);
- Ill health: 1 (1 patent);
- Other: 3 (2 patent, 1 trade mark). Reasons cited were "no longer intend to practise as a chartered patent attorney", "I no longer work directly with IP in a hands-on way", and dual registration with the Solicitors Regulation Authority so not wanting to retain both registrations;
- Prefer not to say: 1 (dual-registered).

We did not receive any applications that cited the level of fees as a reason for wanting to be removed from the registers.

46. As in previous years, the practising fees have been structured to ensure that UK registered attorneys and attorneys who are solely European registered attorneys (but are operating in the UK) and other professionals regulated by us, are paying substantially the same practising fees to IPReg.

For example (subject to an accumulation of rounding differences of £3):

- UK patent/trade mark attorney – individual fee of £215 plus the entity pays £71 for each UK attorney it employs – total £286;

- European patent/trade mark attorney – entity pays fees of £283 for each other lawyer it employs.

B. A description of how the PCF has been developed in light of the regulatory objectives set out in the Act and better regulation principles.

47. The final 2020/2021 Business Plan (Annex 1) is compatible with the regulatory objectives and better regulation principles – for example:

- The new CRM system will allow us to perform our core regulatory functions in a way that is more consistent and targeted, ensuring that we have sufficient management information to assess where the greatest risks are to consumers;

- The new website being developed alongside the new CRM system will enable us to provide better information to consumers who need legal advice, consistent with the recommendations of the CMA. This may help to improve access to justice;

- Improved diversity reporting in the new CRM system should enable us to monitor more effectively changes in the diversity of the profession;

- The review of the regulatory arrangements will provide a more proportionate, targeted and "fit for the future" set of rules and regulations and will consider what regulation can safely be removed or reduced in order to reduce barriers to entry and encourage competition whilst ensuring appropriate levels of consumer protection;

- Our work on the accreditation and re-accreditation of examination agencies and encouraging the entry of new providers of education courses (at both the foundation and advanced levels) will help to encourage an independent, strong, diverse and effective IP legal profession by ensuring that good education standards are maintained.

C. A Regulatory and/or Equality Impact assessment (optional)

48. We note that producing a regulatory and/or equality impact assessment is optional and do not consider it necessary or proportionate to produce either type of assessment.

Other supporting information

49. The following assumptions underpin IPReg's budget projections:

    a. New registrant numbers will not change significantly from the trend we have seen in previous years;

    b. There will be no significant reduction in trade mark registrants as a result of Brexit;

    c. The LSB levy will continue to increase by around 10% a year. The 3-year budget figures in Annex 2 reflect this assumption. The Ombudsman levy will remain at £5,000;

    d. Reserves for the office move and the cost of the new CRM system will have been spent in full by the end of 2019;

    e. The £50k for additional staff salaries to test and implement the new CRM system will have been spent in full by the end of 2019;

    f. No additional resources will be required for the 2020 renewal process;[7]

    g. Remaining in our current offices (with an expected rent increase at the end of the lease) would not represent good value for money compared to moving to more suitable and accessible serviced offices elsewhere;

    h. Staff salaries, Board members' fees and travel and subsistence allowances are likely to increase by RPI;

    i. There will not be any significant increase in complaints that IPReg has to investigate;

    j. The level/scope of entity application fees will not change from their current level/scope;

    k. Legal Choices funding will continue at £5k a year, funded from our reserves (notwithstanding the recent BSB decision to stop funding Legal Choices).

[7] For 2019, we budgeted £12k for a temp and £8.6k for additional admin time to support the renewal process.

Contact details

Please contact Fran Gillon or Karen Duxbury with any queries.

Business Plan 2020/21

Introduction

1. IPReg is undergoing a programme of change and we have therefore decided that during 2020 and 2021, we will continue to focus on improving the way we conduct core activities (especially operation of the Registers) and to limit the number of new initiatives that we start.

IPReg's strategic priorities

2. In March 2019, the IPReg Board met to discuss its strategic priorities for the period from 2019 – 2021. The Board reaffirmed that its priorities for 2019/20 are to implement a new CRM system, move to offices that have more suitable facilities and better accessibility (before the current lease expires in February 2020) and review its regulatory arrangements. In setting its strategic priorities (as part of that review and more widely) the Board wants to be more externally focused to ensure that its regulatory framework encourages and supports innovation:

    a. In the provision of services that providers are able to offer consumers and the ways in which those services are provided, including the use of law tech. We will do this by ensuring that our review of regulatory arrangements focuses on setting reasonable standards but does not 'gold plate' them;

    b. By encouraging the entry of new providers of education courses (at both the foundation and advanced levels). We want people who want to become trade mark attorneys and patent attorneys to have a variety of routes into the profession (including apprenticeships). We want these to be provided using different delivery methods and to introduce new subjects (e.g. law tech). We consider that, over time, this will help to increase diversity, improve quality and lower costs. We also want to review on a more regular basis the quality and performance of existing accredited education providers;

    c. By ensuring that its requirements for continuing competence, in addition to protecting consumers, are relevant to the changing way in which legal services are provided and the commercial requirements of regulated individuals and entities.

Improving our efficiency and effectiveness

Our day to day activities

3. The IPReg team carries out a wide range of "business as usual" activities. These include:

- considering applications from individuals and entities for registration;
- providing advice on our regulatory arrangements;
- investigating complaints and taking disciplinary action where necessary;
- dealing with enquires to our "Info" email box;
- a rolling accreditation process of examination agencies and considering applications from new entrant agencies;

- responding to LSB consultations and requests for information (e.g. on the regulatory performance framework and diversity);
- developing policies following recommendations from external bodies (e.g. the CMA legal services market survey).

These activities occupy most of the team's time over the course of a typical year.

Keeping the registers – a new CRM

4. The annual re-registration process currently takes significant resources, particularly dealing with telephone and email queries from registrants. We estimate that over the period from December to March, around 80% of the team's time (including additional days worked) is spent on the re-registration process. We have therefore allocated significant resources in 2019 to develop a new CRM system that will improve significantly the annual fee collection and re-registration process. It will also improve the way in which we interact with registrants and provide better information about the diversity of those we regulate and the nature of the market(s) in which they operate.

Improving our regulatory arrangements

5. Our regulatory arrangements (our rules and regulations) have built up over time and, inevitably, there are areas where they could be improved. We do not plan to change our overall approach to regulation – risk-based, keeping prescriptive rules to a minimum and providing guidance to help understand the outcomes we are seeking. However, we need to review our regulatory arrangements in their entirety. In doing so, we will make them more streamlined and consistent. We will also consider whether a "light" version of regulatory arrangements for in-house attorneys and overseas attorneys would be appropriate, taking into account the risk posed to consumers. In developing new regulatory arrangements, we will remove any actual or perceived barriers to providing *pro bono* advice, whilst ensuring that regulatory protection is afforded to consumers who are provided with *pro bono* advice.

6. This is a significant piece of work, both for IPReg and those we regulate and we would like to maximise the input we get from the consultation process. The timetable for this work is:

    - Q2 2020 – initial consultation on proposed approach and outline of new regulatory arrangements;

- Q4 2020 – detailed proposals for new regulatory arrangements.

Our aim would be to apply to the LSB for approval of the new regulatory arrangements in Q2 of 2021) with a view to them being in force in Q4 2021.

Improving the application process for individuals and entities

7. We receive applications from individuals and entities to be regulated. We have identified that we could make the application process more efficient overall. Our aim, once our new CRM is in place is to move to on-line applications for individuals and entities.

8. We have a statutory objective to promote competition in the provision of legal services and want to ensure that our application process for entities is not an unnecessary barrier to entry. Although it is likely that the new CRM will initially retain the current forms and fees, we want to review our approach – this could include a different approach to fees to ensure that they are consistent and proportionate, new guidance and new application forms.

9. Our current thinking on timing for this review is:

   - Q3 2019 – scoping the review and identifying areas for change/improvement;
   - Q1 2020 - consultation on proposed changes;
   - Q3 2020 – application to the LSB for approval of the new arrangements.

More appropriate categories of registrant

10. In reviewing the operation of the current register, we have identified that some categories of registrant need to be changed to reflect better the commercial framework within which they practise. This is particularly the case for some attorneys who are classified as sole traders. We also consider that it is appropriate to review whether attorneys who are “not in active practice” should be allowed to remain on the register indefinitely, or whether it would be more appropriate to restrict this category to events such as sabbaticals or parental leave.

11. Ideally, we would conduct this review in time for implementation before the 2021 annual renewal process. Once we are further ahead with the implementation of the new CRM, we will have a better idea of how we will be able to change registrant category. We therefore still plan to hold initial discussions with stakeholders during 2019 and to consult in early 2020. Thereafter, implementing any changes will take into account the need to provide certainty as to the level of fees in 2021 and progress on reviewing our regulatory arrangements.

Accreditation and monitoring of training providers

12. We have started work on two important new issues to ensure that education providers continue to meet the standards required in the IPReg Accreditation Handbook:

a. Working with Queen Mary London to ensure that recommendations in the 2017 IPReg review are being actioned and that recent feedback obtained by CITMA from students is leading to improvements in course structure, content and delivery;

b. Discussions with CIPA about its review of the training, support and assessment of students.[5]

13. In due course we will review our accreditation process to ensure that it remains fit for purpose and includes appropriate safeguards to maintain standards in between reviews. We anticipate that this review will also consider a more appropriate structure for recharging the cost of accreditation and monitoring to the academic institution. We want these costs to reflect the resources used by IPReg (e.g. Board member fees plus a percentage of staff time). We will also introduce a formal process for removing accreditation from providers who fail to maintain reasonable standards. We hope to be able to start this work during 2020.

14. We continue to consider that it is appropriate to review whether the current system of exemptions (e.g. for qualifications and for litigators) is targeted, proportionate and consistent. It remains the case that this work is likely to start in late 2020.

Diversity funding

15. For the avoidance of doubt, we remain committed to keeping a ring-fenced reserve to fund suitable diversity initiatives.

Summary

16. In addition to our business as usual activities (see paragraph 3), we propose to do the following in 2020/21 (colour coded for ease of reference):

2020	
Q1	• Consultation on proposed changes to registrant categories • Consultation on proposed changes to application process
Q2	• Initial consultation on new regulatory arrangements (high level)
Q3	• Application to LSB for proposed changes to registrant categories (with 2021 practising fees, etc.) • Application to LSB for changes to application process
Q4	• Consultation on detailed proposals for new regulatory arrangements • New registrant categories in place (depending on other factors) • New application process in place • Scope review of education exemptions policy • Start review of accreditation policy
2021	
Q1	
Q2	• Application to the LSB for approval of new regulatory arrangements

[5] See http://www.cipa.org.uk/policy-and-news/latest-news/cipa-announces-a-review-of-the-training-support-and-assessment-of-students/

Q3	• New regulatory arrangements in force
Q4	

Annex 2: 3 year projected practice fees and expenditure

These figures should not be interpreted as binding the IPReg Board to any future approach to fees or expenditure

3 YEAR PROJECTED PRACTICE FEES AND EXPENDITURE Based on RPI increase of 2.30%

	2020			2021			2022		
	£	£	£	£	£	£	£	£	£
PROJECTED INCOME									
Budgeted Practice Fees - Attorneys & Entities		932,823			981,605			1,032,137	
Admissions (attorneys)		26,713			27,327			27,956	
			959,536			1,008,932			1,060,093
Bank Interest - projected			1,200			1,200			1,200
			960,736			1,010,132			1,061,293
PROJECTED EXPENDITURE									
Legal Services Board Levy									
LSB Levy		69,713			76,684			84,353	
LeO/OLC Levy		5,000			5,000			5,000	
		74,713			81,684			89,353	
Operational Expenditure									
Board Costs									
Chair	0			0			0		
Board Members Fees	0			0			0		
Chair & Board Expenses including Travel	0			0			0		
Replacement of Board Members	5,000			5,000			5,000		
		5,000			5,000			5,000	
CMA Market Study (Legal Choices) (supported by Reserve)		5,000			5,000			5,000	
Compensation Policy Insurance Premium		35,000			35,000			35,000	
Conduct & Disciplinary incl.Assurance & Litigation									
External Legal costs and hearing costs	35,000			35,000			35,000		
Recruitment/training of panel members	15,000			15,000			15,000		
		50,000			50,000			50,000	
Corporation Tax		250			300			350	
Diversity Initiatives (supported by Reserve)		2,500			2,500			2,500	
Education & Projects		5,000			5,000			5,000	
Financial Expenses		5,627			5,756			5,888	
General Administration Expenses									
Rent	43,000			43,000			43,000		
Rates & Service Charge	35,000			35,000			35,000		
Other Office Costs	22,711			23,233			23,767		
		100,711			101,233			101,767	
IT Support (office and website)									
Support	10,000			10,230			10,465		
CRM - OPEX	13,000			13,299			13,605		
		23,000			23,529			24,070	
Legal & Professional		20,460			20,931			21,412	
PR/Communications		6,000			6,000			6,000	
Staff Costs									
CEO	78,800			80,612			82,466		
Regulatory Officers	269,700			275,903			282,249		
Administrative Staff	70,400			72,019			73,675		
Directors' Remuneration	82,200			84,091			86,025		
Employer's NI - staff	49,500			50,639			51,804		
Employer's NI - directors	4,300			4,399			4,500		
Pension Costs	11,600			11,867			12,140		
Staff Benefits	6,150			6,291			6,436		
Staff development and training	3,000			3,000			3,000		
		575,650			588,821			602,295	
		908,911			930,754			953,635	
Additional Budget for staff - Paralegal (2020 - 2022)		30,000			30,690			31,396	
Contingency		5,000			5,000			5,000	
Total Projected Expenditure			943,911			966,444			990,031
			16,825			43,688			71,262
Reserves Offset									
CMA Reserve Re Legal Choices			3,998			5,000			0
Projected Operational Surplus			**20,823**			**48,688**			**71,262**

Reserves Policy

1. There is no statutory requirement to hold reserves or to ring-fence reserves for specific purposes. We consider that it is financially prudent to hold reserves for the following purposes:

    a. to cushion against unexpected or exceptional increases in costs;
    b. financing specific project commitments including capital and systems expenditure to promote the regulatory objectives and fulfil our regulatory functions;
    c. alleviating any short-term pressure on the level of practising fee or fluctuations in the level of fees year on year;
    d. ensuring sufficient funds to support regulatory and disciplinary actions;
    e. covering costs of up to 3 months if we were unable to collect practising fees, for example as a result of an IT system failure.

2. Reserves are considered by the Board annually when the operating balance for the preceding financial year is identified. Decisions about the transfer of part or all of specific reserve(s) to or from the income and expenditure account will be considered and made by the Board at this meeting.

3. Additionally, the Board will review the level of financial risk that IPReg faces, using information available on its risk register and the results of the audit of its accounts for the preceding year. As a result of this review, project-related or allocated costs reserves may be adjusted or reallocated to other or new reserves.

IPReg

RESERVES AND SURPLUS

	As at 1 January 2019 £
Board & Chairman Appointments/Communications Reserve	**5,000**
IT/Website Reserve	**122,684**
General Contingency Reserve	**170,000**
Assurance Disciplinary & Litigation Reserve	**200,000**
Projects (including research) Reserve	**9,768**
Funding Diversity Initiatives Reserve	**23,783**
CMA Funding Reserve - Legal Choices	**8,998**
Relocation Reserve	**25,000**
Communication Reserve	**5,000**
Income & Expenditure Account	**0**
	£570,233

IPReg

PROJECTED RESERVES AND SURPLUS

	As at 1 January 2020
	£
Board & Chairman Appointments/Communications Reserve	**5,000**
IT/Website Reserve	**0**
General Contingency Reserve	**170,000**
Assurance Disciplinary & Litigation Reserve	**200,000**
Projects (including research) Reserve	**9,768**
Funding Diversity Initiatives Reserve	**18,783**
CMA Funding Reserve - Legal Choices	**3,998**
Relocation Reserve	**0**
Communication Reserve	**5,000**
Income & Expenditure Account	**0**
	£412,549

IPReg

2019 BUDGET v ACTUAL EXPENDITURE 6 MONTHS ENDED 30 JUNE 2019

THESE FIGURES HAVE BEEN PREPARED FOR MANAGEMENT INFORMATION PURPOSES AND ARE UNAUDITED

		2019 Budget			Actual 6 me 30-6-2019		
		£	£	£	£	£	£
LEGAL SERVICES BOARD AND LEGAL OMBUDSMAN LEVY							
LSB Levy				58,600			30,849
LeO Levy				5,000			2,500
				63,600			**33,349**
OPERATIONAL EXPENDITURE							
Board Costs							
Chair	*	0			0		
Board Members Fees	*	0			0		
Chair & Board Expenses including Travel	*	0			0		
Replacement of Board Members		5,000			0		
			5,000			**0**	
CMA Market Study (Legal Choices) - supported by Reserve			**5,000**			**2,500**	
Compensation Policy Insurance Premium			**35,000**			**14,000**	
Conduct & Disciplinary incl. Assurance & Litigation							
External Legal costs and hearing costs		35,000			6,760		
Recruitment/training of new Panel Members		10,000			0		
			45,000			**6,760**	
Corporation Tax			**500**			**340**	
Diversity Initatives - supported by Reserve			**2,500**			**1,042**	
Education & Projects			**5,000**			**2,459**	
Financial Expenses			**5,500**			**5,918**	
General Administrative Expenses							
Rent		30,000			15,000		
Rates & Service Charge		35,000			16,665		
Other Office Costs		22,200			5,915		
Relocation Contingency -supported by Reserve of		25,000			0		
			112,200			**37,580**	
IT Expenses (office and website)							
Support and other costs		15,000			5,294		
CRM development - supported by Reserve of		122,000			53,411		
			137,000			**58,705**	
Legal and Professional			**20,000**			**12,774**	
PR/Communications			**5,400**			**1,005**	
Staff Costs							
CEO		75,000			38,759		
Regulatory Officers		263,000			132,016		
Administrative Staff		79,000			39,237		
Directors Remuneration		80,500			38,121		
Employer's NI - staff		49,300			21,869		
Employer's NI - directors		4,000			1,231		
Pension Costs		12,700			5,458		
Staff Benefits		6,000			3,500		
Temporary Staff (Renewal of Fees)		12,000			4,150		
Staff development and Training		3,000			0		
			584,500			**284,341**	
			962,600			**427,424**	
Additional Budget for staff re CRM development, testing & implementation			50,000			0	
TOTAL OPERATIONAL EXPENDITURE				**1,012,600**			**427,424**
TOTAL BUDGETED EXPENDITURE				**1,076,200**			**460,773**
INCOME RECEIVED							
Practice Fees						904,509	
Other Income (incl. Licensed Body application fees, approval fees and interest)						7,088	
							911,597
OPERATING SURPLUS							**£450,824**

* These figures have been reallocated to Directors Remuneration, Employers NI - directors and Other Office Costs

IPReg

BALANCE SHEET AS AT 30 JUNE 2019

THESE FIGURES HAVE BEEN PREPARED FOR MANAGEMENT INFORMATION PURPOSES AND ARE UNAUDITED

	£	£
Fixed Assets		1,446
Current Assets		
Debtors & Prepayments	8,848	
Cash at bank and in hand	1,123,686	
	1,132,534	
Current Liabilities		
Creditors & Accruals	112,923	
Net Current Assets		1,019,611
Total Assets less Current Liabilities		**£1,021,057**
Reserves		
Board & Chairman's Appointments Reserve		5,000
IT/Website Reserve		122,684
General Contingency Reserve		170,000
Assurance Disciplinary & Litigation Reserve		200,000
Projects (including Research)		9,768
CMA Reserve		8,998
Funding Diversity Initiatives		23,783
Relocation Reserves		25,000
Communication Reserve		5,000
Income & Expenditure		0
		570,233
Operating surplus		
Operating surplus for 6 me 30 June 2019		450,824
		£1,021,057

CIPA
The Chartered Institute of Patent Attorneys
2nd Floor, Halton House
20-23 Holborn
London EC1N 2JD
T: 020 7405 9450
F: 020 7430 0471
E: mail@cipa.org.uk
W: cipa.org.uk

PATENTS
TRADE MARKS
DESIGNS
COPYRIGHT

4th July, 2019

Fran Gillon
Chief Executive
Intellectual Property Regulation Board
5th Floor, The Outer Temple
222-225 Strand
London
WC2R 1BA

IPReg Consultation on the 2020 Business Plan, Budget and Practising Fees

Dear Fran,

Thank you for the opportunity to respond to the consultation on IPReg's 2020 Business Plan, Budget and Practising Fees. The Chartered Institute of Patent Attorneys (CIPA) is responding to the consultation on the draft guidance in its capacity as the Approved Regulator for patent attorneys, as defined in the Legal Services Act 2007, and as the representative professional body for Chartered Patent Attorneys in the UK.

CIPA Council reviewed the consultation documents at its meeting on 5th June, 2019 and asked the Regulatory Affairs Committee to prepare a response on behalf of Council. Council approved this response at its meeting on 3rd July, 2019.

Council was pleased to note that IPReg had addressed the concern raised by CIPA in previous years that the budget consultation took place over the summer holiday period, leaving little time for analysis and critique of the documents. Council fully supports the new timetable and notes that it is IPReg's intention to maintain this in future years.

Council supports the priorities underlying the budget: that IPReg completes its work on introducing a new database and related website improvements in time for the 2020 annual re-registration process; that IPReg puts in place plans to move to new offices at the end of the expiry of the current lease February 2020); and that IPReg undertakes a review of the regulatory arrangements delegated to it by CIPA and CITMA.

Council notes that IPReg proposes to increase practice fees for 2020 by 2.3%, in line with the Retail Price Index (RPI). Council would like to know why IPReg has selected the RPI as its benchmark, given that government has indicated that it intends to move away from this measure of inflation, toward the Consumer Price Index (CPI) or the new CPIH benchmark, including owner occupiers' housing costs.

Council believes that it is important to set IPReg's proposal to increase practice fees by 2.3% in the context of last year's significant increase. Whilst CIPA was pleased that IPReg concluded that it did not need to implement its plan to increase 2019 fees by 10% plus RPI, CIPA's members were confronted with an 8.8% increase in the cost of regulation, which is ultimately met by the users of the IP system.

In its response to the 2019 consultation, CIPA set out the case that IPReg should aim to reduce practice fees, not increase them. This position was supported by the Legal Services Board, through its expectation that IPReg should look to reduce the cost of regulation over time. The Legal Services Board was clear that IPReg "would be in a position to bring down the level of fee to reflect any reductions in costs and efficiency savings" once the three priority projects are completed.

In its proposals for 2020, IPReg states that "in order to support that work and ensure that the IPReg office is properly funded, it seems likely that we will need to propose increases of RPI in future years as well." The term "in future years" suggests a long-term commitment to increase practice fees on an annual basis, beyond the point at which CIPA and the Legal Services Board believe that the efficiency savings delivered by the three projects should place IPReg in the position to be able to reduce fees. CIPA cannot support a long-term approach to increase practice fees at or above the rate of inflation and asks IPReg to provide greater clarity on how it intends to meet the expectation that fees will be reduced.

Council recognises that managing three significant projects in the coming months will place additional pressure on IPReg. This work is essential for IPReg to deliver its responsibilities as the delegated regulatory body for patent and trade mark attorneys and CIPA wants IPReg to complete the projects on time and in budget. To this end, CIPA will support IPReg in any way it can, from providing staff and volunteers to test the database implementation through to serving on any group or committee charged with reviewing the regulatory arrangements.

Council greatly values the new working relationship CIPA has established with IPReg, which is important in terms of ensuring effective regulation. If IPReg finds itself in the position of needing additional support to deliver its three priorities, CIPA will always be open to a conversation about how that support can be provided in a manner which is not prejudicial to the Internal Governance Rules.

Yours sincerely

Lee Davies, Chief Executive

IPReg: 2020 Business Plan, Budget and Practice Fees consultation

1. The Chartered Institute of Trade Mark Attorneys (CITMA) is responding to the consultation by IPReg on their 2020 Business Plan, Budget and Practice Fees in its capacity as an Approved Regulator, as defined in the Legal Services Act 2007 (the Act) and as the representative body for Registered Trade Mark Attorneys and the wider trade mark and design profession. We are grateful to IPReg for the opportunity to comment.
2. Before providing remarks on the substance of the consultation, we would like to thank IPReg for taking on board the comments made previously about the timing of the consultation and for this consultation being brought forward to avoid the summer holiday period.

Draft Business Plan

3. We broadly support the draft business plan put forward by IPReg. There will be inevitable ongoing requirements for the CRM project and accommodation project which are due to be delivered in 2019.
4. We remain fully supportive of the need for IPReg to have a new CRM system which will be more robust and we look forward to seeing the efficiency savings it brings, as well as a better user experience at the front end, once it has gone live and bedded in.
5. This combined with the review of core regulatory arrangements will hopefully ensure that IPReg is operating in a streamlined and consistent way with less internal and external administration time being needed.
6. As mentioned in our response to the 2019 business plan, we look forward to working with IPReg throughout the programme of work, assisting informally with the review of regulatory arrangements, as well as responding formally to official consultations.
7. We are pleased to see the business plan includes a commitment to reviewing more closely the accreditation process to ensure that standards are maintained in between accreditation and re-accreditation points. We hope that IPReg will be working closely, not only with Queen Mary London, but with all the Examination Agencies to review actions set for improvement.
8. It is appreciated that the timetable for the review of regulatory arrangements has been adjusted, but it is noticeable that the overall timetable has slipped, not insignificantly, from the timetable presented in the 2019 consultation. We would be interested to know what measures IPReg will be putting in place to limit any further slippage?
9. We are pleased to see that a ring-fenced reserve is being kept to fund suitable diversity initiatives. We hope that IPReg will continue to support IP Inclusive which has been developed as a vehicle for delivering awareness and change across the IP landscape. Ongoing support from IPReg is important and would, in our view, be fully justified.

Draft Budget

10. We note that income budgeted for 2020 is higher than the 2019 budget (+47k) and expenditure budgeted for 2020 is lower than the 2019 budget (-100k), which results in an overall projected surplus. The reduction in expenditure appears largely due to the end of the IT project and the accommodation project, rather than through reduced staff or other operational cost savings.

11. We have mentioned previously a hope that operational costs could be reduced. We appreciate that it would be difficult to realise immediate 'real' financial savings for 2020, but we would expect to see some changes in 2021.

12. It is noted that IPReg was required to provide to the LSB a 3-year forecast to support the proposed increase to the 2019 practice fees. If this were included as part of the 2020 consultation it would help to show what efficiency savings and changes IPReg expects to see as a result of the investment in new systems and following the review of regulatory arrangements. Whilst this would only be indicative, it would demonstrate a clearer vision and expectation of the benefits and financial savings over a longer period.

Practice Fees

13. In previous responses to practice fee consultations we made clear that we hoped for a reduction in practice fees, all things being equal, in future years. This remains our position, and it is anticipated that, following a successful implementation of the new CRM system and progress in other business plan activities in 2020, IPReg will be able to make an adjustment to fees in 2021. This would be alongside any reduction in operational costs through efficiency savings as set out above.

14. It is noted that the LSB has also indicated an expectation that the practice fee could be reduced or stabilised once the three main projects were completed.

15. In the consultation it is stated by IPReg that "…it seems likely that we will need to propose increases of RPI in future years as well (i.e. fees will remain level in real terms)." This is a concern for CITMA as it would suggest that efficiencies may not be realised over the immediate and medium term. We would like to see a clearer indication from IPReg as to when any efficiency savings would be realised.

16. This would further support the need for a high-level 3-year budget to be presented alongside this consultation and future consultations. It is appreciated that the review of regulatory arrangements may result in a change to the structure of registrant categories. Although this will make it more difficult to determine a detailed income structure in future years, until the category structure is known, there should be some high-level analysis of the proposed income required to accompany the changes in expenditure expected in the future.

17. For the immediate year ahead, the consultation clearly sets out the reasons why an increase in practice fees in line with RPI is required for 2020 and on this basis we would not object to the proposed increase. In future years an analysis based on the newer CPIH rate may be more appropriate and we would encourage IPReg to explore this option.

18. We would be happy to discuss any of these points further with representatives from IPReg if it would be of assistance.

For and on behalf of the Chartered Institute of Trade Mark Attorneys

Keven Bader
Chief Executive

4th July 2019

IPReg

Activity	2020 Budget £	2020 Budget %	2019 Budget £	2019 Budget %
Resources				
Board Costs	5,000		93,500	
Staff Costs	575,650		500,000	
Additional budget for CRM work	-		50,000	
Additional Budget for Paralegal	30,000		-	
	610,650	64.69%	643,500	59.79%
Operational Costs				
Corporation Tax	250		500	
Financial Expenses	5,627		5,500	
General Administration Costs	100,711		83,200	
plus Relocation Contingency	-		25,000	
Contingency	5,000		-	
IT expenses	23,000		15,000	
plus CRM development	-		122,000	
Legal & Professional	20,460		20,000	
	155,048	16.43%	271,200	25.20%
Policy & Governance				
Compensation Policy Insurance Premium	35,000		35,000	
Conduct & Disciplinary	50,000		45,000	
CMA - Legal Choices	5,000		5,000	
Diversity	2,500		2,500	
Education & Projects	5,000		5,000	
	97,500	10.33%	92,500	8.60%
Legal Services Board and Legal Ombudsman Levy	74,713	7.92%	63,600	5.91%
PR/Communications	6,000	0.63%	5,400	0.50%
TOTAL	**£943,911**	**100.00%**	**£1,076,200**	**100.00%**