CILEX AND CILEx REGULATION APPLICATION FOR APPROVAL OF THE PRACTISING CERTIFICATE FEES TO BE APPLIED IN 2022

26 October 2021

SECTION 1: SUMMARY AND OVERVIEW

Summary of fee proposal for 2022 PCF

1. CILEX and CILEx Regulation (CRL) initially budgeted for a 2% increase to the PCF to apply to all parts of the regulated community. However, following the annual engagement process with the regulated community it became apparent that this was not well supported after the pandemic year and was also likely to have a disproportionate impact on protected and other groups. Therefore, CILEX and CRL reviewed the PCF budgets and have mitigated the impact to PCF payers. This has resulted in a smaller increase than initially proposed for the 2022 practising certificates of 0.8%. In addition, for CILEX members adversely affected by the increase, access to the CILEX Foundation will continue for 2022. This will apply to the regulated community as follows:

Fee type	Paid by	2020	Proposed 2021
PCF	CILEX Fellow	£364	**£367**
PCF	Associate Prosecutor	£271	**£271**
Practice Rights top up	CILEX Fellow with additional practice rights (per right)	£60	**£60**
Practice Rights top up	Other CILEX members with additional practice rights (per right)	£60	**£60**
Advocacy rights	CILEX Fellows with additional rights of audience	£150 (at first renewal and then once every 3 years)	**£151 (every 3 years**
PCF	Non-member with practice rights	£450	**£453**
Entity application/renewal	Entity	Variable as fee scale	**See Appendix 1**

How the Approved Regulator would continue to operate in the event that the PCF application is not agreed within the timeframe

2. CILEX has healthy reserves which have been accumulated from its commercial activities outside of the regulation of authorised persons. These reserves would be available to cover the short-term inability to invoice the regulated community for the PCF. In addition, CRL has a target reserve, independent of the CILEX reserves, which is set at between 3-6 months of operating costs. It is considered that should the CILEX/CRL PCF application not be agreed within the expected timeframe, CILEX and CRL would be able to continue to operate using these reserves (see section 4, page 27 for more detail).

Addressing issues from the 2021 decision notice

3. Two key issues arose from the LSB's decision notice from 2021:

   - *to provide a clearer articulation of the purpose of reserves held. We expect that it provides the necessary information and analysis concerning how they assess against their medium-term ability to withstand risk factors*
   - *CILEx Regulation to provide a more meaningful assessment of the equality impact in its next PCF application*

Reserves

4. CRL has created its own reserves policy (Appendix 4), which sets out the oversight of the CRL reserves. The policy sets out how CRL ensures that it can identify and withstand medium term risk factors as part of the management of the CRL reserves. A reserves statement has also been provided, which sets out the reserves held by CRL (both committed and uncommitted) and how these reserves are held. Full details of the CRL and CILEX Reserves policies can be found at section 4, page 27.

Equality Impact Assessment

5. At the 2021 renewal process, all CILEX members, including authorised persons were required to complete EDI data. This has provided CRL with a full data set on the regulated community and has enabled a more insightful equality impact assessment. CRL also included an EDI questionnaire as part of the consultation process, and this has enabled us to identify that some protected groups responded in higher numbers than we would expect from the make-up of the regulated population. Full details of the impact assessment are included at section 6, page 37.

Regulatory performance

6. CRL's regulatory performance assessment highlighted that action was required to remove the QASA from our rules and to ensure that quality assurance processes for rule change applications submitted to the LSB were improved. CRL has completed the work in relation to the QASA and has introduced additional quality assurance (QA) checks on rule changes prior to submission. These workstreams are documented in the 2021 workplan (page 20).

Actions taken after informal discussions with the LSB on this application

7. Unfortunately, owing to the analysis of the consultation indicating issues with the proposed fee increase and the need to review both the CILEX and CRL budgets, it has not been possible to submit the application in draft. CILEX and CRL did however have discussions with the LSB team early in 2021 and the discussion and feedback that took place at that time has been taken into account within this application.

SECTION 2: ALLOCATION OF PRACTISING FEE TO PERMITTED PURPOSES

Allocation of the practising fee between CILEX, CILEx Regulation and the levies is as follows:

CILEX	CILEx Regulation	Levies (LSB, OLC and OPBAS)
£783,420 (33%)	£1,458,539 (60%)	£161,097 (7%)

Distribution of the practising fee across the regulated community

8. The distribution of the expected practising certificate fee income from individuals with additional rights, Chartered Legal Executives and Associate Prosecutors v firms is as follows:

	Individuals	Firms
2022	1,402,533 (96%)	56,006 (4%)
2021	1,441,074 (98%)	27,853 (2%)

9. Only a small proportion of the total CILEX membership (35%) are authorised persons and require a practising certificate and therefore the funding is calculated on the basis of direct cost recovery with all Fellows paying an equal share. However, all CILEX members are regulated by CRL, and funds raised through the PCF to be allocated to CRL as the regulatory body, are also used to regulate these members for enforcement activity (all members) and CPD compliance (where applicable). This is allowable as a permitted purpose under section 51 of the Act.

Programme of activity (CILEx Regulation).

10. As a smaller regulator, with 23 staff, 76% of the PCF income is spent on day-to-day regulatory activities (comprising education, authorisation, supervision, enforcement, governance, services shared with CILEX (e.g. Human Resources and IT support) and 5 general management activities (e.g. business support contract management). The remaining 24% of the PCF income is spent on activities which flow from the strategic objectives.

11. CRL spending for each of these areas breaks down as follows:

Core regulatory activities at CRL

Description of activity	% total PCF allocated to activity	PCF actual £	Permitted purpose	Strategic objective or business as usual activity	Regulatory or representative activity
Education standards: keeping the standards for authorisation under review, accrediting training providers, acting as External Quality Assurer for the Chartered Legal Executive apprenticeship, annual review of accredited providers and exemptions	3% (or 2% of total PCF)	47,260	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest, • protecting and promoting the interests of consumers • encouraging an independent, strong, diverse and effective legal profession
Authorisation: authorising individuals and firms as authorised persons (includes assessment of qualifying employment, competence for admission and oversight by committees.)	4% (or 3% of total PCF)	64,299 *Other income from application fees* *281,063*	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest, • improving access to justice • protecting and promoting the interests of consumers • encouraging an independent, strong, diverse and effective legal profession
Supervision: ensuring competence of individuals through CPD activity monitoring and firm supervision via annual returns and visits.	2% (or 1% of total PCF)	34,400 *Other income from renewal fees* *45,335*	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest, • protecting and promoting the interests of consumers • encouraging an independent, strong, diverse and effective legal profession
Enforcement: includes review of the annual prior conduct declarations and investigations of misconduct together with oversight from enforcement panels.	24% (or 14% of total PCF)	346,400	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest, • supporting the constitutional principle of the rule of law • protecting and promoting the interests of consumers • promoting and maintaining adherence to the professional principles
Governance: Board meetings and preparation, including risk management, performance, strategy and business planning and liaison with other regulators and government.	11% (or 7% of total PCF)	167,076	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons Law reform and legislative change Collaboration and co-operation with other regulators and government	Business as usual activity	• protecting and promoting the public interest; • supporting the constitutional principle of the rule of law; • improving access to justice; • protecting and promoting the interests of consumers;

					• promoting competition in the provision of services within subsection (2); • encouraging an independent, strong, diverse and effective legal profession; • increasing public understanding of the citizen's legal rights and duties
General management: Calculation of the practising certificate fee, finance activities, professional fees not covered in other activities, expenses, networking, CRM development and business support and wellbeing	12% (or 7% of total PCF)	170,074	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest • encouraging an independent, strong, diverse and effective legal profession
Total	**56% (or 34% of total PCF)**	**829,509**			

Strategic objectives and business plan for 2022:

Description of activity	% total PCF allocated to activity	PCF actual £	Permitted purpose	• Strategic objective or business as usual activity	• Regulatory or representative activity
Consumer: Enhancing the information available to consumers to improve accessibility to legal services *Activities for 2022:* • *Contribute to Legal Choices* • *Review compliance with transparency requirements with other regulators and review effectiveness* • *Research current consumer protections, identify gaps and develop alternative solutions* • *Consider legal tech developments from the consumer perspective*	8% (or 5% of total PCF)	116,683 (including the contribution to Legal Choices)	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons Law reform and legislative change Collaboration and co-operation with other regulators and government	• Improve the provision of information of legal services providers to consumers • Ensure that there are high levels of compliance with the minimum standard of transparency across the legal services sector • Increase understanding of consumer protections and redress available in the legal services landscape • Contribute to the development of new technologies and other innovations which can transform	• protecting and promoting the public interest, • protecting and promoting the interests of consumers

				delivery of legal services to the consumer	
Diversity: Championing fair access for all in the legal services market *Activities for 2022:* • *Develop and publish D&I strategy* • *Working with CILEX and other regulators develop definition of progression and benchmark to enable progress to be monitored* • *Use CRL and other data to benchmark D&I, agree and build evaluation activities to monitor progress* • *Desk-based review of existing research into D&I barriers, commission research to address gaps in current research and working with others identify actions to improve outcomes*	8% (or 5% of total PCF)	116,683 (including research budget)	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons Collaboration and co-operation with other regulators and government	• Publish a D&I strategy • Improving the ability of aspiring lawyers to enter & progress based on merit regardless of their background • Use data effectively to set goals where we can make a difference • Measure impact, chart progress and evaluate the effectiveness of equality actions to enable us to understand the outcomes for consumers and the regulated community • D&I consumer access - Identifying and working to resolve barriers faced by consumers from diverse backgrounds to improve access to legal services	• protecting and promoting the public interest • promoting competition in the provision of legal services • encouraging an independent, strong, diverse and effective legal profession • improving access to justice • protecting and promoting the interests of consumers • increasing public understanding of the citizen's legal rights and duties
Standards: Upholding standards whilst pursuing innovative models to improve access and minimise the regulatory burden *Activities for 2022:* • *Continue to work with other stakeholders to support and monitor changes to technology and innovation* • *Desk-based and possibly additional research into the legal*	8% (or 5% of total PCF)	116,683	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	• Contributing to understanding of new technologies and innovation for legal services • Review of legal landscape • Review of current entity regulatory model • Ongoing competence/ Risk-	• Encourage strong, independent, diverse and effective profession • Access to justice • Protect and promote interests of consumers • Encourage competition • Professional principles: proper standards

services landscape to understand regulatory issues • *Review entity regulatory model to determine possible actions for change and improvement (including compensation arrangements)* • *Participate in the LSB review of ongoing competence and use risk-based model to suggest improvements to individual supervision* • *Work with training providers to increase embedding on CRL education standards into legal qualifications*				based supervision of individuals • Promote new education standards	
Total	**24% (or 15% of total PCF)**	**350,049**			

12. Most of the budget for the strategic objectives comes from apportionment of staff time, although there is an allocation for the Legal Choices fee and research. Additional research identified through the strategic objectives has been allocated from reserves and identified as committed reserves within the Reserves Statement (see section 4, page 27)

13. The remainder of the budget is spent on services shared with CILEX as follows:

Description of activity	% total PCF allocated to activity	PCF actual £	Permitted purpose	Strategic objective or business as usual activity	• Regulatory or representative activity
Shared services: this includes HR, Finance, IT, insurance, Facilities, issuing of the practising certificate and regulated member support	20% (or 12% of total PCF)	289,522	Regulation, accreditation, education and training of relevant authorised persons and those wishing to become such persons	Business as usual activity	• protecting and promoting the public interest • encouraging an independent, strong, diverse and effective legal profession
Total	**20% (or 12% of total PCF)**	**289,522**			

Shared services explained

14. The shared services are based on headcount and are apportioned as follows:

15. **Facilities** (including premises costs): for 2022, following the decision of CILEX to close the shared offices, CRL will not contribute to these costs.

16. **IT** equipment and training CILEX/CRL shared services costs relate only to licensing.

17. **HR:** this covers learning, development, wellbeing, professional subscriptions, recruitment and staff benefits

18. **Finance**: Staff costs only

19. **Insurance**: Share of Group insurance

20. **Regulated member support** (including issuing the practising certificate and practice advice): share of CILEX customer service team.

21. **Capital expenditure** – not part of the shared services calculation.

Programme of activity (CILEX)

Strategic priorities for the Approved Regulator in 2022

22. As a result of the change programme at CILEX, described below (see Financial information section) and recognising the challenging circumstances for CILEX members, by making an additional contribution to CRL, CILEX has reduced its share of the practising fee from £126 to £121 (this would have been £125 however, CILEX has made an additional contribution from reserves of £25,000) for 2022 and will absorb any inflationary and/or any additional costs. This fee will allow CILEX to deliver its work on behalf of Fellows across membership services, operations, business development and marketing as well as in policy/governance and central services. Our 2022 strategy will continue to build on our existing objectives in these areas. These are:

- Through our Awarding Body and the CILEX Law School, continue our programmes of education and training, and
- Through our public affairs agenda, maintain and raise the profile of our members and our professional standards, increase public understanding of citizens legal rights and duties and as the approved regulator, participate in law reform and the legislative process.

Area of work	Activity	% PCF allocated for 2022	Non-PCF budget allocated to these activities (% and figures)	Permitted purpose (section 51 of the Act)	Regulatory Objectives
Includes Membership, Sales and Development, Awards and Education (£466,339) Total budget for this area is £1,633,914. The proportion of this budget allocated from PCF is 29%	*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 * Support and nurture Fellows * Printing and despatching Practice Certificates * Practice support for Fellows * Qualification: regulation, compliance, development * Accreditation	58% of CILEX share of PCF (or 19% of total PCF)	71% other sources of funding £1,167,574	*Education and Training *Preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate *Maintaining and raising of their professional standards *Giving of practical support, and advice about practice management, in relation to practices carried on by such persons	➢ protecting and promoting the public interest ➢ improving access to justice ➢ protecting and promoting the interests of consumers ➢ promoting competition in the provision of services ➢ encouraging an independent, strong, diverse and effective legal profession
Policy & Governance formerly Regulatory Affairs (£67,230)	*Providing representation, *Liaison and support in the areas of law reform, policy, lobbying, equality and diversity,	8% of CILEX share of PCF (or 3% of total PCF)	89% other sources of funding £554,657	*Participation of approved regulator in law reform and legislative process	➢ protecting and promoting the public interest

Total budget for this area is £621,887. The proportion of this budget allocated from PCF is 11%	Stakeholder engagement as an Approved Regulator with the LSB, other Approved Regulators and government			*The promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions	➢ improving access to justice ➢ protecting and promoting the interests of consumers ➢ promoting competition in the provision of services ➢ encouraging an independent, strong, diverse and effective legal profession
Communications (£8,330) Total budget for this area is £1,111,413. The proportion of this budget allocated from PCF is 1%	*Provision of Journal content relevant to regulatory matters inc publication of discipline findings & resulting practice advice *Editorial support, *Educational articles, *Direct mailings to Authorised Persons, *CILEx Regulation publications, *Press releases. *Journal publication of disciplinary *Publication of the newsletter	1% of CILEX share of PCF (or <1% of total PCF)	99% other sources of funding £1,103,083	*Increasing public understanding of the citizen's legal rights and duties *Education and Training	➢ ➢ ➢
Central Resources and Administration (£266,521) Total budget for this area is £742,518. The proportion of this budget allocated from PCF is 36%	CILEX central shared services used to act as the Approved Regulator which is made up of a proportion of overhead costs including Board and Senior Leadership resource spent on activities as Approved Regulator	33% of CILEX share of PCF (or 11% of total PCF)	64% other sources of funding £475,997	*Participation by the approved regulator in law reform and the legislative process *Maintaining and raising of their professional standards *Giving of practical support, and advice about practice management, in relation to practices carried on by such persons	➢ encouraging an independent, strong, diverse and effective legal profession ➢ protecting and promoting the interests of consumers ➢ improving access to justice
Total of PCF		**100% (or 33% of total PCF)**			

SECTION 3: FINANCIAL INFORMATION

23. The practising certificate income is made up of 2 main areas:

- The income for Chartered Legal Executives and Associate Prosecutors (who work at the CPS); and
- The income received at CRL for those seeking authorisation (and those who are authorised) for additional areas of activity.

24. These comprise:

- CILEX Advocates
- CILEX Practitioners
- CILEX Authorised Firms

25. From 2022, this will also include CILEX Practitioners (ACCA-Probate) and CILEX-ACCA Probate Firms. CRL will make a separate application for the approval of this fee if the ACCA application is approved and once the ACCA members have been consulted on the proposed fees. However, an income allowance has been included as part of the overall CRL budget submitted as part of this application.

26. CRL also regulates all CILEX members for conduct and some CILEX members for CPD compliance. This is also funded via the PCF as a permitted purpose under section 51 of the Legal Services Act 2007 (the Act).

27. CRL calculates its expenditure by looking at our usual operating activities and activities to meet our strategic objectives. This provides the estimated cost of regulation for the next 12 months. The anticipated income CILEx Regulation will receive from CILEX Advocates, CILEX Practitioners and CILEX firms is then subtracted, leaving the net figure to apply to Chartered Legal Executives and Associate Prosecutors.

28. CILEX calculates the permitted purposes it requires to cover the regulatory activities allowed under section 51 of the Act, which it will carry out on behalf of CILEX members. The likely levies that will be charged by the Legal Services Board, the Office for Legal Complaints and OPBAS are also estimated. Adding the net regulatory costs of CRL to the permitted purposes for CILEX and the levies, provides the amount remaining to be collected from Chartered Legal Executives and Associate Prosecutors as the practising certificate fee for these groups. This is then calculated based on the expected number of renewals from these two groups.

2022 PCF Budget

29. Considering the actuals and reforecast to the end of 2021, CRL initially worked on the basis that there would be an increase to the PCF in line with the Consumer Price Index. However, as set out in the consultation section of the application, the longer-term impacts of the pandemic are still being felt by the regulated community at CILEX and therefore, following a significant review of the budgets the decision has been taken to increase the fee by a smaller amount (0.8%) and to provide access to the CILEX Foundation for those in hardship.

30. To achieve this reduction in fee, CRL has reconsidered how it will operate for the next 12 months. Savings have been identified in some areas, the decision to continue to work predominantly from home has been taken for 2022, with a view to introducing hybrid working from 2023, and CRL will make additional contributions from its reserves for 2022. This will ensure there is funding available to undertake research identified in the strategy and business planning process and enable CRL to continue to provide effective regulation whilst recognising the difficulties of those who pay the practising certificate fee. CILEX has already taken the decision to move to a fully remote working environment.

Proposed income and expenditure 2022

31. Full details of the CILEX and CRL budgets are set out at Appendix 2, the calculation of the PCF for 2022 is shown at Appendix 3. This demonstrates that the direct regulatory costs and a contribution to the permitted purposes will be covered by the PCF.

32. Where increases would have been applied to CRL and CILEX budgets this would use the Consumer Price Index (CPI) @ 2%. However, Inflation has not been applied to the budget for the 2022 PCF, as work is undertaken towards regaining the 2019 position following 2 years of economic and social uncertainty.

Income	**Budget**
PCF	2,403,056
Other sources of income	9,989,232
Total	£12,392,288

Expenditure	**Budget**
CILEx Regulation	1,817,436
Levies	161,097
CILEX	10,133,483
Total	12,112,016

Allocation of PCF to Permitted Purposes

33. **Appendix 3** shows the allocation of PCF to permitted purposes between regulation and representation for 2022 and against 2021 for comparison. The compensation arrangements have been shown within the appendix for completeness, this is made up of the contributions from CILEX authorised firms. In previous years, CILEX has made a contribution to the costs of the insurance premium covering the compensation fund. Following the decision of the Royal Sun Alliance not to renew the insurance policy which covered the CILEX compensation arrangements, no contributions are required by CILEX beyond 2020. Although CRL was able to obtain an extension of the insurance policy, those costs were covered, in full, by the arrangements. However, CILEX has included this sum of £25,000 as a contribution towards reducing the impact of increased expenditure to mitigate the fee increase.

34. All CRL costs are for permitted purposes activities.

35. The CILEX permitted purposes are allocated on the basis of the analysis at paragraph 22.

36. Total expenditure on permitted purposes in 2022 is £2,773,164 which is a decrease of £198,361 over 2021. Total income from the PCF has decreased from the 2021 submission to £2,403,056 in 2022. This is a reduction in income of £102,311.

37. This comes from an anticipated increase in Fellows for 2021, when compared with earlier years. The actual renewals for 2021 were in line with previous years and therefore the decrease in authorised persons for 2022 reflects the average position of renewing Fellows since 2016. Regulatory permitted purposes costs undertaken by CILEX for 2022 have decreased when compared to 2021 by £91,922 (including LSB £17,338) and there is a decrease of £10,389 on CRL's regulatory expenditure (including permitted purposes and the compensation fund). Total Representation expenditure has increased from £5,524,532 in 2021 to £5,853,467 in 2022.

Analysis of Representative costs between Permitted Purposes and Other

38. 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 2022 and 2021.

Budget setting, forecasting and financial oversight

39. The draft CRL budget for 2022 was considered and agreed by the CILEx Regulation Ltd Board on 19 October 2021.

40. The draft CILEX Permitted Purposes 2022 budget (**Appendix 2**) identifies that regulatory activities carried out, will be covered by a PCF charged to Fellows of £367. This is a £3 (or 0.8%) increase on the fee, which had been held at the same level (£364) between 2017 and 2021 and is projected to generate income of £2,357,851. The PCF charged to Associate Prosecutors will remain at £271 for 2022, as there has been an increase in Associate Prosecutor numbers to offset the increase to the PCF budget. This fee has been held at the same level since 2019, it is funded by the Crown Prosecution Service and it is expected to generate total income of £45,205.

41. Total net regulatory and permitted purposes expenditure is expected to decrease in 2022 compared to the 2021 submission by £174,620. The changes to the draft budgets for 2022 compared to the 2021 submission have resulted in a decrease in net costs (i.e. before PCF income) in CILEx Regulation of £82,698, a decrease in LSB and other regulatory levies of £17,338, and a decrease in permitted purposes expenditure in CILEX of £74,584. This has had the effect of increasing the CILEx Regulation proportion of PCF from £213 to £222 and decreasing the CILEX permitted purposes proportion from £125 to £121. The amount included in the PCF for regulatory levies has decreased from £26 to £24 per authorised person.

Development of the draft CILEX Group 2022 budget

42. The CILEX Group financial statements for 2020 show a surplus before taxation of £182,000, and a projected surplus for 2021 of £18,000, which reflects the CILEX restructure undertaken in 2020. The surplus in both years is entirely attributable to non-PCF activities. Reserves enable the Group to make strategic investments, when required and provide reassurance against the risks of an unstable market. The pandemic appears to have resulted in a change to buyer behaviour, which is currently impacting CILEX non-PCF income, including sales of CPQ (CILEX Professional Qualification). CILEX does not anticipate a dramatic change in income for the 2022 financial year.

43. **Appendix 3** shows the draft CILEX Group budget submissions for 2021 and 2022. This analysis, 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

44. 2021 is the final year of CILEx Regulation's 3-year strategic plan. CILEx Regulation has outlined its strategy for the next 3 years and has developed its budgets independently, using the 2022 Business Plan drafted from the new strategy. The CILEx Regulation Board determined its resource requirements for 2022 by considering the projected budget against its strategic aims. It has taken into account the consultation feedback in relation to the ongoing impacts felt by the regulated community in 2021 and as a result CRL has made the decision to reduce costs associated with a return to the office using a hybrid approach and to continue to work predominantly from home, as well as making savings and using reserves to fund key strategic activities. There continues to be available to CILEX members in hardship, additional mitigation through the CILEX Foundation. Our Board will continue to monitor the position throughout 2022. The CRL

budget was considered at the CILEx Regulation Board meeting on 19 October 2021. The budget was thereafter incorporated into the draft 2022 CILEX Group budget.

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

CRL and CILEX discussions on PCF budget

46. CRL created its first draft budget in April 2021 and this was presented to the May 2021 Board for their consideration. After which, CILEX and CRL worked together to create the overall PCF budget ready for consultation in July 2021. This was signed off by the CRL Board in July and was published between 5 August 2021 and 10 September 2021. After the consultation closed, CILEX and CRL reviewed the responses to the consultation and agreed to review the PCF budget for 2022 to ensure that the views of the regulated community were taken into account, with the aim of enabling CILEX and CRL to hold the PCF at 2021 levels. CILEX and CRL met on several occasions during September and early October to discuss how this change to the fee could be managed through the PCF budget. Unfortunately, it was not possible to completely remove the fee increase, however CRL and CILEX have agreed to reduce their budgets, which has reduced the requirement for a fee increase to 0.8%. The CILEX Foundation will also be available to provide support for CILEX members who are in hardship.

47. The fee increase proposed for 2022 will be reviewed again for the 2023 PCF.

48. After these amendments the final PCF application was drafted to be reviewed and signed by CILEX and CRL.

2021 PCF Income

49. Full details are set out in Appendix 2 to the application.

Income	**Budget**	**Actual**	**Variance (£)**	**Variance (%)**
PCF	2,505,367	2,380,681	124,686	- 5%
Other sources of income	420,716	292,459	128,257	- 30%
Total	2,926,083	2,673,140	252,943	- 8.64%

50. The variance between income budgeted and received from the PCF in 2021 is 5%. This is owing to a predicted increase in Fellows being budgeted for in the 2021 budget, from an historic position averaging 6454 between 2016 and 2020, to 6771. However, actual renewals for 2021 (of 6416) are more in keeping with previous years' renewals, and therefore CILEX has reduced the anticipated renewals for the 2022 budget to reflect the actuals for 2021 and revert back to levels similar to those seen in earlier years.

51. The income from other sources was predicted to rise, based on an expectation that Fellows would take up additional practice rights ahead of the introduction of the reformed education standards, the new CILEX Professional Qualification and the alternative route to practice rights, which was approved in principle in 2020 and is currently being piloted. However, there was limited marketing of the opportunity to gain practice rights in 2020/1 and therefore, this predicted rise has not yet materialised. The ambition to ensure Fellows have practice rights where they specialise in a reserved area of activity is part of the CILEX strategy and it is anticipated that the alternative route will deliver additional practitioners. This activity will, subject to final approval by the Legal Services Board, be conducted by a 3rd party assessor and therefore the predicted income for 2021 has not been carried forward into the 2022 budget.

2021 PCF income (CRL)

Income	Budget	Actual	Variance (£)	Variance (%)
PCF	1,468,927	1,468,927	-	-
Other sources of income	420,716	292,459	128,257	- 30%
Total	1,889,643	1,761,386	128,257	- 7%

2021 PCF expenditure

52. This is set out in appendix 2 to the application; a summary is set out below.

Expenditure	Budget	Actual	Variance (£)	Variance (%)
CILEx Regulation	1,889,643	1,737,839	151,804 (or 23,547 excluding practice rights income)	8% or 1.3%
Levies	178,435	164,625	13,810	8%
CILEX	858,004	858,004	-	-
Total	£2,926,082	2,760,468	165,614 (or £37,357 excluding practice rights income)	5.65% or 1.3%

53. As application numbers for practice rights were lower than anticipated, corresponding assessment fees were also lower than budgeted, which has mitigated the impact of the lower-than-expected applications, explained above. The net variance, for CRL, excluding the additional anticipated income is £23,547 or 1.3%.

2021 Budget v Actuals (CILEx Regulation)

54. CRL has set out below the expenditure for each area of activity undertaken by CILEx Regulation. These are divided into business-as-usual activities and activities undertaken to progress our strategic objectives. CRL has set out the services shared with CILEX as a separate line. For each set of activities, we have explained variances greater than 5%, which generally have arisen as a result of the continued changed working arrangements owing to the pandemic for 2021.

Business as usual activities at CRL

Description of activity	**Budget**	**Actual**	**Variance (£)**	**Variance (%)**
Education standards: keeping the standards for authorisation under review, accrediting training providers, acting as External Quality Assurer for the Chartered Legal Executive apprenticeship, annual review of accredited providers and exemptions	29,902	30,200	298	1%
Authorisation: authorising individuals and firms as authorised persons (includes assessment of qualifying employment, competence for admission and oversight by committees.)	PCF income: 47,553 Income - other sources*:* 359,763 **407,316**	PCF income 87,156 Income - other sources 241,399 **328,555**	-39,603 Income - other sources 118,364 **78,761**	-19%
Supervision: ensuring competence of individuals through CPD activity monitoring and firm supervision via annual returns and visits.	PCF income: 29,221 Income - other sources 38,953 **68,174**	PCF income 20,821 Income - other sources 37,466 **58,287**	8,400 Income - other sources 1,487 **9,887**	15%
Enforcement: includes review of the annual prior conduct declarations and investigations of misconduct together with oversight from enforcement panels.	290,797	305,252	-14,445	-5%
Governance: Board meetings and preparation, including risk management, performance, strategy and business planning and liaison with other regulators and government.	153,121	133,787	19,334	13%

General management: Calculation of the practising certificate fee, finance activities, professional fees not covered in other activities, expenses, marketing, networking, CRM development and business support and wellbeing	87,626	132,153	-44,527	-51%

Explanation of business-as-usual activities

55. There are 4 variances which exceed 5% in relation to expenditure at CRL:

a. Authorisation: this variance is explained at paragraph 51 in terms of the lower-than-expected income for applications for authorisation for additional practice rights. The net cost to authorisation of the higher than realised projections was £72,840. If this figure is removed from the calculation, the variance becomes 5,921 or 1.5%.
b. Supervision: when CRL budgeted for this line, it was anticipated that face to face entity visits would have resumed. These will now take place in 2022.
c. Governance: Since budgeting there has been a re-allocation of the policy and governance budgets into a single line. This line includes travel expenses for staff working in policy, however many anticipated face-to-face meetings have become remote in 2021. CRL also had a staff vacancy for much of the year covering this area.
d. General management: A series of activities have arisen during the year, which were not visible to CRL when the budgeting process started in 2020. As a result, the general management line, which encompasses these additional activities have increased the spending in this area. These included developing an enhanced QA procedure for the submission of rule change applications following the regulatory performance review, finalising the CRM implementation at CILEX, monitoring IGR compliance, incorporating the PCF rules and guidance into CRL processes and inter-regulatory collaboration.

Strategic objectives at CRL

Strategic objective	Description of activity	Budget	Actual	Variance (£)	Variance (%)
	Strategy (33% of total)	459,210	367,232	91,978	20%
Diversity objectives	Addressing barriers				
	Data collection				
	Working with CILEX to support diversity in the legal profession				
	Focus on outcomes in disciplinary cases to improve outcomes re EDI				

Standards objectives	Legal technology – contributing to the work in the wider sector and working collaboratively to submit a bid to the RPF				
	Finalising work on CRM to provide risk profiles				
	Enhancing advocacy skills among CILEX Advocates & submission of QASA application				
	Finalising the revised education standards and planning implementation				
	ACCA application				
Consumer objectives	CMA review				
	Immigration transparency rules				
	Legal Choices	27,500	26,100	1,400	5%

56. The budgets for the strategic objectives primarily comprise staff time at CRL. These individuals would also be involved in the activities which are set out in the general management budget line. Therefore, where additional, unanticipated work is undertaken within the business-as-usual activities, this will come from the time spent on the strategic workplan. This reallocation of activity within the budget would reduce the variance to 10%. There is additional work to complete, prior to the year end e.g. implementation of the QASA application, ACCA application, submission of the Immigration Transparency Rules application and risk profiles on the CRM, which may further reduce the current predicted surplus.

Shared Services

Description of activity	**Budget**	**Actual**	**Variance (£)**	**Variance (%)**
Shared services: this includes HR, Finance, IT, insurance, Facilities, issuing of the practising certificate and regulated member support	343,997	343,997	0	0

CRL employment costs

CRL staff costs (including Board)				
	Budget	**Actual**	**Variance (£)**	**Variance (%)**
2021	1,003,096	981,036	22,060	-2%
2022	1,071,954	-	against 2021 budget: 68,858	+7%

57. Total staff costs are budgeted to increase against the 2021 budget by £68,858 and, as a percentage of the PCF, have increased from 60% to 64%. Key changes are as follows:

    e. 1% reduction in budgeted staff costs in Authorisation and Supervision
    f. 4% increase in budgeted staff costs in Enforcement
    g. 3% reduction in budgeted staff costs in Policy and Governance owing to staff vacancy

58. These changes have led to an overall increase in the staff budget at CRL of £68,858 or 7% overall. The increase within the Enforcement team has been caused by a restructure and a change to workload within the team. This includes an increase in the number of prior conduct declarations received, an increase in the number of misconduct cases received (which reflects increases across legal services regulators more widely) and the need to recruit experienced staff to these roles, which necessitated an increase in salaries across the team to reflect market rate.

Other sources of income: CRL

59. CRL receives additional income from dealing with individual applications for assessment of qualifying employment, applications to become Chartered Legal Executives and for authorisation with additional practice rights. The number of applications each year has been static for several years and at present the majority of these applications can be gauged from the number of individuals in the CILEX Graduate grade of membership, many of whom will apply to become Chartered Legal Executives. The risk to the income for 2022 is assessed as low as the number of members in the Graduate grade of membership at CILEX has slightly increased from 2020 to 2021. The decrease to the practice rights income has been explained at paragraph 51.

2021 Budget v Actuals (CILEX)

	Budget	Actuals	Variance (actual)	Variance (%)
Income to be generated excluding PCF 2021	£10,405,866	£10,445,194	£39,328	0.4%
PCF (Actuals 7.6% of total income)	£ 858,004	£ 858,004	£0	0%
Total income	£11,263,870	£11,303,198	£39,328	0.3%

60. During 2020/21, CILEX initiated an organisational efficiency programme, which included a number of redundancies, to optimise its business functions around a digital-first customer journey, remote working, and its new professional qualification. These changes have enabled CILEX to absorb any impact on membership numbers caused by the pandemic and any economic uncertainty.

Allocation of income to expenditure (CILEX) 2021

Area of work	Action	% PCF allocated for 2021	% 2021 PCF spent to date	BUDGET	ACTUAL to date	Variance value	Variance %
Includes Membership, Sales and Development, Awards and Education	*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 * Support and nurture Fellows * Printing and despatching Practice Certificates * Practice support for Fellows * Qualification: regulation, compliance, development * Accreditation	58%	56%	496,673	481,773	£14,900 There is no expectation that CILEX will exceed the spend allocated against PCF spend in this area by the year end.	3% to be spent by year end

Policy & Governance formerly Regulatory Affairs	*Providing representation, *Liaison and support in the areas of law reform, policy, lobbying, equality and diversity *Stakeholder engagement as an Approved Regulator with the LSB, other Approved Regulators and government	8%	7%	70,033	61,279	£8,754 There is no expectation that CILEX will exceed the spend allocated against PCF spend in this area by the year end.	12.5% to be spent in the final months of 2021
Communications	*Provision of Journal content relevant to regulatory matters inc publication of discipline findings & resulting practice advice *Editorial support, *Educational articles, *Direct mailings to Authorised Persons, *CILEx Regulation publications, *Publication of the newsletter	1%	>1%	8,675	8,250	£425 There is no expectation that CILEX will exceed the spend allocated against PCF spend in this area by the year end.	5% To be spent by year end
Central Resources and Administration	Proportion of contribution of overhead costs including Board and Senior Leadership resource spent on activities as Approved Regulator	33%	27%	282,623	234,577	£48,046 There is no expectation that CILEX will exceed the spend allocated against PCF spend in this area by the year end.	17% To be spent by year end
Total of PCF		**100%**		858,004	785,879	72,125	8.4% To be spent by year end

CILEX employment costs

61. The total direct salary costs for CILEX, which incorporate the above activities, but also include the activities outlined below are:

	CILEX total staff costs	CILEX PCF staff allocation - Budget	Actual	Variance (£)	Variance (%)
2021	4,079,421	694,204	694,204	-	-
2022	4,170,782	681,687	-	-	-

Other sources of income (CILEX)

62. PCF income is not a primary source of revenue for CILEX. The majority of CILEX business activities and therefore overhead costs are funded through alternative income streams. CILEX achieves this income as the professional membership association of other grades, not just authorised persons; through CILEX awarding body and through CILEX Law School. This gives greater financial resilience than would otherwise be the case if CILEX was solely dependent on PCF income. The healthy reserves, which are funded through non-regulatory income, also supports CILEX's ability to be resilient in a changing economic climate, such as that created by COVID or a recession. The pandemic has created risks across all market sectors and CILEX has addressed these risks by reducing costs through our redundancy programme in 2020 and through our decision to become a virtual organisation and therefore no longer maintaining an estate with its associated costs.

63. CILEX Group costs by department as set out in Appendix 3 are split between Permitted Purposes and Other Activities as follows:

CILEx department	All permitted purposes activities	Other activities	Total
Operations (including Membership, Sales and development, Awards and Education)	£466,339 (29%)	£1,167,574 (71%)	£1,633,913
Communications (including business development, marketing and the Journal)	£8,330 (1%)	£1,103,083 (99%)	£1,111,413
Policy and Governance (formerly Regulatory Affairs)	£67,230 (11%)	£554,657 (89%)	£621,887
Central Resources and Administration	£266,521 (36%)	£475,997 (64%)	£742,518

64. 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.

65. 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: CILEX central shared services used to act as the Approved Regulator which is made up of a proportion of overhead costs including Board and Senior Leadership resource spent on activities as Approved Regulator.

Risk to the alternative sources of income at CILEX

66. The PCF is not CILEX's primary source of revenue and therefore it is most unlikely that all CILEX sources of income would disappear. However, should this unlikely event happen, it would present a risk to achieving CILEX objectives and would require a revised CILEX business plan, which would most likely include another staff redundancy programme. The assessment of risk at this time is low.

SECTION 4: RESERVES

Introduction

67. In previous applications, CRL has relied on the CILEX Reserves Policy (attached at Appendix 4) for the management of its reserves. As part of the decision notice for last year's PCF application, the LSB required CRL to develop its own reserves policy to ensure that its reserves can be managed away from the wider CILEX reserves.

68. The new CRL Reserves policy is attached at **Appendix 5**. The development of the policy was reviewed by the Board and was approved at the 19 October Board meeting.

CILEx Regulation Reserves

The CRL Reserves Policy:

69. The Reserves Policy sets out the following:

- Types of reserve held by CILEx Regulation;
- General principles which govern how the CILEx Regulation reserves are held and managed;
- How we set out target reserves and how this is reviewed and managed;
- How we identify committed reserves;
- Our target for uncommitted reserves;
- Actions we will take should our reserves be below or above our target;
- What events might trigger access to our reserves;
- How we decide whether reserves should be utilised; and
- The administration of the CILEx Regulation reserves within the CILEX Group Reserves.

Setting and managing the target reserve:

70. When setting the target reserves, CRL takes into account known risks to the organisation, assessed through analysis of the risk register and identifies major strategic risks to the organisation, which the reserves aim to mitigate. In setting the target, CRL ensures that there is a balance between ensuring risks can be insured against and not increasing costs to the regulated community unnecessarily. Having undertaken this analysis, CRL identified committed reserves for the next 12-month period by considering the following factors:

- Specific projects for which financing from reserves is required

- Funds required for regulatory or disciplinary action
- To cover identified risks

and calculate the funds which will form the uncommitted reserves.

71. Where the uncommitted reserves held are higher than the target, CILEx Regulation will consider actions to bring the reserves back within the target range, for example:

- to further our strategic objectives,
- to provide additional regulatory activities in accordance with the regulatory objectives,
- to enable future investment in innovation, which is considered essential in the current legal services market, or
- reducing the practising fee to bring reserves back into alignment with 6 months operating costs

CRL also reserves the right to increase the reserve beyond 6 months of operating costs (with a rationale).

Different types of reserve held:

72. CILEx Regulation controls 2 types of reserve:

- Contingency reserves, held centrally within the CILEX Group Reserves, and
- Working Capital reserves, held locally at CRL

Uncommitted reserves targets:

	Target
Uncommitted Contingency Reserve and Working Capital Reserves	3 months to 6 months of operating costs
Uncommitted Working Capital Reserves	2 months of operating costs

73. The 2020 CRL outturn was a surplus before tax of £237,189, which has resulted in working capital reserves of £201,486 carried forward to 2021. The total working capital reserves currently held by CRL have been accumulated as follows:

Year	***Reason***	***Amount £***	***C/f reserves***
2017	*Year end surplus*	*53,681*	*53,681*

2018	*Year end surplus*	*123,681*	*177,362*
2019	*Year end deficit*	*- 16,905*	*160,457*
2019	*Audit adjustment - deferred tax*	*- 2,209*	*158,248*
2020	*Year end surplus*	*201,486*	*359,734*
2021	*Estimated surplus*	*23,547*	***383,281***

74. The current CRL working capital reserve (both committed and uncommitted) is £359,734, with an estimated additional amount to add to the reserves by the end of 2021 of £23,547.

75. However, of these reserves, the following reserves are classified as committed:

Reason for committed reserve	**£**
Items previously budgeted, carried forward to 2021	22,119
Delayed spend owing to the pandemic	80,052
Maternity cover unrecoverable	40,000
Research	50,000
Advices	10,000
Additional premises (owing to pandemic)	8,000
Contribution to CRL 2022 budget	10,491
Total committed reserves	**220,662**

76. This leaves uncommitted reserves of £139,072. This is within the current allowance for working capital reserves which is up to 2 months of operating costs. The forecast surplus to the end of 2021 of £23,547 (see income and expenditure above) will take the total working capital reserves which are uncommitted to £162,619, which is also within the permitted 2 months operating costs.

77. In addition, CILEX holds on behalf of CRL, as part of the Group Investment, £700,000 in contingency reserve. The breakdown of this reserve into committed and uncommitted reserves is as follows:

Total held in CILEX investment	£700,000
Committed for compensation fund	£250,000
Committed for interventions	£70,000
Total uncommitted contingency reserve	**£380,000**

78. Therefore, the total uncommitted reserves in CRL control is £542,619, at 4 times monthly operating expenses this falls within both the CRL target and the target range set within the PCF rules and guidance (i.e. 3-6 months of operating costs).

79. Although the PCF budget is intended to deliver a balanced budget for 2022, any additional collections over and above those budgeted for will be added to the CRL reserves, to ensure that any accumulated PCF reserves are kept separate.

80. As this is the first year that CRL has operated an independent reserves policy, comparison with earlier years cannot be provided, however this will form part of PCF applications for future years.

CILEX Reserves

81. The CILEX Group Reserves Policy is attached at Appendix 4. It 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, with the exception of the CRL contingency reserve which is controlled by the CRL Board via the CRL Reserves policy outlined above. CRL also has additional access to the CILEX Reserves if it makes a reasonable resources request under section 30 of the Act. It was not felt necessary to amend CILEX Group Reserves policies.

82. PCF income is not a primary source of revenue for CILEX. This income is achieved as the professional membership association of other grades, not just authorised persons; through the CILEX awarding organisation and through CILEX's commercial law school. This gives CILEX greater financial resilience than it would otherwise have if it were solely dependent on PCF income. CILEX's healthy reserves, which are funded through non-regulatory income, also support CILEX's ability to be resilient in a changing economic climate, such as that created by COVID or a recession.

83. The vast majority of CILEX uncommitted reserves have been funded through and are associated with non-regulatory income streams, in particular education activities. The attached CILEX Reserves Policy (Appendix 4) indicates CILEX uncommitted reserve aspirations.

Management of risk at CILEX

84. The PCF is not CILEX's primary source of revenue and therefore, it is most unlikely that all CILEX sources of income would disappear. However, should this unlikely event happen, it would present a risk to achieving CILEX objectives and would require a revised CILEX business plan, which would most likely include a staff redundancy programme. The risk of such an occurrence is currently assessed as low. CILEX has an annual budget and quarterly forecast process, supported by monthly financial reporting. Horizon scanning feeds into both budgeting and forecasting processes and CILEX ensures the CILEX Reserves Policy is appropriate to cover unforeseen risks.

SECTION 5: CONSULTATION AND ENGAGEMENT

***Length of time consultation was open*:**

85. The PCF consultation opened on 6 August 2021 and closed on 10 September 2021. It can be found here. In addition to being published on the CRL website for 5 weeks, it was emailed to Chartered Legal Executives, CILEX Practitioners and Advocates, and CILEX Firms. CRL sent the PCF proposal for Associate Prosecutors to the Crown Prosecution Service for their view and this year they have chosen not to respond, as there was not a significant fee change proposed from Associate Prosecutors.

Level of engagement:

86. CRL received the following responses:

Regulated person type	Number of responses	% regulated community	In favour	Against
Chartered Legal Executive	430 of 6416	7%	53%	47%
CILEX Practitioner and/or Advocate	24 of 254	11%	54%	46%
CILEX Firm	11 of 25	44%	64%	36%

Summary of consultation responses (Fellows):

Higher than solicitors	22
Reduction in CILEX service levels during the pandemic/ introduction of CPQ	22
Covid (general)	42
Covid (female impact)	1
Too expensive/ no value for money/ (1 states discriminates against poorer lawyers, a number of others are self-funded)	69
Those working in Local Authorities/public sector should pay less	10
CILEX should have made savings during the pandemic	2
Legislative change having negative impact on the profession	1
Part time/retired should pay less	2

Summary of consultation responses (Advocates and Practitioners)

Higher than solicitors	2
Reduction in CILEX service levels during the pandemic/ introduction of CPQ	2
Covid (general)	1
Too expensive/ no value for money	6
Those working in criminal advocacy have been impacted	2

Summary of consultation responses (Firms)

Covid (general)	2
Increase in PII premiums	1

Key issues are:

- There is no value for money and it is too expensive
- The impact of COVID
- The SRA fee has reduced by £12
- Reduction in CILEX service levels during the pandemic and the timing of the introduction of CPQ (CILEX Professional Qualification)
- Local Authority and public sector have not had a pay rise and criminal advocacy has been hit
- Increase in the PII premiums

A number of responses mention the use of the CPI. The responses think this is unreasonable when pay has not increased to the same levels.

Covid responses (Fellows)

- 57% respondents have been impacted by Covid
- Of these (some of which could have been selected more than once by respondents):
  - 58% have seen their job impacted through changed responsibilities
  - 19% had to take a pay cut
  - 21% had been furloughed although have now returned to work, and
  - 6% were made redundant but found alternative legal employment

87. The remaining responses (8%) showed a range of outcomes from still being on furlough and being concerned for the impact of the end of the furlough scheme to being made redundant and not finding alternative legal employment.

88. Key commentary from the responses is as follows:

Increased workload	38
Challenge of remote working including caring responsibilities	14
Pay cut/furlough	13
Redundancy (including other family members)	4
Impact on mental health	5
No support from government for self-employed	2
Shielding	1

Covid responses (Advocates and Practitioners)

- 65% respondents have been impacted by Covid
- Of these (some of which could have been selected more than once by respondents):
    - 31% had been furloughed although have now returned to work
    - 15% are still on furlough
    - 15% had to take a pay cut
    - 70% had increased responsibilities at work

89. The remaining responses (8%) showed a range of outcomes from including being made redundant and not finding alternative legal employment.

90. Key commentary from the responses is as follows:

Increased workload	3
Challenge of remote working including caring responsibilities	2
Pay cut/furlough	1
Reduced workload	4

91. Key issues arising from this part of the survey is the impact on those with caring responsibilities and the increased workload to fee earning staff who are taking on additional responsibilities without extra remuneration. There is also evidence that fee earners have had to take a pay cut and some evidence of negative mental health impacts ongoing. One respondent mentioned the impact of the increase on part-time workers.

92. The Fellow consultation also saw some respondents mention the adverse impact on those working in the public sector / local authority, who have had pay freezes. We currently have 787 Fellows working in these areas – which equates with approximately 12% of the paying Fellows.

Engagement with non-commercial bodies:

93. We have not consulted with organisations such as law centres and Citizens Advice as, according to CILEX data, there are a very small number of Chartered Legal Executives working in such organisations (11 of 7200 = 0.15% of Chartered Legal Executives regulated).

Actions taken as a result of the consultation responses:

94. The Board considered the consultation responses on 9 September 2021 and the Chair reviewed the final results on 13 September 2021. After which, there were discussions with CILEX. These are outlined at paragraph 46.

95. The 9 September meeting considered an interim review of consultation responses provided by Chartered Legal Executives, which was drawn from the live survey and considering responses made on or before 1 September 2021. At that point in time, support for the increase to the PCF was supported by 51% of the 395 respondents. The commentary from those against the increase fell into the following themes:

- There is no value for money and it is too expensive (references from 2 responses to part-time and carers post Covid)
- The impact of COVID
- The SRA fee has reduced by £12
- Reduction in CILEX service levels during the pandemic (not CRL) and the timing of the introduction of CPQ
- Local Authority and public sector have not had a pay rise

96. As a result of the very strong response from the regulated community, including the potential for the increase to adversely impact on those with protected characteristics (see below), CRL and CILEX decided to review the decision to increase the fee to £372. This has required CRL to reconsider the PCF budget for 2022 and as a result savings have been made, increased contributions from reserves have been committed, the decision has been taken to continue to work from home predominantly in 2022. This will ensure that CRL can continue to effectively regulate, and at the same time, take into account the needs of the regulated community. This has enabled the fee increased to be reduced from 2% to 0.8% for 2022.

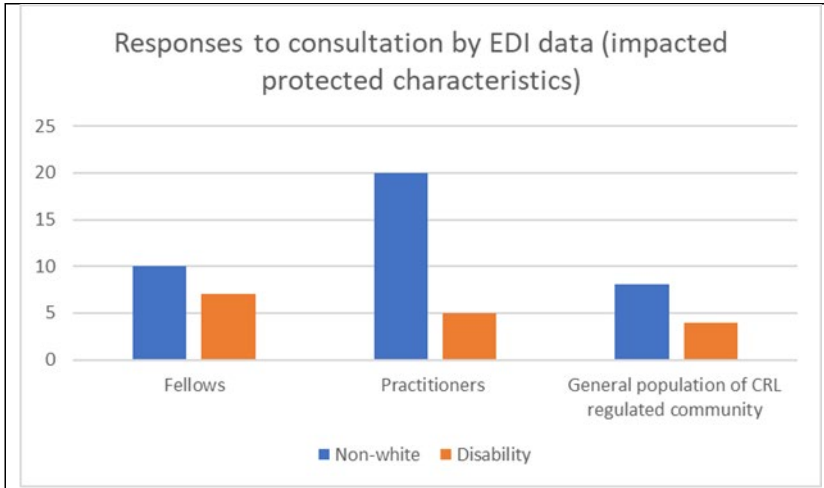
SECTION 6: IMPACT ASSESSMENTS

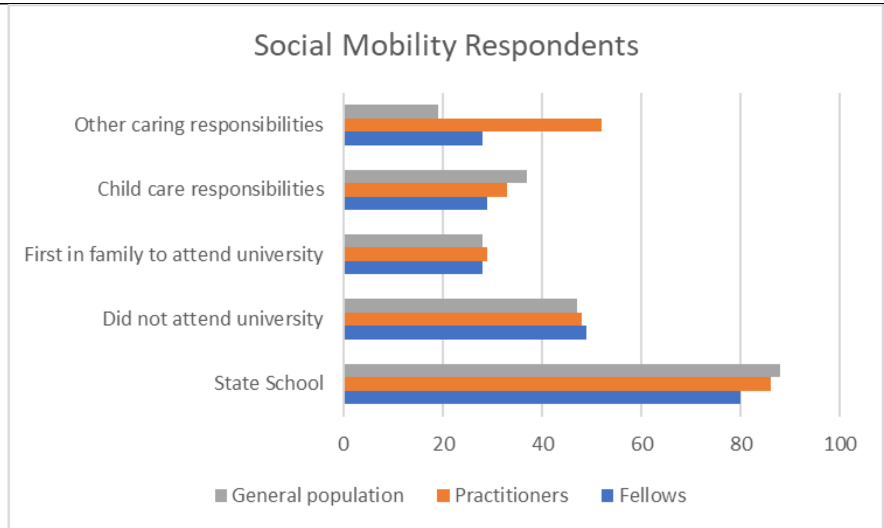
How we assessed the potential for harm:

97. For the first time this year, CRL and CILEX requested EDI data covering both protected characteristics and social mobility factors. The EDI data was analysed from consultee responses and benchmarked against the general population data for authorised persons held by CRL. It was identified that there was a risk that a fee increase could have a disproportionate impact by ethnicity and disability (see **Appendix 6**).

98. CRL also requested data in relation to social mobility markers and data relating to caring responsibilities (who were more likely to be disproportionately impacted by the pandemic).

Outcomes:





99. CRL conducted an initial equality impact assessment (EIA) assessment (at Appendix 6) which identified that there was a disproportionate response from those of a non-white background and those who declared a disability when compared with the general population.

Ethnicity

100. The initial analysis identified that the non-white respondents who did not support the fee increase responded in same proportion as those who answered the questionnaire overall (12%). This compares with the overall authorised person data held by CRL at 9%. CRL then considered this marker in relation to those working in the public sector/local authority and identified that the CRL regulated community is made up of 787 individuals working in this type of organisation and they have a higher proportion of non-white CRL regulated individuals than is within the general population of CRL authorised individuals. This could indicate that the issue relates to the employer rather than ethnicity. CRL has committed to undertake more research in this area to better understand this section of the regulated community.

Disability

101. The initial analysis identified that the disabled respondents who did not support the fee increase responded was slightly lower (6%) than the proportion of those who answered the questionnaire overall (7%). This marker was then considered in relation to those working in the public sector/local authority and it was identified that the CRL regulated community is made up of 787 individuals working in this type of organisation and they a similar proportion of disabled CRL regulated individuals as in the general population of CRL authorised individuals (5%). Therefore, no disproportionate impact was evidenced through the data.

Part-time working

102. In addition, one respondent mentioned part-time workers could be adversely affected by the rise and part-time workers are more likely to be female, however we could find no additional evidence of a disproportionate impact on this group. CRL's regulated community is predominantly female (75%), however only one respondent mentioned the impact within the consultation responses from an overall female response rate of 74%.

Age

103. Retired Fellows were mentioned as a potentially impacted group by the increase, however retired members do not pay for the practising certificate.

Caring responsibilities (not childcare)

104. The proportion of Fellows (28%) and CILEX Practitioners (52%) who had non-childcare caring responsibilities was higher than the general Fellow population (19%). This may reflect increased caring responsibilities for elderly relatives as the higher proportion related to those who hold additional practice rights, who tend to have been working in the legal sector longer than Fellows as a whole.

However, the percentage of respondents who did not support the fee increase and had caring responsibilities did not reflect the overall higher than expected response rate (22%).

Social mobility markers

105. The number of authorised persons who responded to the questionnaire were broadly in proportion to the wider authorised person population at CRL and therefore there was no evidence of a disproportionate impact on these groups.

Potential for harm to protected groups:

106. The harm to the protected groups relates to the identification of increased response rates to the consultation of non-white and disabled authorised persons, as well as having a higher-than-average female membership, who may work part-time or have additional caring responsibilities and therefore potentially they may have been disproportionately impacted by the pandemic and the proposed fee increase. There was a higher proportion of responses from those of non-white ethnicity and disability than is identified in the general population of the CILEX Fellows and there was one comment which indicated that those from less advantaged backgrounds may be adversely affected by a fee increase.

107. However, the analysis did not find evidence of differential impact on those working part time, or those with a disability. There is some evidence of differential impact to non-white authorised persons, but further analysis indicated that this could relate to their employer rather than ethnicity as a standalone factor. There was no evidence of an adverse impact on those from less advantaged backgrounds.

Possible actions:

108. Actions identified that CILEX and CRL could take as a result of the analysis were:

- Reduce the fee
- Keep fee the same and refer those in hardship to the CILEX Foundation

Risks in keeping the 2% increase on the fee consulted upon:

109. There is a risk that the proposed fee increase will disproportionately impact for protected groups within the regulated community notably non-white authorised persons, although this may be an issue in relation to employer type rather than ethnicity per se.

Action taken:

110. CILEX and CRL took the decision to reduce the rise in the PCF for 2022 to 0.8% to mitigate the identified risks to protected groups of a 2% fee increase for 2022. This will be further mitigated for CILEX members in hardship via access to the CILEX Foundation. CRL will conduct a full equality impact assessment over the next 12 months to ensure that the potential impact on certain protected groups is fully understood before we consult with the regulated community next year.

Regulatory impact

111. The central issue raised through the consultation this year was the continuing impact of the pandemic on CRL regulated individuals. This demonstrates that more than half of respondents were impacted, and many continue to feel the after-effects, in terms of working longer hours, increased responsibility, and reduced pay. The range of comments received tended to reflect the area of practice in which individuals worked. Some areas were suffering from reduced workload and furlough, whilst others had greatly increased workloads, sometimes accompanied by 10-20% pay cuts. Some were still furloughed and were concerned about what would happen once the government scheme came to an end, some had shifted to fully remote working and for others, work had returned to a degree of normality.

112. A brief expected increase in the number of paying Fellows last year has reverted to numbers similar to those reported since 2016. CRL will keep the numbers under review.

113. Also, worth mentioning here is a comment from one of our regulated firms about the continuing rise of PII premiums. The influence of the insurance market on the regulation of law firms is of concern to CRL firms that have an otherwise viable legal business and who may decide to close rather than continue, which in turn impacts on legal services supply to the consumer. CRL is aware that the LSB is intending to commence its review into client protection and insurance, and this is welcomed by CRL.

114. As stated above, CRL has reviewed all of the evidence and decided to reduce the proposed 2% increase to the PCF to a more modest increase of 0.8% for all authorised persons at CRL, except for Associate Prosecutors whose numbers have risen. CRL will keep this under review for the next 12 months.

115. In order to mitigate the revised fee increase of 0.8%, CRL and CILEX reviewed the PCF budgets and were able to identify savings as follows:

- Delaying the introduction of full hybrid working, instead retaining a small office for staff use on a rota basis and a small budget to allow for periodic all staff meetings.

- Holding the shared services costs with CILEX on the basis that inflationary increases have not been applied to other budget lines at CILEX,
- Increasing the level of committed reserves for research to support our strategic objectives whilst keeping our overall uncommitted reserves within the target range, and
- Re-evaluated other budget lines (such as the training budget) to ensure that we can hold the fee at the current rate, whilst ensuring we can continue to regulate effectively.

SECTION 7: TRANSPARENCY OF PCF INFORMATION TO RELEVANT AUTHORISED PERSONS

116. A copy of the communications to be issued to PCF payers for 2022 is not yet finalised. However, these communications will include:

- 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

117. In addition, CRL and CILEX will provide the following in communication with the regulated community:

i. More explanation to the regulated community (particularly Fellows) as to the services and activities funded through their practising certificate fee and the separation and distinction of operating and decision making between CILEX and CRL.
ii. An explanation of the actions taken after the consultation responses were analysed.
iii. An explanation of the value of holding accurate and complete EDI data when assessing the impact of changes to policy and fees, to improve responses to EDI data collection by aiming to reduce the number of ‘prefer not to say responses’.

SECTION 8: CHECKLIST OF ENCLOSURES

Income and expenditure forecasts, including practising fee income, for three years from and including the year for which the practising fee is to be levied.

Financial information for the previous year, including a comparison of actual and budgeted income and expenditure.

Copy of the information that will be provided to fee paying members

Details of any other supporting documents provided with the PCF application

SECTION 9: COMPLIANCE STATEMENT

I/we certify that the information provided in this application is accurate and complete to the best of my/our knowledge and I/we have taken reasonable steps to ensure that the application complies with the Rules.

Janine Griffiths-Baker
CEO, CILEx Regulation

Linda Ford
CEO, CILEX

Contact name(s) for the application:

CILEx Regulation	**CILEX**
Vicky Purtill Director of Authorisation and Supervision Victoria.purtill@cilexregulation.org.uk	Stella Atherstone Chief Financial Officer Stella.atherstone@cilex.org.uk

APPENDIX 1 – ENTITY FEES FOR 2022

	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	£1,260	£767	£2,117	£1,624	£1,109	£616
£100,001 - £250,000	£1,512	£1,075	£2,369	£1,931	£1,361	£923
£250,001 - £500,000	£1,764	£1,361	£2,621	£2,218	£1,613	£1,210
£500,001 - £1m	£3,377	£2,570	£4,234	£3,427	£3,226	£2,419
£1m - £3m	£4,990	£3,578	£5,846	£4,435	£4,838	£3,427
£3m +	£6,612	£4,596	£7,469	£5,453	£6,461	£4,445

APPENDIX 2: CILEx Permitted Purposes 2022 Budget & PCF Calculations

CRL Income & Expenditure £'s	2020 Final Budget for PCF	2021 Final Budget for PCF	2022 Draft Budget for PCF
Income excluding PCF	326,001	420,716	348,406
Operating Expenses	412,006	409,912	332,742
Trading Surplus/(Deficit)	(86,005)	10,804	15,664
Admin & Property Expenses	370,455	476,635	412,741
Payroll Costs	998,782	1,003,096	1,071,954
Funded from reserves	0	0	(10,491)
CRL Net Surplus/(Deficit)	**(1,455,242)**	**(1,468,927)**	**(1,458,539)**
Net Costs of CRL per Fellow & A.P	**£219**	**£213**	**£222**
LSB/OLC Levies	**135,000**	**164,935**	**151,097**
OPBAS	**13,500**	**13,500**	**10,000**
	148,500	**178,435**	**161,097**
LSB/OLC Levies per Fellow & A.P.	**£22**	**£26**	**£24**
	£241	**£239**	**£246**
CILEx Permitted Purposes: Fellows Apportionment			
Membership/Sales & Development/Operations	427,874	492,981	462,675
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	73,675	69,566	66,827
Communications & Marketing/Communications	5,002	8,617	8,280
Central Resources & Admin	294,697	282,623	266,521
CILEx Law School	0	0	0
Other funding - Comp Fund contribution not require	0	0	(25,000)
	801,248	**853,787**	**779,302**
CILEx PP Costs per Fellow	**£123**	**£125**	**£121**
CILEx Permitted Purposes: A.Ps Apportionment			
Membership/Sales & Development/Operations	2,454	3,691	3,664
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	595	468	403
Communications & Marketing/Communications	0	58	50
Central Resources & Admin	1,727	0	0
CILEx Law School	0	0	0
	4,776	**4,217**	**4,118**
CILEx PP Costs per A.P.	**£30**	**£32**	**£25**
Total Regulatory & Permitted Purposes Cost	**2,409,766**	**2,505,367**	**2,403,056**
Cost per Fellow	**£364**	**£364**	**£367**
Cost per A.P.	**£271**	**£271**	**£271**
Total Paying Fellows & A.Ps	6,655	6,902	6,583
Paying Fellows @ 01/04/XX	6,498	6,771	6,416
APs @ 01/04/XX	157	131	167
Total Members @ 01/04/XX	19,608	19,606	18,996

APPENDIX 3: ALLOCATION OF PCF TO PERMITTED PURPOSES 2021 & 2022

Allocation of PCF to Permitted Purposes: 2022

	Regulation (CRL)	Representation		Shared Services	Other Activities	Total CILEX
Total Costs:						
Direct Costs	1,527,915	4,270,828		289,522	6,023,752	12,112,017
Shared Services	289,522	1,582,639		(289,522)	(1,582,639)	0
Other	15,000	0				15,000
Total Costs	**1,832,436**	**5,853,467**		**0**	**4,441,113**	**12,127,017**
Analysed:		PP	**Other**			
Permitted Purposes	1,832,436	944,517				2,776,953
Other	0		4,883,950	0	4,441,113	9,325,063
	100.0%	16.1%	83.4%	0.0%	100.0%	
Income:						
PCF	1,458,539	944,517				2,403,056
Regulatory Fees	348,406					348,406
Membership	0		2,127,691			2,127,691
Other Income	21,702		2,439,542	0	5,073,593	7,534,837
Total Income	**1,828,647**	**944,517**	**4,567,233**	**0**	**5,073,593**	**12,413,990**
Net Surplus/(Deficit)	**(3,789)**	**0**	**(316,717)**	**0**	**632,480**	**286,973**
Analysed:						
Permitted Purposes	(3,789)	0				(3,789)
Other			(316,717)	0	632,480	315,762
	(3,789)	**0**	**(316,717)**	**0**	**632,480**	**311,973**

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**

THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES GROUP

RESERVES POLICY

Introduction

The CILEx Group has accumulated reserves since its formation as the Institute of Legal Executives. These reserves provide a measure of financial security and a source of investment for the Group.

The Group Board ('the Board') believes that it is prudent to maintain sufficient minimum reserves to enable the Group to meet unexpected fluctuations in business. The Board also wishes to ensure that funds are available for appropriate investment opportunities that benefit the Group and support its strategy.

This policy sets out guiding principles, including the process for Group companies to access reserves and the minimum level of reserves that should be held.

Guiding Principles

- The main assets of the Chartered Institute Group (property & value of investment portfolio) will be held and controlled by CILEx as the parent company (through the Board);
- The financial health of the Chartered Institute to be optimised by the distribution of profits from its subsidiary companies by way of an annual dividend.
- All companies within the CILEx Group have an equal right to apply for funds from the strategic reserve to support business development or strategic opportunities that are in the Group interest;
- Access to Group Reserves is by the approval of the Board.

Types of Reserve

- There shall be three types of reserves:
    - A central **Contingency Reserve** equal to the total value of 6 months of operating costs for each of the companies that make up the CILEx Group must be maintained to meet unexpected fluctuations in business;
    - A central **Strategic Reserve** equal to the amount of cash and investments held that are in excess of the Contingency Reserve. This is held to fund business development activities and investment opportunities;
    - **Local Working Capital Reserves** which are required to enable each operating company to maintain sufficient cash to meet its working capital requirements, equal to 2 months of operating costs. This working capital reserve will be held and controlled locally within each company.

Maintenance of Reserve Levels

- Central Reserve levels will be maintained through the payment of dividends by those operating companies of the CILEx Group which are permitted to distribute their profits (excludes CILEx Regulation).
- Operating companies are required to pay an annual dividend to CILEx from distributable profits when cash reserves held exceed the required level of working capital reserve, noting the particular not-for-profit status of CILEx Regulation.
- The Group Board may also require operating companies to pay an interim dividend if cash reserves are materially in excess of the minimum requirements established as required working capital.
- The payment of dividends is subject to the Group Dividend Policy.

Process of Application for Funds from Strategic Investment Reserve

- Applications for access to strategic reserve funds must be supported by a business case in accordance with Group strategic priorities.
- The business case must be in the format prescribed by, and meet the criteria required by the Finance Committee.
- The business case must be approved by the relevant operating company board prior to submission to the Finance Committee.
- The Finance Committee will make a recommendation to the Group Board as to whether the business case is in the overall Group interest, considering the potential impact on each of the operating companies within the Group.
- The Group Board's decision is final*.

*This policy acknowledges the protocols setting out the working relationships between the Chartered Institute of Legal Executives and CILEx Regulation Ltd and the provision for resolving differences contained in paragraph 31.

Investments in Financial Assets or Products

The CILEx Group has invested some of its cash in investment portfolios under professional investment management. These and all future investments will be subject to the Group Investment Policy.

The Reserves Policy must operate in accordance with the Group Investment Policy.

Additional Responsibilities of the Finance Committee

- The Finance Committee is responsible for any clarification or guidance regarding the interpretation of this policy.
- The Finance Committee will review and approve the Group Reserves Policy annually
- The Finance Committee will endeavour to consider a business case that is submitted to it as quickly as possible, where it is time-critical.

Definitions:

The Finance Committee is responsible for the interpretation and calculation of all parts and definitions in this Policy:

Total Group reserves: cash and cash equivalents together with those amounts invested in financial assets or products held by the Group.

Contingency Reserve: reserve held for the purposes of ensuring companies within the CILEx Group have access to protected funds to cover operating expenditure commitments. Equal to 6 months of operating costs for each of the companies that make up the CILEx Group.

Strategic Reserve: reserve available to fund business development activities and investment opportunities. Equal to the amount of cash and investments held in excess of the Contingency Reserve.

Local Working Capital Reserve: cash reserve held locally within each operating company. Equal to 2 months operating costs.

Operating costs: the total of direct expenditure, staff costs, premises & administration expenditure, group services charges and MIS expenditure.

APPENDIX 5 - CRL Reserves Policy

CILEx REGULATION RESERVES POLICY: 2022

Purpose

1. Under rule 18 of the Practising Fee Rules 2021, an approved regulator may keep reserves of practising fee income. However, this must be kept separate from, and separately accounted for from other reserves held. Rule 19 of these rules requires that where the regulatory body is a separate company, that company should hold and control the account where these reserves are held. Therefore, CILEx Regulation's reserves should be governed by a separate policy, which enables CILEx Regulation to manage and control its own reserves as far as it is practicable to do so.

2. This policy sets out the principles which will govern the management of the CILEx Regulation contingency and working capital reserves, which are referenced in the CILEX Reserves Policy (see **Appendix 1**). It includes:

   - Types of reserve held by CILEx Regulation;
   - General principles which govern how the CILEx Regulation reserves are held and managed;
   - How we set out target reserves and how this is reviewed and managed;
   - How we identify committed reserves;
   - Our target for uncommitted reserves;
   - Actions we will take should our reserves be below or above our target;
   - What events might trigger access to our reserves;
   - How we decide whether reserves should be utilised; and
   - The administration of the CILEx Regulation reserves within the CILEX Group Reserves.

Types of reserve held by CILEx Regulation

3. CILEx Regulation controls 2 types of reserve:

   - Contingency reserves, and
   - Working Capital reserves

General Principles

4. The CILEx Regulation contingency reserve will be held and managed centrally by CILEX. Access to the contingency reserve will be by agreement of the CILEx Regulation Board alone and CILEx Regulation has unfettered access to its reserves held within the CILEX reserves.

5. Working capital reserves are held locally by CILEx Regulation. Working capital reserves in excess of the amount stipulated in this policy will be added to the contingency reserves held by CILEX and ringfenced for CILEx Regulation, unless they are reserves which have been committed to identified regulatory activities, in which case they will continue to be held locally.

6. Notwithstanding this policy, CILEx Regulation will have the right under the CILEX Group policy to apply for funds from the CILEX strategic reserves.

Setting and managing the target reserves level

7. When setting our target reserves, we take into account known risks to the organisation, assessed through analysis of the risk register and identify major strategic risks to the organisation, which the reserves aim to mitigate.

8. In setting the target, we ensure that there is a balance between ensuring risks can be insured against and not increasing costs to the regulated community unnecessarily.

9. Having undertaken this analysis, we identify committed reserves for the next 12-month period and calculate the funds which will form the uncommitted reserves.

10. Our uncommitted reserves target is as follows:

Uncommitted Reserves

11. Between 3 and 6 months of operating costs will be held as uncommitted reserves. These will be held either centrally within CILEX or locally at CRL depending on whether these reserves are part of the contingency reserve or the working capital reserves.

12. Of the uncommitted reserves, up to 2 months of operating costs can be held locally at CRL.

13. If the uncommitted working capital reserves exceed 2 months of operating costs at the end of the financial year, the additional funds will be added to the CILEx Regulation contingency reserves held by CILEX on behalf of CILEx Regulation.

14. This target will be reviewed annually as part of the practising fee setting process.

15. The maximum uncommitted reserves that CILEx Regulation will hold as contingency and working reserves combined will be no more than 6 months operating costs in total. CRL reserves the right to increase the reserve beyond 6 months of operating costs, provided a rationale is provided.

16. Where the uncommitted reserves held are higher than the target, CILEx Regulation will consider actions to bring the reserves back within the target range, for example:

    - to further our strategic objectives,
    - to provide additional regulatory activities in accordance with the regulatory objectives,
    - to enable future investment in innovation, which is considered essential in the current legal services market, or
    - reducing the practising fee to bring reserves back into alignment with 6 months operating costs

Identification of committed reserves

17. CILEx Regulation will consider the following factors to identify committed reserves:

    - Specific projects for which financing from reserves is required
    - Funds required for regulatory or disciplinary action
    - To cover identified risks

Purposes of the uncommitted reserves

18. CILEx Regulation's uncommitted reserves are required to cover the following eventualities:

    - To provide for unexpected or exceptional costs
    - To provide for unexpected, short-term fluctuations in income
    - To cover for a short-term loss of practising fee income caused by e.g. our PCF application being delayed or refused

Accessing the CILEx Regulation reserves

19. Where an event occurs which requires CILEx Regulation to access its contingency reserve, the case will be put to the CILEx Regulation Board for decision. If the Board agrees that the reserves should be utilised, CILEx Regulation will request the fund to be drawn down from the CILEX Investment without reference to the CILEX Board.

Administration of the CILEx Regulation contingency reserves by CILEX

20. The CILEx Regulation contingency reserve must be ring-fenced for CILEx Regulation, together with any future payments CILEx Regulation makes into the fund from previous years' surplus.

21. CILEx Regulation commits, for the time being, to holding its reserves within the CILEX Group reserves, as this provides the opportunity to pool the fund and thereby operate the reserves more cost-effectively, on condition that:

    - We receive 6 monthly interim reports in relation to performance of the fund
    - We receive a full annual report on performance of the fund
    - We are able to understand and determine the investments in which we can invest our share of the fund
    - We are able to discuss the performance of the fund with the auditors

Review

22. The CILEx Regulation Board owns this policy. It will be reviewed annually as part of the practising fee setting process.

APPENDIX 5 - CRL Reserves Policy

Statement of reserves: 2022

1. CILEX and CILEx Regulation agree that the contingency reserve held by CILEX on behalf of CILEx Regulation is £700,000 on 01 January 2022.

	Contingency reserve	Working Capital reserve	Total uncommitted reserves
Total contingency reserve	700,000		
Total working capital reserve		383,281	
Reserves committed to the CILEX compensation arrangements	250,000		
Intervention monies ringfenced	70,000		
Committed working capital reserves		**220,662**	
Uncommitted reserves	380,000	162,619	**542,619**
Uncommitted reserves as a proportion of operating costs	2.8 months	1.2 months	**4 months**

APPENDIX 6

CILEx Regulation Equality Impact Assessment
PCF- 2022

Part One – Relevance Check

Area being reviewed:	PCF application 2022

This is a	Function ■	Policy ☐	Strategy ☐	Practice ☐	Other ☐

Names of Officers completing the assessment:	Sue Chandler Policy Officer Vicky Purtill Director of Authorisation and Supervision

Date of completion of relevance check:	September 2021

Purpose of policy/function:	To increase the PCF by 2%.

Main activities of policy/function:	Pays for regulation of all CILEX members, Chartered Legal Executives, CILEX Practitioners and CILEX firms and regulatory objectives as set out in the Legal Services Act 2007.

Who are the intended beneficiaries of the function/ covered in terms of the policy?	The regulated community pays for the regulation of the CILEX membership, CILEX Practitioners and CILEX firms through CRL. It is the primary income stream of CRL and makes a contribution to the permitted purposes work at CILEX. This enables CRL and CILEX to fulfil its obligations as an Approved Regulator under the LSA including meeting the regulatory objectives.

CILEx Regulation

Impact on Different Groups

1. Identify the groups that the policy or function is relevant to.

2. Indicate whether the policy or function has a neutral impact, a positive impact or a negative impact on the relevant groups that you have identified.

		Relevant	Neutral Impact	Positive Impact	Negative Impact	Comments
Gender	*Women*	X	X			The PCF is paid by all groups at the same rate. We have introduced the ability for those reinstating through the year, owing to return from parental leave for example, to pay a pro rata fee, where previously the full fee was payable whenever the individual reinstated. This year for the first time, we collected EDI data against the consultation responses received. This indicated that the following groups may be disproportionately impacted: - Those with caring responsibilities (not childcare) from the practitioner respondents, who tend to be older than Fellows overall and therefore may have caring responsibilities for elderly relatives. - Part-time workers (who may be disproportionately female) – the female response rate was broadly in line with the general population of authorised persons at CRL, although one individual commented that the increase may disproportionately impact part time workers. - Non-white respondents – the response rate from non-white authorised persons was 12% Fellows and 23% Practitioners compared with 9% of the authorised person population at CRL, and
	Pregnant women	X	X			
	Men	X	X			
	Transgender people	X	X			
	Flexible workers	X			X	
	People with caring responsibilities	X			X	
Other:						
Race	*Black*	X			X	
	White	X	X			
	Asian	X			X	
	Chinese	X			X	
	Mixed heritage	X			X	
	Eastern European	X			X	
	Gypsy/traveller	X			X	
	Asylum Seekers					
	Indian	X			X	
Other:						

CILEx Regulation

						- Those declaring a disability - the response rate from disabled authorised persons was 7% Fellows and 5% Practitioners compared with 4.4% of the authorised person population at CRL. There is no evidence of issues for the other protected characteristics within the consultation. A fee increase could be felt disproportionately by those working part-time, particularly if the fee is not paid by the employer, or where the individual is self-employed. Although this was only raised by one individual and the female response rate was 74%. There is evidence through the higher-than-expected proportion of consultation responses that the increase in the PCF may disproportionately impact non-white authorised persons. Of those that did not support the fee increase, 137 individuals that identified as white, and 25 were non-white, from total responses of 205 (not all respondents completed the EDI data, and some responded prefer not to say). The percentage not supporting the increase who are from a non-white background was 12%, which is equivalent with the overall response rate to the questionnaire (and higher than the overall authorised person CRL population (9% non-white). There is some evidence from a higher-than-expected response rate to the consultation (7%) that the fee increase may disproportionately impact disabled CRL authorised persons. As a result of these initial findings, we analysed the consultation response data to determine how many from each of these groups did not support the fee increase. The data

						indicates that although the response rate overall reflected disproportionate responses, other than ethnicity, the number of individuals from these groups did not disproportionately reject the proposed increase to the PCF. From the additional commentary provided in the consultation we also identified that there may be a disproportionate impact on those working in the public sector/ local authority. We then reviewed our data on public sector employees regulated by CRL and identified that although the disability statistics for these employees were broadly in line with our general Fellows population at CRL (5%), the number of non-white employees in the public sector was higher than the general population of authorised persons at CRL (12%) compared with 9% overall. The total number of CRL authorised persons working in the public sector is 787 of 6416 paying Fellows (or 12% of those funding the authorised person practising fee).

		Relevant	Neutral Impact	Positive Impact	Negative Impact	Comments
Faith	*Christian*	X	X			
	Sikh	X	X			
	Muslim/Islam	X	X			
	Hindu	X	X			
	Buddhist	X	X			
	Jewish	X	X			
	No religion	X	X			
Other:						
Disability	*Physical*	X			X	

	Sensory	X			X	
	Learning	X			X	
	Degenerative	X			X	
Other:						
Sexual Orientation	*Lesbian*	X	X			
	Homosexual	X	X			
	Heterosexual	X	X			
	Bisexual	X	X			
Other:						
Age	*Young people (aged 18 or under)*	N/A				
	Older people (aged 65 or above)					
Other:						
Dual Impact						

Assessing Impact - *Neutral Impact*

If you have indicated that there is a neutral impact on any group, is that impact:

Tick one of the following

Legal?	Yes √	No

Intended?	Yes √	No

Relevance of impact?	Low	Medium √	High

If the neutral impact is not legal and not intended and/or of high impact you must complete section two of this form.

If not, complete the rest of section one below and consider if completing section two would be helpful in making a thorough assessment.

Assessing Impact - *Positive Impact*

If you have indicated that there is a positive impact on any group, is that impact:

Tick one of the following

Legal?	Yes	No

Intended?	Yes	No

Relevance of impact?	Low	Medium	High

If the positive impact is not legal and not intended and/or of high impact you must complete section two of this form.
If not, complete the rest of section one below and consider if completing section two would be helpful in making a thorough assessment.

Assessing Impact - *Negative Impact*

If you have indicated that there is a negative impact on any group, is that impact:

Tick one of the following

Legal?	Yes √	No

Intended?	Yes	No √

Relevance of impact?	Low	Medium √	High

CILEx Regulation

Data Collection

1. What existing information and/or data has been obtained to assess the impact of this function, policy, strategy or practice?

We have used the data collected through the 2021 renewals process to compare the characteristics of those completing the PCF consultation with the general population of authorised persons at CRL (from CRM data). We also further analysed the comments in the consultation to identify any possible differential impact on protected groups and others who may be disproportionately impacted.

2. What does this information tell you about the likely impact on particular groups?

We have noted that we had a higher proportion of non-white and disabled respondents than for the general population at CRL. This indicates that they were more motivated to respond to the fee increase and this may indicate that it is likely to disproportionately impact on these groups.

Other groups impacted were identified as: those with caring responsibilities (not childcare) and those working in Local Authorities/ Public Sector.

Additional Information

Collection

1. What gaps, if any, are there in the information?

Why these groups would be disproportionately impacted, this includes consideration of where these individuals work, what is their remuneration, does the employer pay the practising certificate etc.

2. What additional information do you need to know to understand the diverse needs/experiences of your target audience?

APPENDIX 6

In depth data analysis of employer by ethnicity and disability and caring responsibilities

We need to undertake both quantitative and qualitative data collection and analysis to fully understand the issue before the PCF is set for 2023.

We will plan this work over the next 12 months to further explore the potential issues arising in this section. We have limited the fee increase for this year to 0.8% and provided access to the CILEX Foundation to enable those suffering hardship to make an application for support. This will allow us to do this work. This fits well with the wider piece of work that is coming from the full data collection of protected characteristics from our regulated community, which was undertaken in 2021 and will provide us with a deeper understanding of the issues they face in the legal sector.

Action to be Taken

Full EqA not required:

Based on the findings of this preliminary audit, it is concluded that full Equality Assessment is not required √

This is because:

	The policy or function is statutory, non-negotiable or non-discretionary
	The policy or function purpose is directly concerned with the promotion of equality
	The policy of function has no significant impact
√	Other (see below)

In order to justify not undertaking a full EqA, you will need to provide evidence that your policy or function is inclusive and non-discriminatory.

CILEx Regulation

We have not undertaken a full EIA at this time, as we have decided to limit the fee increase to 0.8% with access to the CILEX Foundation available to members in hardship. We will undertake a full EIA before we decide to increase the fee in future and will investigate these findings over the next 12 months so as to better understand the regulated community and the particular challenges they face. We will commence this work once the PCF for 2022 has been approved to ensure that we have a full understanding of the issues prior to the submission of the 2023 PCF.

This decision should be reviewed: From Q4 2021

Full EQA required:

It is concluded that a full Equality Assessment should be carried out

This should be completed by

This Equality Assessment screening form was completed by:

Name:	Vicky Purtill	Signature:	
Position:	Director of Auth and Sup	Date:	September 2021
Location:	CRL	Tel Ext:	N/A