PROFORMA FOR PRACTISING FEE APPLICATIONS FOR APPROVAL BY THE LSB UNDER SECTION 51 OF THE LEGAL SERVICES ACT 2007

Preamble

Purpose

1. The information in this proforma should be provided by approved regulators when submitting each practising certificate fee (PCF) application to the Legal Services Board (LSB) for approval under section 51 of the Legal Services Act 2007 (the Act). Section 51(2) of the Act limits the application of amounts raised by PCFs to one or more of the permitted purposes set out in section 51(4).

2. The Practising Fee Rules 2016[1] (Rules) restate the permitted purposes in section 51(4), set out the criteria against which the LSB will decide on applications submitted to it for approval and identify the evidence required to satisfy that criteria. The LSB Guidance to Approved Regulators on PCF applications (Guidance) provides more detailed guidance on the criteria and evidence.

3. Approved regulators should consider the Rules and Guidance when completing this proforma. In case of conflict, the Rules and Guidance prevail.

4. This proforma reflects the Rules and Guidance and does not impose new information requirements. Section I sets out the overview and summary information, and II to VI the specific categories of information (with references to the relevant Rules) that approved regulators must provide when submitting a PCF application, to enable the LSB to assess the application, as applicable. Sections VII to VIII allow for the submission of supporting materials and the provision of contact details, respectively.

5. The proforma is intended to ensure all PCF applications are consistent and contain the necessary level of detail, transparency and clarity in compliance with the Rules. The aim is to ensure the PCF application process is more transparent, consistent and less resource intensive for approved regulators and the LSB.

[1] Section 51(3) of the Act requires the LSB to make rules specifying the permitted purposes.

6. The text of section 51 of the Act together with the Rules and Guidance can be found on the LSB's webpages.

7. The approved regulator submitting the proforma takes responsibility for the accuracy and completeness of the information.

8. As set out in the Guidance[2], we would encourage approved regulators to engage in early pre-application discussions with the LSB to discuss any issues arising before the application is submitted.

Confidential or commercially sensitive information

9. If any information submitted as part of the PCF application is considered by the approved regulator to be confidential or commercially sensitive, please indicate this and provide reasons.

[2] Paragraph 18 of the Guidance.

PROFORMA

I. 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.
- 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.
- 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.

1. Our proposal is to retain the 2021 practising certificate fee at 2020 rates, i.e. no change.
2. This means that the proposed PCF for 2021 is as follows:

Fee type	**Paid by**	**2020**	**Proposed 2021**
PCF	CILEx Fellow	£364	**£364 (no change)**
PCF	Associate Prosecutor	£271	**£271 (no change)**
Practice Rights top up	CILEx Fellow with additional practice rights (per right)	£60	**£60 (no change)**
Practice Rights top up	Other CILEx members with additional practice rights (per right)	£60	**£60 (no change)**
Advocacy rights	CILEx Fellows with additional rights of audience	£150 (at first renewal and then once every 3 years)	**£150 (every 3 years) – no change**

PCF	Non-member with practice rights	£450	**£450 (no change)**
Entity application/renewal	Entity	Variable as fee scale	**See Appendix 1 – no change**

3. The following issues were raised in the 2019 PCF decision:

   - *CILEx Regulation to provide a clearer articulation of the different types and purpose of reserves held.*

   - *CILEx Regulation/CILEx to publish its consultation on its website and provide a more detailed explanation of how consultation responses were considered.*

   - *CILEx Regulation/CILEx to either undertake a more meaningful regulatory and equality impact assessment or explain fully why they consider one is not necessary even if there is no PCF increase*

4. Each of these issues has been dealt with within the application.

II. 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

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.

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
- 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)

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)
- 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 (see section IV, below)
- explain the reserves policy and rationale/requirement for any high level 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.

Relevant Rules

Rule D. 10 (b): evidence which demonstrates that reasonable care was taken in settling the application in the context of the budget necessary for the immediate and medium term

Rule D. 10 (d): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are regulatory functions

Rule D. 10 (e): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are not regulatory functions

Rule D.10 (f) for the purposes of the enabling the LSB to assess the impact on the proposed practising fee, provide clarity and transparency on the allocation of all the approved regulator's financial resources, whether or not those resources arise from permitted purposes

Rule D. 11 (a): description of how the application was developed and settled, including any consultation carried out, whether or not some consultation was carried out by the Board (see below)

Rule D. 11 (b) where there is a proposed increase in practising fees, the budget should show anticipated income from all sources and its allocation to the permitted purposes for the current application and where available for the next 3 years

Rule D.11 (e): an explanation of contingency arrangements where unexpected regulatory needs

5. The draft CILEx Permitted Purposes 2021 budget identifies that the regulatory activities, which includes both the direct regulatory costs and a contribution towards the permitted purposes, will be covered by the PCF.

Budget setting, forecasting and financial oversight

6. The draft CILEX Permitted Purposes budget for 2021 was considered and agreed by the CILEx Regulation Ltd Board on 10 November 2020.

7. The draft CILEx Permitted Purposes 2021 budget (**Appendix 2**) identifies that regulatory activities carried out will be covered by a PCF charged to Fellows of £364. This is held at the same level as for 2017, 2018, 2019 and 2020 and is projected to generate £2,469,883 The PCF charged to Associate Prosecutors will be £271 for 2021, held at the 2019 and 2020 rate and is expected to generate a further £35,484 creating a total income of £2,505,366.

8. Total net regulatory and permitted purposes expenditure is expected to increase in 2021 compared to the 2020 submission, by £95,602. The changes to the draft budgets for 2021 compared to the 2020 submission have resulted in an increase in net costs (i.e. before PCF income) in CILEx Regulation of £13,685, an increase in LSB regulatory levies of £29,935 and in permitted purposes expenditure in CILEx of £51,980. This has had the effect of decreasing the CILEx Regulation proportion of PCF from £219 to £213 and increasing the CILEx permitted purposes proportion from £123 to £125. The amount included in the PCF for regulatory levies has increased from £22 to £26 per authorised person.

Development of the draft CILEX Group 2021 budget

9. The CILEx Group financial statements for 2019 show a surplus before tax of £628,603, down from a surplus before tax of £842,955 in 2018. Nevertheless, this has further replenished Group Reserves and enables the Group to make strategic investments. The CRM system was implemented in August 2019 and the CPQ (CILEX Professional Qualification) moved towards go live in 2021. The Group is expecting to make small net surpluses in 2020, largely reflecting the impact of COVID and, following a reorganisation, return in 2021 to 2019 levels of surplus before tax.

10. **Appendix 3** shows the draft CILEx Group budget submissions for 2020 and 2021. This analyses by year income and expenditure by regulatory-related activity, other permitted purposes activity (with a sub-total for total permitted purposes activity), other activities that are not regulatory or other permitted purposes activities, and for the CILEX Group.

Regulatory Function

11. This is the final year of CILEx Regulation’s 3-year strategic plan. CILEx Regulation sets its budgets independently. The CILEx Regulation Board determined its resource requirements for 2021 by considering the projected budget against its

strategic aims. It also incorporates CILEx's intention to support the membership in gaining additional practice rights over the next 2 years. Whilst we have taken into account the potential impacts of Covid-19 on the 2021 budget, at present the outcomes are not clear. However, there is some mitigation available to CILEx regulated individuals who are suffering hardship through the CILEx Foundation (previously the CILEx Benevolent Fund). Our Board will keep the position under close review throughout 2021. The budgets were considered at the CILEx Regulation Board meeting on 10 November 2020. The budget was thereafter incorporated into the draft 2021 CILEx Group budget.

12. **Appendix 2** shows how PCF income is spent on regulatory activities, including CILEx Regulation.

Reserves and Contingency

13. The CILEx Regulation Ltd 2019 outturn was a deficit before tax of £(16,905) for the year which has resulted in reserves of £167,464 carried forward into 2020. In comparison with the application made in 2019, the reserves at CRL can be explained as follows:

14. The surplus generated, by CILEx Regulation, in 2018 of £132,897 was the result for that year and must be added to the reserves brought forward from previous years, if any. In this case there were brought forward reserves of £53,681 from 2017, which was the first year that CILEx Regulation recognised a surplus and established its own reserves.

15. CILEx Regulation recognised a deficit in 2019 of £16,905, which was planned and agreed with the Board to cover additional workload as part of the introduction of the new CRM. After a deferred tax adjustment of £2,209, the carried forward deficit was £19,114. When added to the brought forward reserves of £186,578 this gave CILEx Regulation a cumulative carried forward reserve level of £167,464. This has been brought forward into 2020.

16. The CILEx Regulation reserves are made up of the following;

Year	**Reason**	**Amount £**	**C/f reserves**
2017	Year end surplus	53,681	53,681
2018	Year end surplus	132,897	186,578
2019	Year end deficit	- 16,905	169,673
2019	Audit adjustment - deferred tax	- 2,209	167,464

17. The CILEx Group Reserves Policy has been updated by the Group Board in 2020 and requires six months' operating costs for all entities in the Group and, an additional strategic reserve for investment (such as CPQ) with both reserves held and controlled by CILEx. Further revisions are planned, if necessary, to ensure that

the CILEx Group reserves policy is compliant with the revised PCF rules which are expected from the LSB in December 2020. This policy has not changed since the last PCF submission and the reference to 8 months' operating costs was a typographical error.

18. As stated at paragraph 16, CRL has access to a small independent reserve which is administered independently of CILEx, the policy to administer the reserves will be developed as part of the wider changes required when the PCF rules changes next year. Once the LSB has provided final rules for the future PCF requirements the policy will be drafted and progress through governance requirements, with a submission to the LSB expected by summer 2021. Protocols between CILEx Regulation and the CILEx Group provide that CILEx will meet reasonable funding requirements of CILEx Regulation, including exceptional costs – e.g. in relation to any new regulatory developments.

19. Audited CILEx Group Net Assets are £8.9m million at the end of 2019 (greater than 3 times the level of PCF income in the 2021 budget). Although those reserves are available to the CILEx Group as a whole and not just to CILEx Regulation, CILEx Regulation is confident that resources are available should they be required. The changes to the CILEx reserves policy have not impacted on CILEx Regulation's position regarding access to reasonable resources.

20. As will be seen from the analysis of regulatory and permitted purposes costs in **Appendix 2**, the fees budgeted for 2021 are intended to deliver a balanced budget. Therefore, as PCF and permitted purposes fees fund expenditures these are not planned to be added to CILEX Group reserves.

21. In terms of overall permitted purposes expenditure funded by the PCF and other regulatory fees, this has increased marginally by £95,602, from £2,409,766 in the 2020 submission to £2,505,367 in 2021 an increase of 4.0%.

22. Total PCF income has increased by £95,602 in 2021 from a 4% increase in the Fellow membership.

III. Consultation on PCF

A. Description of the consultation process conducted with fee paying members[3]

- including length of time the published consultation was open
- summary of consultation responses
- changes to the PCF proposals as a consequence of consultation responses

[3] ARs should consult if they are proposing a fee increase. If the fee has been static or has fallen, AR should still consult at least every three years.

- 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.

Relevant Rules

Rule D. 11 (a): description of how the application was developed and settled, including any consultation carried out, whether or not some consultation was carried out by the Board

Rule D 12: in considering an application submitted to it under this Part of these Rules, the Board reserves the right to consult any person it considers appropriate. In particular, it reserves the right to consult the Consumer Panel about the impact of proposed fees on persons providing non-commercial services.

23. CILEx Regulation consulted on all practising fees between 7 September and 19 October 2020. The consultation was sent to all those required to pay the annual practising fees and can be found on our website at https://cilexregulation.org.uk/closed-consultations/

FELLOWS:

24. The proposal is to hold the fee at £364 for the 2021 practising certificate.

General information

- We have received a total of 899 responses (13% of paying Fellows in 2020)
- 90.6% support holding the fee
- 9.4% are seeking a fee reduction

General themes from those who do not support holding the fee at its 2020 rate

- 41 of 84 comments cited Covid-19
- 15 of 84 comments cited the SRA fee (£278)
- 10 of 84 comments cited inequalities on practice rights

General comments included:

- The fee is too high and should be reduced (25 responses of 84 comments, which is 3% of all responses and 30% of the comments), some respondents made additional comments in relation to the fee being too high:
    - 15 compared the fee to the SRA fee for this year
    - 10 noted that CILEx authorised persons do not have the same practice rights as solicitors

Covid 19:

25. Owing to the exceptional circumstances of 2020, CILEx Regulation asked additional questions of the regulated community to understand the impact that Covid 19 had had on their working life this year and the impacts they expect to see in 2021.

26. We received the following responses from Chartered Legal Executives:

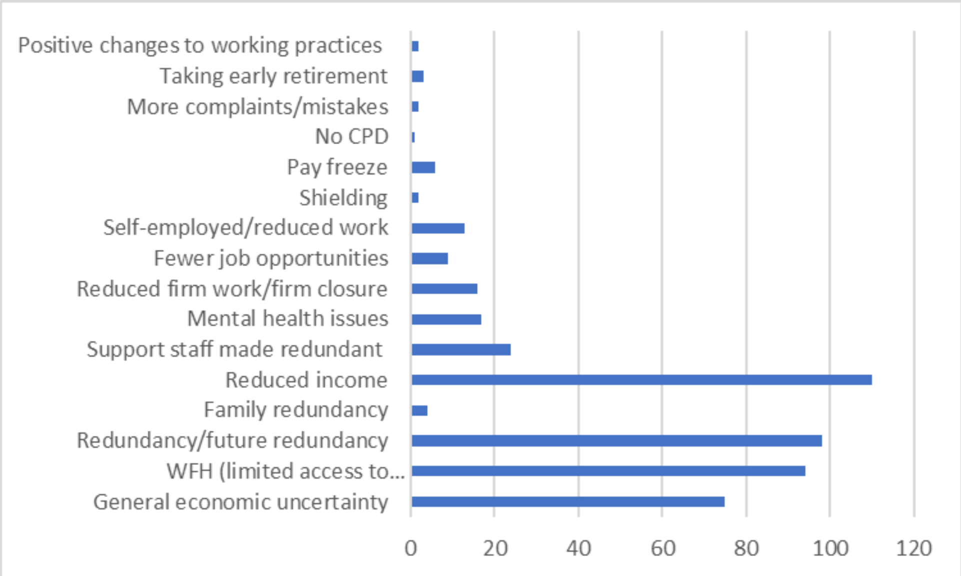
Responses to the Covid-19 questions

- 505 respondents (56%) have been affected by Covid-19 in 2020
- 616 respondents (70%) expect to be affected in 2021
- 106 respondents (21%) had been furloughed but are now back at work
- 24 respondents (5%) are still on furlough
- 42 respondents (8%) have been made redundant
  - Of these 15 respondents (3%) have found alternative legal employment
  - And 17 respondents (3%) have not found alternative legal employment
- A key issue which was drawn out through the comments was that 110 respondents (of 445 comments) (25%) had not been furloughed or made redundant, but had accepted reduced hours/pay

Analysis of Covid-19 comments

<u>Themes relating to Covid-19 related issues:</u>

Total comments received = 445 (*Note some respondents mentioned more than 1 reason)*



Reason	**Number**	**Percentage**
General economic uncertainty	75	17
WFH (limited access to clients/courts/changed business model)	94	21
Redundancy/future redundancy	98	22
Family redundancy	4	1
Reduced income	110	25
Support staff made redundant	24	5
Mental health issues	17	4
Reduced firm work/firm closure	16	4
Fewer job opportunities	9	2
Self-employed/reduced work	13	3
Shielding	2	0.5
Pay freeze	6	1
No CPD	1	-
More complaints/mistakes	2	0.5
Taking early retirement	3	0.5

Positive changes to working practices	2	0.5

Areas of practice affected as mentioned in the comments:

- Civil litigation (including PI)
- Criminal litigation
- Family practice
- Probate
- Conveyancing
- In-house
- Local Authority
- Self-employed (own practice or locum)

Conclusion

27. The response from the regulated Fellows was supportive of the proposal to maintain fee rates at their current levels.

28. We have noted the significant impact that Covid 19 has had during 2020 and the anticipated impact that may be felt during 2021. We consider that this may result in lower numbers of Chartered Legal Executives renewing their practising certificate in 2021 if no steps are taken to mitigate this.

29. As a result, CILEx will, as part of the letter to be issued with the invoice for 2021 ensure that all Chartered Legal Executives are aware of the availability of financial assistance to those in hardship through the CILEx Foundation. This assistance includes application to obtain help with annual subscriptions including the practising fee. We consider that this provides an appropriate balance between those individuals who support holding the fee for 2021, with those who may be unable to pay the fee for 2021 owing to hardship caused by Covid-19.

30. The proposal was put to, and was supported by, the CILEx Finance Committee at their meeting on 6 November 2020 and was agreed by the CILEx Regulation Board at its meeting on 10 November 2020, subject to approval by the LSB.

CILEx PRACTITIONERS AND ADVOCATES

31. The proposal for the 2020 PCF is to hold the CILEx Practitioner fee at £60 top up for a member and £450 for a non-member and to retain the renewal fee for advocates at £150 every 3 years.

General information

- We have received a total of 31 responses (14% of paying Advocates and Practitioners in 2020)
- 81% support holding the fee
- 19% are seeking a fee reduction

General themes from those who do not support holding the fee at its 2020 rate

- 1 of 7 comments cited Covid-19
- 1 of 7 comments cited the SRA fee
- 2 of 7 comments raised specific issues in relation to the renewal process (which are being dealt with separately from the practising fee renewal process)
- The remaining comments simply stated that the fee was too high

32. Owing to the exceptional circumstances of 2020, CILEx Regulation asked additional questions of the regulated community to understand the impact that Covid 19 had had on their working life this year and the impacts they expect to see in 2021.

33. We received the following responses from CILEx Advocates and CILEx Practitioners:

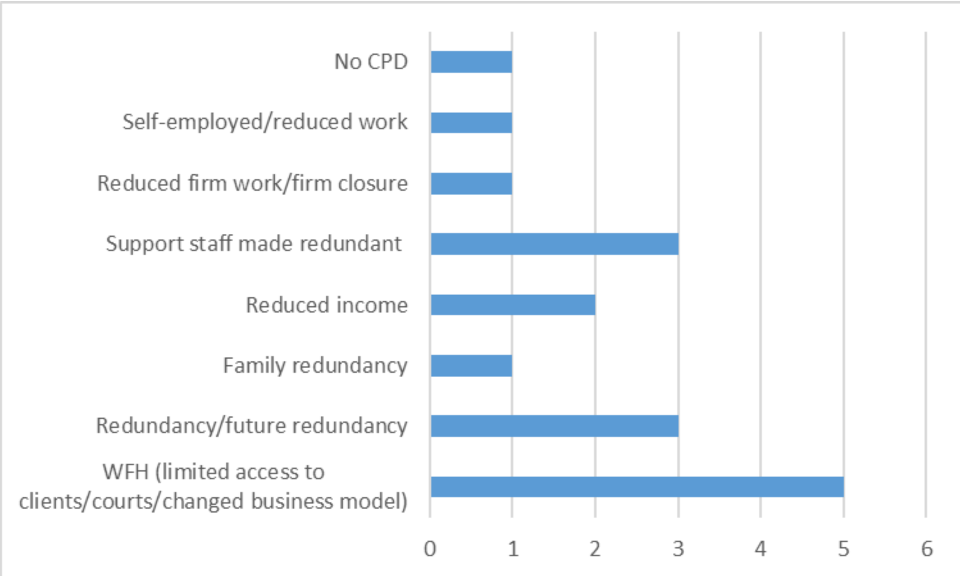
Responses to the Covid-19 questions

- 19 respondents (61%) have been affected by Covid-19 in 2020
- 23 respondents (74%) expect to be affected in 2021
- 3 respondents (16%) had been furloughed but are now back at work
- 1 respondent (5%) is still on furlough
- 2 respondents (10%) have been made redundant
  - Of these, 1 respondent (5%) has found alternative legal employment
  - And 0 respondents (0%) have not found alternative legal employment

Analysis of Covid-19 comments

<u>Themes relating to Covid-19 related issues:</u>

Total comments received = 15 (*Note some respondents mentioned more than 1 reason)*



Reason	Number	Percentage
WFH (limited access to clients/courts/changed business model)	5	33%
Redundancy/future redundancy	3	20%
Family redundancy	1	6%
Reduced income	2	12%
Support staff made redundant	3	20%
Reduced firm work/firm closure	1	6%
Self-employed/reduced work	1	6%
No CPD	1	6%

34. The response from the CILEx Advocates and CILEx Practitioners was supportive of the proposal to maintain fee rates at their current levels.

35. We have noted the significant impact that Covid 19 has had during 2020 and the anticipated impact that may be felt during 2021. We consider that this may result in lower numbers of CILEx Advocates and CILEx Practitioners renewing their practising certificate in 2021 if no steps are taken to mitigate this.

36. As a result, CILEx will, as part of the letter to be issued with the invoice for 2021 ensure that all CILEx Advocates and CILEx Practitioners are aware of the availability of financial assistance to those in hardship through the CILEx Foundation. This assistance includes application to obtain help with annual subscriptions including the practising fee. We consider that this provides an appropriate balance between those individuals who support holding the fee for 2021, with those who may be unable to pay the fee for 2021 owing to hardship caused by Covid-19.

37. The proposal was put to, and was supported by, the CILEx Finance Committee at their meeting on 6 November 2020 and was agreed by the CILEx Regulation Board at its meeting on 10 November 2020, subject to approval by the LSB.

ASSOCIATE PROSECUTORS

38. There was no direct consultation with individual Associate Prosecutors as the CPS funds their PCF. CILEx Regulation consulted with the CPS. The proposal is to hold the fee at £271 for 2020. The CPS were supportive of the proposal to hold the fee at last year's rate.

CILEx ENTITIES

General information

- We have received a total of 7 responses (30% of paying entities in 2020)
- 100% support holding the fee for both practice and compensation arrangements

39. We received 7 responses to the consultation. All 7 respondents supported holding the fee at current levels. There were no comments.

Compensation Fund contributions (for information purposes only)

40. The proposal for the 2021 compensation arrangements contributions is to hold the contributions at 2020 rates, which was supported by the authorised entities.

Non-Commercial Bodies and the Consumer Panel

41. There has been no consultation with non-commercial bodies. CILEx member data shows that the proportion of Fellows providing non-commercial legal services is not significant and not sufficiently relevant to this branch of the profession to warrant consultation with charities.

IV. Permitted Purposes[4]

[4] See Section C of the Rules.

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
- Commercial income arising from PCF funded permitted purposes[5] (and explanation if this income is to be used for non-permitted purposes)

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
- PCF income allocation to each non-regulatory (representative) permitted purpose
- PCF income allocated to shared/ central services between the regulatory and representative arm (broken down by department/ expenditure category).

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.

Relevant Rules

Rule D. 10 (c): evidence which demonstrates that the revenues raised through the practising fee charge will be applied solely to purposes which are permitted purposes

Rule D. 10 (d): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are regulatory functions

Rule D. 10 (e): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are not regulatory functions

Rule D.11 (b) where there is a proposed increase in practising fees, the budget should show anticipated income from all sources and its allocation to permitted purposes to the current application and, where available, the next three years

Rule D.11 (f): evidence of how the previous year's practising fee income was allocated only to permitted purposes

	purposes activities		
Operations (including	23.8%	76.2%	100.0%

[5] Referred to as derivative income in paragraph 7 of the Guidance.

Membership, Sales and development, Awards and Education)			
Communications (including business development, marketing and the Journal)	1.2%	98.8%	100.0%
Policy and Governance (formerly Regulatory Affairs)	36.0%	64.0%	100.0%
Central Resources and Administration	20.7%	79.3%	100.0%

43. These percentage splits are based on the assessment of the CILEx Executive Team of the amount of departmental time spent on permitted purposes activities or in providing services to CILEx Regulation under a service level agreement. The Other Activities column relates to activities which do not relate to regulatory activities or permitted purposes activities for example training provision through CILEx Law School.

44. Activities which CILEx has identified within permitted purposes include:

- Operations: maintaining the Fellow, Associate Prosecutor and member database, issuing the PCF invoices, liaising with Authorised Persons, maintaining CPD records, providing information to CILEx Regulation about Authorised Persons and members, providing support to assure the quality of the academic qualifications, ensuring training and assessment is fit for purpose, providing assessment results for candidates by centre and learner, providing relevant committee meeting minutes, liaison with Ofqual, providing details of alleged misconduct, attending stakeholder meetings and attending professional institute forums
- Communications: providing the Journal online, editorial support, educational articles, direct mailings to Authorised Persons, CILEx Regulation publications, press releases.
- Policy and Governance: providing representation, liaison and support in the areas of law reform, policy, lobbying, equality and diversity, pro bono and judicial appointments, managing the relationship with the LSB, other Approved Regulators and government
- Central Resources and Administration: HR, IT, Finance, Procurement and Facilities

Allocation of PCF to Permitted Purposes

45. **Appendix 3** shows the allocation of PCF to permitted purposes between regulation and representation for 2021 and for 2020 for comparison. The compensation arrangements have been shown within the appendix for completeness, this is made up of the contributions from CILEx authorised firms

and a contribution of £26,796 made by CILEx towards the compensation arrangements.

46. All CRL costs are for permitted purposes activities.

47. The CILEx permitted purposes are allocated on the basis of the analysis above.

48. Total expenditure on permitted purposes in 2021 is £2,971,525 which is an increase of £187,596 over 2020. Total income from the PCF has increased from the 2020 submission to £2,505,367 in 2021.

49. This comes from an increase in authorised persons. Regulatory permitted purposes costs undertaken by CILEx for 2021 have increased in total and in percentage terms compared to 2020. This is an increase of £81,915 (including LSB £29,935) an increase of £105,681 in CRL's regulatory expenditure including permitted purposes and the compensation fund. Total Representation expenditure has increased from £5,521,659 in 2020 to £5,524,532 in 2021.

50. Analysis of Representative costs between Permitted Purposes and Other:

51. Appendix 3 shows the split of the costs of the representative function between permitted purposes and other expenditure, and between Approved Regulator activities and Representation for 2021 and 2020.

V. Transparency of PCF information to fee-paying members

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
- How the PCF has been set
- A breakdown of how the PCF income will be allocated to non-regulatory/regulatory and shared services
- An explanation of why commercial income arising from PCF funded permitted purposes is to be used for non-permitted purposes.
- 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 [6]

[6] As set out in paragraph 14 of the Guidance.

52. A letter will be provided to all fee-paying members which sets out the proportion of the PCF provided to CILEx and CILEx Regulation. A draft is attached at **Appendix 4.**

Relevant Rules

Rule D. 10 (d): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are regulatory functions

Rule D. 10 (e): clarity and transparency over the revenue raised through practising fees to be applied for permitted purposes which are not regulatory functions

Rule D. 10 (g): evidence that persons paying the practising fees will have explained to them how revenue raised through the charging of practising fees will be applied as between the approved regulator's performance of regulatory functions and any other functions also carried on by the regulator

Rule D. 11 (d): an explanation of how the cost to each regulated person is to be broken down as between income to be allocated to the discharge of regulatory functions and income allocated to other functions

Equality Impact Assessment

53. CILEx Regulation is sensitive to the fact that the CILEx membership is 73% female and therefore there is the potential for decisions made which impact on this protected group to have a disproportionate impact on the regulated community. However, the consultation responses provided do not provide evidence to consider this issue.

54. The annual consultation process on the CILEx Regulation practising fee is anonymous. Therefore, there is no direct data correlation between the protected characteristics and the responses to this consultation. In future years, CILEx Regulation will add in a question within the practising certificate fee consultations with a view to ensuring that any declared impact on those with protected characteristics is specifically addressed.

55. However, the 2019 CILEx Regulation Diversity survey indicated that the regulated community is made up as follows:

Gender

72.8% Female
20.3% Male
0.1% other
6.8% Prefer not to say/blank

Ethnicity:

5.5% Asian
3.4% Black
2% Mixed

81.5% White
7.6% Prefer not to say/blank

Disability

5.6% consider themselves disabled

56. The annual practising fee consultation indicated that Covid 19 is likely to impact on all groups in 2021, with a wide range of practice areas being identified as having the potential to be impacted.

57. At the same time, the consultation responses did not highlight any specific issues from protected groups and retaining the fee at its current level was supported by the majority of respondents (9 out of 10 Fellows, 8 out of 10 Advocates and Practitioners and all regulated entities).

58. However, as is stated in the consultation section above, CILEx and CILEx Regulation will notify the regulated community of the availability of the CILEx Foundation to assist individuals in financial hardship.

59. This will mitigate against all protected characteristics.

Regulatory Impact Assessment

60. The annual practising fee is payable by those authorised to deliver one or more of the reserved or regulated activities. The fee payable to CILEx and CILEx Regulation covers the cost of regulation for these individuals and those training to become authorised in order to protect the public interest and the consumer in accordance with the activities set out in section 51 of the Legal Services Act 2007. Funding of the regulatory activities is the minimum necessary to fund these required functions, taking into account anticipated income which falls outside of the permitted purposes under the Act. This year, CILEx Regulation has forecast increased income from individuals seeking to become regulated for additional practice rights in one or more of the reserved activities (beyond Commissioner for Oaths which is awarded as part of the authorisation process for Chartered Legal Executives). This is in line with expectations that the new alternative route to authorisation for additional practice rights will be approved by the Legal Services Board by the end of 2021, as well as a strategic objective within CILEx to actively promote individuals to obtain an additional practice right within 2 years. This expectation of additional income through increased practice rights applications has enabled CILEx and CILEx Regulation to hold the practising fee at its 2020 rate, despite the potential adverse effects of Covid 19 on the regulated community.

61. As set out in the analysis of the 2020 consultation process, CILEx and CILEx Regulation recognise that the impact of Covid 19 on the regulated community may have a significant impact in 2021. CILEx and CILEx Regulation have therefore balanced the requirements for effective regulation of authorised persons and firms in order to protect the public interest and the consumer with the potential for some

members of the regulated community to be adversely affected by the economic impacts of Covid 19. As a result CILEx and CILEx Regulation will notify the regulated community of the option to apply for financial support from the CILEx Foundation in situations where hardship means that they may be unable to renew their practising certificate for 2021.

62. The Foundation, an independent charitable body, will be funded from 2021 through discretionary contributions from surplus arising from non-permitted purposes membership representation and other activities of CILEx.

63. CILEx and CILEx Regulation consider that this provides the appropriate balance between the need to continue to fund effective regulation in the interests of the public and the consumer whilst ensuring that those individuals who may be adversely affected by the current and likely future conditions are able to seek financial support.

Regulatory Objectives and Better Regulation Principles

64. CILEx Regulation and CILEx are aware of the importance of ensuring that the PCF covers the budget for activities that support the regulatory objectives set out in the Legal Services Act 2007. CILEx Regulation and CILEx are satisfied that PCF income will be spent solely on regulatory activities and permitted purposes that aim to promote adherence to the regulatory objectives e.g. authorisation and supervision, supporting members with the CPD scheme requirements, entity regulation (as applicable) together with providing advice and support to members to be able to meet new requirements, e.g. ABS regulation.

65. CILEx Regulation and CILEx acted in accordance with the principles of proportionality, accountability, consistency, transparency and targeting, in determining and developing the PCF for 2021.

66. Transparency and accountability have been ensured through the manner in which consultation has been carried out with both the relevant regulated communities and the CPS as described in section III.

Relevant Rules

Rule D. 10 (g): a regulatory and diversity impact assessment

VII. Other supporting information

There is no other supporting information

VIII. Contact details

Contact details:

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Appendix 1: Entity Fees and Compensation Arrangements contributions (2021)

ENTITY OWNERS - FEES FOR 2021

Entity Fees

	Non-ABS Entity		ABS Entity		Renewal	
Turnover	**CRL (Client money)**	**CRL (No client money)**	**CRL (Client money)**	**CRL (No client money)**	**CRL (Client money)**	**CRL (No client money)**
£0 - £100,000	£1,250	£761	£2,100	£1,611	£1,100	£611
£100,001 – £250,000	£1,500	£1,066	£2,350	£1,916	£1,350	£916
£250,001 – £500,000	£1,750	£1,350	£2,600	£2,200	£1,600	£1,200
£500,001 – £1m	£3,350	£2,550	£4,200	£3,400	£3,200	£2,400
£1m – £3m	£4,950	£3,550	£5,800	£4,400	£4,800	£3,400
£3m +	£6,560	£4,560	£7,410	£5,410	£6,410	£4,410

Compensation fund contributions

Turnover	**Client Money**	**No Client Money**
Litigation and Immigration		
£0 to £250,000	£700	£500
£250,001 to £500,000	£1,400	£1,000
£500,001 – £1m	£2,100	£1,500
£1m – £3m	£3,500	£2,500
£3m +	£5,075	£2,538
Probate and Conveyancing		
£0 to £250,000	£750	£500
£250,001 to £500,000	£1,500	£1,000
£500,001 –	£2,500	£1,500

1m		
£1m – £3m	£4,000	£2,500
3m +	£6,090	£2,538

APPENDIX 2

Draft CILEx Permitted Purposes 2021 Budget & PCF Calculations

CRL Income & Expenditure	**2019 Final Budget for PCF**	**2020 Final Budget for PCF**	**2021 Draft Budget for PCF**
Income excluding PCF	375,130	326,001	420,716
Operating Expenses	495,098	412,006	409,912
Trading Surplus/(Deficit)	(119,968)	(86,005)	10,804
Admin & Property Expenses	290,649	370,455	476,635
Payroll Costs	896,363	998,782	1,003,096
CRL Net Surplus/(Deficit)	**(1,306,980)**	**(1,455,242)**	**(1,468,927)**
Net Costs of CRL per Fellow & A.P	**£197**	**£219**	**£213**
LSB/OLC Levies	**130,000**	**135,000**	**164,935**
OPBAS		**13,500**	**13,500**
		148,500	**178,435**
LSB/OLC Levies per Fellow & A.P.	**£20**	**£22**	**£26**
	£217	**£241**	**£239**
CILEx Permitted Purposes: Fellows Apportionment			
Membership/Sales & Development/Operations	531,089	427,874	492,981
Awards/Education (now in Operations)	0	0	0
International (now in Education)	0	0	0
Journal (now in Communications)	0	0	0
Regulatory Affairs/Policy & Governance	88,291	73,675	69,566
Communications & Marketing/Communications	13,072	5,002	8,617
Central Resources & Admin	317,649	294,697	282,623
CILEx Law School	0	0	0
	950,101	**801,248**	**853,787**
CILEx PP Costs per Fellow	**£147**	**£123**	**£125**
CILEx Permitted Purposes: A.Ps Apportionment			
Membership/Sales & Development/Operations	4,807	2,454	3,691
Awards/Education (now in Operations)	0	0	0
International (now in Education)	0	0	0
Journal (now in Communications)	0	0	0
Regulatory Affairs/Policy & Governance	799	595	468
Communications & Marketing/Communications	0	0	58
Central Resources & Admin	2,875	1,727	0
CILEx Law School			
	8,482	**4,776**	**4,217**
CILEx PP Costs per A.P.	**£54**	**£30**	**£32**
Total Regulatory & Permitted Purposes Cost	**2,395,563**	**2,409,766**	**2,505,367**
Cost per Fellow	**£364**	**£364**	**£364**
Cost per A.P.	**£271**	**£271**	**£271**
Total Paying Fellows & A.Ps	6,625	6,655	6,902
Paying Fellows @ 01/04/XX	6,468	6,498	6,771
APs @ 01/04/XX	157	157	131
Total Members @ 01/04/XX	19,423	19,608	19,606

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APPENDIX 3

Allocation of PCF to Permitted Purposes: 2021

	Regulation (CRL)	Representation		Group Services	Other Activities	Total CILEx
Total Costs:						
Direct Costs	1,545,645	3,975,961		343,997	5,990,376	11,855,979
Shared Services	343,997	1,548,570		(343,997)	(1,548,570)	0
Other	45,444	0				45,444
Total Costs	**1,935,086**	**5,524,531**		**0**	**4,441,806**	**11,901,423**
Analysed:		PP	**Other**			
Permitted Purposes	1,935,086	1,036,439				2,971,525
Other	0		4,488,092	0	4,441,806	8,929,898
	100.0%	18.8%	81.2%	0.0%	100.0%	
Income:						
PCF	1,468,927	1,036,439				2,505,366
Regulatory Fees	420,716					420,716
Membership	0		2,102,709			2,102,709
Other Income	45,444		2,291,890	0	5,253,593	7,590,927
Total Income	**1,935,087**	**1,036,439**	**4,394,599**	**0**	**5,253,593**	**12,619,718**
Net Surplus/(Deficit)	**1**	**0**	**(93,493)**	**0**	**811,787**	**718,295**
Analysed:						
Permitted Purposes	1	0				1
Other			(93,493)	0	811,787	718,294
	1	**0**	**(93,493)**	**0**	**811,787**	**718,295**

Allocation of PCF to Permitted Purposes: 2020

	Regulation (CRL)	Representation		Group Services	Other Activities	Total CILEx
Total Costs:						
Direct Costs	1,648,261	5,009,741		1,316,202	4,986,656	12,960,860
Shared Services	181,145	511,918		(1,316,202)	623,139	0
Other	0	0				0
Total Costs	**1,829,406**	**5,521,659**		**0**	**5,609,795**	**12,960,860**
Analysed:		**PP**	**Other**			
Permitted Purposes	1,829,406	954,524				2,783,930
Other	0		4,567,135	0	5,609,795	10,176,930
	100.0%	17.3%	82.7%	0.0%	100.0%	
Income:						
PCF	1,455,242	954,524				2,409,766
Regulatory Fees	326,000					326,000
Membership	0		2,346,050			2,346,050
Other Income	48,164		2,118,250	0	5,749,796	7,916,210
Total Income	**1,829,406**	**954,524**	**4,464,300**	**0**	**5,749,796**	**12,998,026**
Net Surplus/(Deficit)	**0**	**0**	**(102,835)**	**0**	**140,000**	**37,165**
Analysed:						
Permitted Purposes	0	0				0
Other			(102,835)	0	140,000	37,165
	0	**0**	**(102,835)**	**0**	**140,000**	**37,165**

Draft letter to authorised persons (Appendix 4)

To follow once finalised.

CILEx Reserves Policy (Appendix 5)

Separate document.