



The Bar Council



REGULATING BARRISTERS

General Council of the Bar
Practising Certificate Fee (PCF) Application and Budget
Submission 2021/22

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The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

	Description	Page
Contents		
I. Summary and Overview	Proposed PCF Fee 2021/22 2021 PCF Collection forecasts	2-7
II. Developing the overall budget and application	Setting and Managing Budgets 2021/22, Budgetary Control Financial and PCF Outlook Reserves BSB Budget Bar Council Budget Application of permitted purposes	7-17
III. Consultation on PCF	Consultation Process	18-19
IV. Permitted Purposes	Allocation of PCF to Permitted Purposes Operating Budgets BSB and Bar Council Allocation of PCF to non-Regulatory Permitted Purpose activities	20-28
V. Transparency of PCF information to fee-paying members	PCF application to Operating Budgets	29-33
VI. Regulatory and Equality Impact assessment	Equalities Impact Assessment	34-35
VII. Other supporting information	Financial Risk & Mitigation	35
VIII. Contact details	Next Steps	36
Appendix 1	Comparators	37-42
Appendix 2	EIA	43-46

I. Summary and Overview

Introduction

For the purpose of this submission the following terms will be used:

- a. General Council of the Bar (GCB): the approved regulator and single legal entity
- b. The Bar Standards Board (BSB): the delegated regulatory body
- c. The Bar Council: the representative body

PCF income supports the GCB's approved regulator's role as set out by LSA 2007 s51 and funds the 'permitted purposes' set out in section 51(4). The whole of the BSB's work as the delegated regulatory body is classed as permitted purposes. The BSB's business plans are developed in line with the BSB Strategic Plan 2019-22:

<https://www.barstandardsboard.org.uk/uploads/assets/4b599307-da48-4e4e-a8e2ff3bf83934bd/bsbstrategicplan2019-22.pdf>.

The Bar Council undertakes many activities that are classed as permitted purpose activities, and these can be funded from PCF income. Great care is taken during the business planning and budgeting process to correctly identify those activities that may be funded through the PCF and those that must be funded from other income such as the voluntary Bar Representation Fee (BRF). The Bar Council annual business plans are developed to meet the strategic objectives set out in the Bar Council's Strategic Plan 2019 -2024:

https://www.barcouncil.org.uk/media/743982/bar_council_strategy_document_final.pdf.

A pre-application discussion was held with the LSB on 18 November 2020.

Expectations from the last year's decision notice.

Detailed forecasts have been included for income and expenditure up to 2024/25 (table 4). However, due to the exceptional circumstances during the Covid pandemic, these forecasts will need to be revised in April, after the 2021/22 PCF collection.

The Reserves policy will be reviewed in 2021/22 to take account of the revised forecasts and the guidance issued by the LSB.

This year the PCF consultation lasted for 5 weeks. The consultation has been available on the Bar Council and BSB websites. The BSB Regulatory Update and Bar Talk (Bar Council) have been received by over 17,000 barristers with details of how to access the full consultation. More details in Section 3.

The proportion of PCF allocated to the BSB, Bar Council, LSB/OLC and DB Pension have been clearly shown in this year's application and PCF consultation (previous years' comparatives are shown in the appendix).

Proposed Practising Certificate Fees 2021/22

1. This year there will be no change in the annual PCF. The income bands which determine the level of fee paid will remain the same as in 2020/21.

Table 1: Income Bands and fees for 2021/22

	Income Bands	Fees
Band 1	£0 - £30,000	£100
Band 2	£30,001 - £60,000	£246
Band 3	£60,001 - £90,000	£494
Band 4	£90,001 - £150,000	£899
Band 5	£150,001 - £240,000	£1,365
Band 6	£240,001 - £500,000	£1,850
Band 7	£500,001 - £1,000,000	£2,500
Band 8	£1,000,001 and above	£3,000

2. The 2021/22 General Council of the Bar (GCB) PCF funds three activities:

- The s51 permitted purposes operating and capital costs of the Bar Council and BSB;
- The LSB/OLC recharges for 2021/22, and
- Funding for the defined benefit pension scheme deficit recovery plan.

3. The PCF collection for 2021/22 is forecast to be £11.948M in 2021. This is a significant drop on previous years. The Covid pandemic hit the UK in the middle of the 2020/21 PCF collection. The PCF collected was based on barrister's previous income levels and so was not affected by the pandemic. The collection did however contribute to cashflow problems for barristers and chambers. In order to assist the profession in its time of need the Bar Council and BSB agreed that where a barrister had delegated payment of the PCF to their chambers, that payment could be paid in two instalments, one by the end of May and the remainder at the end of October.

4. The profession has seen huge challenges in 2020. Those whose earnings rely mainly on court-based work, and on jury trials, in particular, have lost months of income, whilst other jurisdictions have fared better and/or recovered more quickly. Our forecasts are based on feedback from our barrister surveys. From these surveys most sectors (e.g. Commercial and Financial Services, Crime, Family (children), Personal Injury), have seen a significant drop in their income.

5. The drop in barrister's income will have a direct effect on PCF income for 2021/22. The 2021/22 PCF income for the Self-Employed Bar (approximately 80% of all barristers) is based on barristers' income from January 2020 to December 2020. The Employed Bar PCF is based on barristers' income to end of March in the previous year and any drop in income will be reflected in the 2022/23 PCF collection. 6. We developed PCF scenarios based on the survey replies and our historical data. The outcomes ranged from £11.948M worst case to £14.578M best case. For prudence we have used the worst-case scenario for our projections.

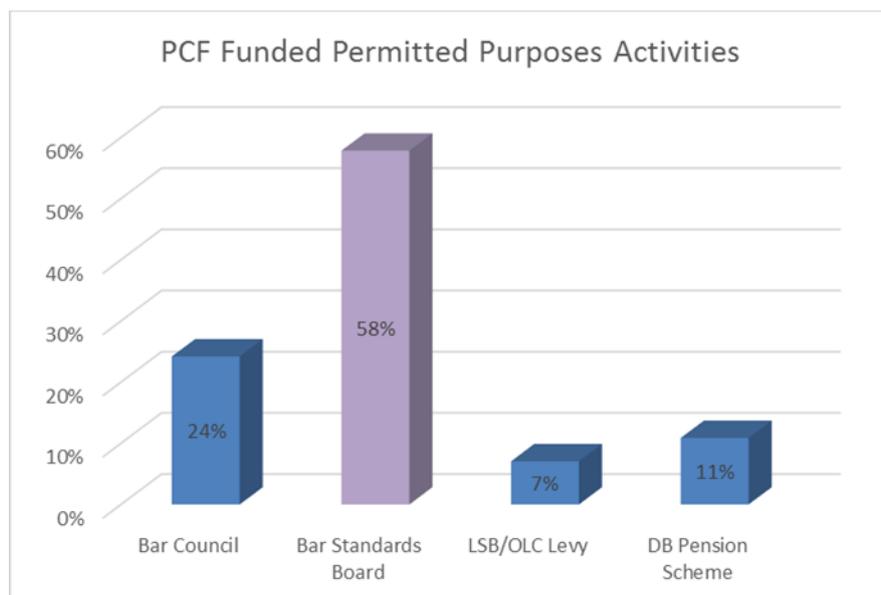
Table 2: Split of PCF funds

	£000's	PCF Funded Permitted Purpose Activities	PCF Funded LSB/OLC Levy	Legacy DB Pension Scheme	Total PCF
2021/22					
Proposed					
	Bar Council	2,892	253	390	3,535
		24.20%	2.12%	3.26%	29.59%
	Bar Standards Board	6,912	591	910	8,413
		57.85%	4.95%	7.62%	70.41%
	Total	9,804	844	1,300	11,948
			7.1%	10.9%	

* Please note %'s are of the Total PCF

Chart: Split of PCF funds between Bar Council, BSB, LSB/OLC levy and DB Pension scheme

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget



7. Our current PCF forecasts indicate that the PCF for 2021/22 will not cover the budgeted expenditure and we will make a substantial loss.

8. Approximately 50% of the GCB's costs are staff costs with the other 50% made up of office costs, pension contributions, LSB costs and overheads etc. These costs are not easily reduced in the short term without severely impacting the work of the Bar Council and Bar Standards Board (BSB). Since March the GCB has been cutting staff, and non-staff, costs, and using the furlough scheme, so that the scale of next year's cash flow problem is minimised.

9. The GCB as the Approved Regulator has a statutory obligation to provide the necessary funds to the BSB for regulatory purposes.

10. PCF represents c85% of GCB total income. In current circumstances a material increase in the PCF demand on the Bar would be particularly unwelcome. However, income from other sources will not fill the predicted gap.

11. The reserves of the GCB at the last Balance Sheet date (31 March 2020) stood at £4.7M. The free cash reserves (the amount readily convertible to cash) amounted to £1.7M.

12. If the GCB were to consider making up the shortfall in income by increasing the 2021/22 PCF, our current forecasts would lead to the following:

- If all bands were increased to make up the shortfall it would equate to a 30% increase.
- If the increase was restricted to bands over £90k it would equate to a 39% increase.

13. In order to give the organisation time to address the likely funding gap caused by the impact of the pandemic, the joint Finance Committee approved the seeking of a loan through the

government backed Coronavirus Business Interruption Loan Scheme (CBILS) with loans up to £5M. This loan will enable the GCB to smooth out the effects of the lost income over an extended period.

Planned permitted purpose spend and sources of funding

Planned Permitted Purpose Spend - 2021-2022			
	Bar Council	Bar Standards Board	Total
	£000s	£000s	£000s
Funded from anticipated PCF Collection	2,892	6,912	9,804
Funded from Reserves and CBILS loan	1,872	4,156	6,028
Total Planned Permitted Purpose Activities	4,764	11,068	15,832

Key Features of the GCB budget proposition

14. PCF income will be used to fund Bar Council and BSB activities as shown in table 9 (s51Report).

- We plan to set an operating budget which is as tight as possible while still being able to meet the regulatory and other permitted purposes for which PCF is raised. Any shortfall in cash will be met through reserves and the CBILS Loan.
- The budgeted figures shown in the s51 schedule (table 9) include allocations of the LSB/OLC costs, DB Pension Costs and Resources Group shared services. These costs are shown separately in the GCB budgets and management accounts.
- Bar Council representative permitted purpose costs will be £4.9M (£4.7M in 2020/21 budget). 2020/21 direct costs will be £3.25M (a decrease of £50k, on the 2020/21 figure of £3.3M).
- BSB regulatory costs (all permitted purposes) will be £12.6M (£11.9m 2020/21 budget). Other regulatory income is predicted to be £1.48M (£1.44M in 2020/21 budget). 2020/21 direct costs will increase to £6.715M (up £177k, on the 2020/21 £6.538M)
- The budgeted capital spend is £823k, (a reduction of £644k on 2020/21 budgeted spend of £1.467M) of which £787k is classed as permitted purposes. The forecast capital expenditure in 2020/21 is expected to be £906k due the savings programme.

15. Allocations remain consistent with the latest LSB/OLC Levy forecasts (£844k) and the legacy Defined Benefit Pension Scheme (£1.3M) deficit recovery plan approved in 2017.

2021 PCF collection forecasts

16. We forecast that we will collect and use PCF of £11.948M as outlined in Table 3 below.

Table 3

2020 Forecast	2020 Average PCF 717.10	Number of Barristers 16,662	11,948,325
		Total Forecast Collection	£11,948,325
	Breakdown of Usage	2020/21 Budget	2021/22 Budget
	BC & BSB PCF Funded Costs	£12,372,270	£8,980,736
	Capital Costs	£906,000	£823,468
	LSB/OLC Levy	£837,939	£844,121
	Defined Benefit Pension Scheme	£1,300,000	£1,300,000
		£15,416,209	£11,948,325
	Contingency	£0	£0

II. Developing the overall budget and application

Setting and Managing Budgets 2021/22

17. The following section describes the steps in the Bar Council budget setting process and includes the independent process followed by the BSB. These steps are consistent with the revised IGR's.

Building the high-level budget

18. It is the Chief Executive's responsibility, as Accounting Officer, to ensure that an annual budget is drawn up for the GCB for each financial year. This responsibility is discharged through the Director-General of the BSB and other Directors, supported by the GCB Director of Finance.

19. Annual expenditure is driven by regulatory (BSB) and representative (Bar Council) objectives as articulated in their respective strategic and business plans. This year the budgeting process has been as tight as possible while still being able to meet the regulatory and other permitted purposes for which the PCF is raised.

20. The BSB regulatory budget was prepared to align with the strategic aims set out in the BSB's Strategic plan for 2019-22. Budget options were scrutinised by the BSB Planning, Resources and Performance (PRP) Committee and the final bid was approved by the BSB Board.

21. On 27 October 2020, the joint GCB Finance Committee agreed the parameters of an overall high-level budget that met the regulatory needs and the combined organisational financial commitments in the medium term.

Next steps in budget setting

22. Detailed cost centre budgets that fit within the agreed high-level financial parameters will be set by relevant managers.

23. The Covid pandemic has created considerable uncertainty regarding the PCF income. We will not know the full picture until after the completion of Authorisation to Practice (AtP) in March 2021. The GCB has identified a number of options for reducing its costs, though not all have been incorporated in the budget at this stage. The cost base options will be reviewed in light of actual PCF income. At that stage appropriate measures will be undertaken to ensure the GCB meets its financial commitments and amend its five-year forecasts as required.

24. The BSB maintains a continuous review of their own financial needs and will present any revisions to the BSB budget for approval by the BSB's own committees and Board.

25. The combined BSB and Bar Council budget package will be brought to the joint GCB Finance Committee for review. The joint Finance Committee may refer any part of the budget to relevant parties for further consideration.

26. The planning process concludes with scrutiny of detailed budgets by the Chief Executive, BSB Director General and Directors.

Budgetary control

27. The budgetary control measures are implemented and monitored by the GCB Director of Finance, scrutinised by the Director General of the BSB, the BSB PRP committee, the Chief Executive, the Bar Council Treasurer, joint GCB Audit Committee and joint GCB Finance Committee and other members of the Bar Council and BSB Executive. The joint GCB Finance Committee exercises overall budget monitoring. The Chief Executive, Director-General and Directors have responsibility for the control of funds within their budgetary allocations and for the financial control and formal approval of expenditure.

28. Each budget holder has the responsibility for monitoring costs and delivery of non-PCF income, keeping his or her respective line manager fully informed of current spending and, in advance, of any future commitments or proposed activity likely to lead to budget allocations being exceeded. All purchase orders and liability to incur expenditure must be made within approved levels of delegated authority and in accordance with approved policies.

PCF Outlook beyond 2021/22

29. Table 4 provides a summary of the financial outlook beyond 2021/22 with indicative income and expenditure forecasts to 2024/25. We expect to make a significant loss in 2021/22, with a steady recovery expected due to the inherent strength of the profession.

30. We shall continue to plan budgets and set the level of the PCF on a year-by-year basis in the light of the circumstances at the time and having regard to barristers' earnings / incomes. This will enable the GCB to cover the costs of regulatory and other 'permitted purposes'; to repay the loan taken out to manage the cash flow shortfall; and to re-build our liquid reserves.

31. These forecasts show the level of income and expenditure necessary for the GCB to meet its financial and regulatory commitments. The forecasts contain initial assumptions on income and cost savings. These assumptions will be revisited at the end of the 2021/22 AtP process to assess which savings are necessary and decide if any additional measures are needed. The Inns' contribution is uncertain and has to be bid for each year (therefore for prudence this income is not shown for future years). The BRF income is a voluntary subscription for barristers. In 2020/21 the minimum BRF was increased to £150. The expected drop in subscribers has been mitigated by the increased fee. This year has seen a steady increase in the BRF income throughout the year and it has not been significantly affected by the Covid pandemic.

32. We expect the organisation to generate surpluses from 2023/24 that will be used to rebuild the depleted reserves and provide for greater financial resilience.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 4 - 2021/22 High level budget and indicative outyear proposition for GCB

Values in £000's

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actuals	Forecast	Budget	Indicative Fcst	Indicative Fcst	Indicative Fcst
PCF	14,881	15,740	11,948	14,271	15,983	16,547
BRF	944	1,251	1,300	1,300	1,300	1,300
Contribution from Inns	250	250	250	0	0	0
Other Bar Council Income	965	693	921	1,056	1,074	1,092
BSB Fees and Charges	1,597	1,718	1,488	1,441	1,488	1,537
Other Income	167	158	152	452	452	452
Total Income	18,804	19,810	16,059	18,520	20,297	20,928
Operating Spend	9,125	11,541	12,567	12,759	13,126	13,505
Overheads	5,703	4,033	4,542	3,740	3,762	3,832
Other Spend	1,409	2,138	2,144	2,144	2,144	2,144
Interest Expense	0	0	0	99	78	57
Total Spend	16,237	17,712	19,253	18,742	19,110	19,538
Net Surplus/(Loss)	2,567	2,098	(3,194)	(222)	1,187	1,390
	13.7%	10.6%	-19.9%	-1.2%	5.8%	6.6%

*Forecast as at 11th November 2020

Table 4 includes the interest charged on the CBILS loan; this becomes repayable out of PCF from 2022/23 onwards.

Reserves

33. The current reserves policy of the GCB states that reserves should be the higher of 4 months operating costs or £3M. The reserves position at the end of the last financial year was £4.7m, the Permitted Purposes Reserve had recovered to a balance of £185k (a deficit of £1.2M in the previous year). The free cash reserves (reserves readily convertible to cash) stood at £1.7M. The free cash reserves and the CBILS Bank loan will be used to mitigate the short-term drop in PCF funds in 2021/22 and 2022/23.

34. The GCB distinguishes between permitted purposes reserves and other general reserves and reports those reserves in the annual audited financial accounts: the permitted purposes reserves arise from the surplus or loss on any BSB regulatory activity (whether funded by PCF or not) and Approved Regulator / representative permitted purposes activity as included in the s51 report included in our accounts.

35. Movements in and between reserves are reported in the primary statements of the financial accounts, are audited independently and are subject to review by the joint Finance

Committee and joint Audit Committee for financial and process integrity respectively. The approved accounts are available on the Bar Council website.

Extract from the Financial Statements y/e 31 March 2020

8. Allocation of General Reserves

	Permitted purpose £000's	*Legal challenges £000's	Other General Reserves £000's	Total General Reserves £000's
Balance at 1 April 2018	(584)	160	3,975	3,551
Surplus	454	-	104	558
Transfer to Pension Reserve	(1,000)	-	-	(1,000)
Transfer to Legal Challenges Reserve	(202)	202	-	-
Transfer for legal costs	110	(110)	-	-
Balance 31 March 2019	(1,222)	252	4,079	3,109
Surplus	2,429	-	218	2,647
Transfer to Pension Reserve	(1,000)	-	-	(1,000)
Transfer to Legal Challenges Reserve	(100)	100	-	-
Transfer for legal costs	78	(78)	-	-
Balance 31 March 2020	185	274	4,297	4,756

*Legal Challenges is a designated Permitted Purpose reserve created to hold and provide visibility of the costs of BSB defending against legal challenges following the cessation of uneconomic third-party insurance cover in 2019.

36. Our forecasts show the free cash reserves will start to recover in 2023/24 and begin to approach an adequate level in 2024/25. It will take until March 2024 for the total GCB reserves to return to their current level, although even at this stage the Permitted Purposes Reserve would be negative. It is not until 2025/26 and 2026/2027 that the Permitted Purposes Reserve returns to a healthy level.

37. An important point to note is the free cash reserve. We propose that in the future this is used to match existing reserves to a level that provides a suitable buffer for the GCB at times of crisis.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 5

Table 5 : GCB Reserves & Free Cash Reserve : 2019/20 to 2026/27								
	2019/20 Actuals	2020/21 Forecast	2021/22 Budget	2022/23 Indicative Fcst	2023/24 Indicative Fcst	2024/25 Indicative Fcst	2025/26 Indicative Fcst	2026/27 Indicative Fcst
Net Surplus/(Loss)	2,567	2,098	(3,194)	(222)	1,187	1,390	1,453	1,727
Equity								
Total Comprehensive Income Transferred	1,647	2,098	(3,194)	(222)	1,187	1,390	1,453	1,727
General Reserves B/f	4,079	4,297	4,926	3,968	3,902	4,258	4,675	5,111
Permitted Purpose Reserve B/f	(1,222)	185	1,654	(582)	(738)	93	1,066	2,083
Legal Challenges Reserve B/f	252	274	274	274	274	274	274	274
Total Equity	4,756	6,854	3,660	3,438	4,625	6,015	7,468	9,195
Free Cash Reserves	1,718	2,597	48	58	1,477	3,099	4,837	6,743

38. These forecasts will be revisited at the end of the AtP March 2021, at which time the joint Finance Committee will consider the appropriate level of reserves needed and the timeline and targets for achieving it. Any target set would only be achievable over an extended period.

Approved BSB Budget

39. The BSB budget has been developed in alignment with the BSB Strategic Plan 2019-2022: (<https://www.barstandardsboard.org.uk/uploads/assets/4b599307-da48-4e4e-a8e2ff3bf83934bd/bsbstrategicplan2019-22.pdf>).

40. The total BSB budget includes the costs of the services (finance, IT and facilities) which BSB shares with GCB. This is shown in Table 6.

Direct Costs

41. The BSB Board approved the 2021/22 budget bid and agreed that it is entirely consistent with the approved strategic and annual business plans for the BSB. The budget proposals were scrutinised in detail by the BSB Planning, Resources and Performance Committee. The subsequent regulatory budgets were presented to the Joint Finance Committee and were approved.

42. The costs of the BSB, excluding shared services, will be £6.715M, overall, an increase on the budgeted 2020/21 budgeted figure £177k (2020/21 £6.538M last year's budget). (£23k staff and £153k non-staff). This is a 3% increase in operating costs. There is an offsetting decrease in capital expenditure of £613k.

43. The BSB needs to ensure that it can deliver on a sustained basis the service levels for its day-to-day regulatory and enforcement work embodied in the existing KPIs. The combination of

staff shortages in the latter part of the last year, the health emergency and the incomplete implementation of the Case Management System makes it hard to judge as yet whether the resources deployed on regulatory operations and on enforcement are at the right levels to achieve the service levels. As the new arrangements bed down, we may identify opportunities for efficiency gains, but, as things stand, we judge that we need at least to maintain current resources.

44. To ensure delivery of its core regulatory and enforcement work the BSB has assumed that its core resources will remain largely unchanged in 2020/21. The BSB have included an additional two posts in the Regulatory Operations. There is also provision for the Head of People post, although the additional costs for the Head of People post are substantially offset by the restructure of the previous senior posts in the HR team in Resources Group.

	2020/21 Budget	2021/22 Budget	2020/21 Budget v 2021/22 Budget Variance £000's
	£000's	£000's	
Income			
PCF (<i>inc LSB/OLC allocation £591k</i>)	10,873	8,427	(2,446)
Fees and Charges	1,448	1,488	40
Share Corporate Income	107	107	0
Subtotal Funding	12,428	10,022	(2,406)
Costs			
Governance, Exec, Support & Communication	1,549	1,571	(22)
Strategy and Policy	933	977	(44)
Regulatory Operations	2,547	2,673	(126)
Legal Enforcement	1,509	1,494	15
Subtotal Direct Costs	6,538	6,715	(177)
Shared Services	3,975	4,352	(377)
Total Operating Spend	10,513	11,068	(554)
DB Pension Fee	917	910	7
LSB/OLC Charge	591	591	0
Total Non Operating Cost	1,508	1,501	7
Total Cost	12,021	12,569	(547)
			0
Net Surplus/(Loss)	407	(2,547)	(2,954)

*Forecast as at 11th November 2020

45. The BSB expects to raise £1.48M (£1.44M revised budget in 2020/21) in non-PCF income from other regulatory fees. This income is used to offset the amount of PCF that needs to be applied to pay for all regulatory expenditure. Forecasts are conservative due to uncertainty around student numbers starting training courses during a period when the training structure is changing; and the effects of Covid, and Brexit, have added to the uncertainty on student and transferring lawyer numbers.

Shared Services

46. Shared Services includes; IS, PMO, FM, HR (payroll), Finance and the Records team. These teams provide the back-office services to enable the regulatory and representation arms to function efficiently. The high-level plans for the functions shared between Bar Council and BSB have been identified. These plans include the costs of staffing, operations and capital expenditure in support of the strategic plans for both organisations.

47. The Resources Group (which provides the shared services for the Bar Council and BSB) is proposing an increase in operating expenditure on the 2020/21 budget of £601k, 11%: £556k of this relates to non-staff costs. The greater proportion of the rise reflects depreciation costs of £506k, which result from the increased capital programme and essential laptop replacement. The increased charge to the BSB amounts to £377k. The BSB is recharged a proportion of the Resources Group costs based on the split of permitted purpose costs between the Bar Council and BSB.

48. Capital expenditure costs have significantly reduced, with plans delayed or curtailed. Revenue costs have also been reduced due to the overall savings programme instigated at the start of the Covid pandemic, in anticipation of an expected drop in income in 2021/22. Savings have included a pay and recruitment freeze across the Bar Council and BSB. Senior staff at both the BSB and Bar Council took a voluntary pay cut to support the savings initiative. In addition, where appropriate, staff within the Bar Council and Resources Group were furloughed, further reducing cost pressures.

49. The BSB will not proceed with development of an app following the Code review and will instead commission work to enhance the design and functionality of the website. The BSB will also not proceed with the planned development of pupillage self-service in 2021/22. Pupillage self-service was a project to develop an online solution to replace the paper based and manual process for registration of pupillage – the objective of the project was to track and record the pupillage journey and its associated outcomes electronically, allowing registration and sign off in real time. We will consider whether that project might proceed in 2022/23, once we have a better understanding of the administrative burden from manual pupillage registration.

50. The plans for the new ethics assessment have been revised and the BSB will tender for computer-based testing rather than continuing with a “pen and paper” option and development of MyBar for registration.

BSB Forecasts to 2023/24

51. 2020/21 was the second year of the BSB's new Strategic Plan 2019-22. A revision of the financial and staffing models to reflect the new governance structures, the new approach to regulatory decision making, and the management of incoming information has been included. Detailed forecasts beyond 2021/22 cannot be provided until there has been a review of the take up of Future Bar Training and the impact of the LSB's new Internal Governance Rules has been assessed.

Approved Bar Council budget 2021/22

52. The budgets of GCB fund the Representation, Policy and Services (RPS) functions as well as the activity of the Approved Regulator, and a share of the shared services costs for the business. These budgets are set in conjunction with the business planning process and align with the Bar Council Strategic Plan 2019-24:

(https://www.barcouncil.org.uk/media/743982/bar_council_strategy_document_final.pdf).

53. Total income for the Bar Council will decrease to £6.04M (£6.88M 2019/20) a drop of £842k. The Services function will raise £2.2M (£1.9M in 2019/20 budget) from the BRF (£1.3M), subscriptions and other services; the surpluses from these activities are used both to reduce the PCF burden and to enable the Bar Council to undertake activities outside of the permitted purposes.

54. A further £0.25M is received from third parties for representation activity.

55. The direct cost of the Bar Council will fall by £181k to £4.1M (Table 7) (£4.3M in 2019/20 final budget). This represents savings of £70k staff and £111k non staff) and equates to a 4% decrease in operating costs.

56. The 2020/21 budget proposals for the Bar Council are shown in Table 7.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

	2020/21 Budget	2021/22 Budget	2020/21 Budget v 2021/22 Budget Variance £000's
	£000's	£000's	
Income			
PCF (<i>inc LSB/OLC allocation £247k</i>)	4,543	3,521	(1,022)
Representation Income	250	250	0
Services to the Profession	2,041	2,221	180
Share Corporate Income	45	45	(0)
Subtotal Funding	6,879	6,037	(842)
Costs			
Representation Direct Costs	3,364	3,254	110
Shared Services	1,318	1,511	(193)
Total Representation	4,682	4,764	(82)
Costs of Services	899	828	71
Shared Services	418	448	(30)
Total Services	1,317	1,276	41
Direct Bar Council Costs	4,263	4,082	181
Shared Services	1,736	1,959	(223)
Total Operating Spend	5,999	6,041	(42)
Non Operating costs			
DB Pension Fee	383	390	(7)
LSB/OLC Charge	247	253	(6)
Total Non Operating Cost	630	643	(13)
Total Cost	6,629	6,684	(55)
Net Surplus/(Loss)	250	(647)	(897)

*Forecast as at 11th November 2020

57. Services to the profession (income) includes income from the Bar Representation Fee (BRF) and income from training and events provided to the profession.

Application of PCF to permitted purposes

58. When preparing the Bar Council budget, we have apportioned the total costs of the various functions between permitted purposes and other expenditure according to descriptions summarised in Table 11. The value of this apportionment is shown in Table 8.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 8 - Analysis of Representative costs between Permitted and Other Purposes							
	2021/22 Budget			Total Costs	Max Permitted Purposes ("P.P.")	Permitted Purposes Activities	Other Purposes
	Direct Costs	Support Costs	Contribution				
<u>Analysis of Representative Permitted Purposes Costs</u>							
Approved Regulator: Corp.	1,020	513		1,533	90%	1,380	153
Donations	250	-		250	100%	250	-
Approved Regulator Subtotal	1,270	513	-	1,783		1,630	153
Representation:							
<i>Equality, Diversity & CSR Policy Directorate</i>	324	163		487	90%	438	49
<i>EU Law</i>	144	72		216	100%	216	-
<i>International Law Reform & Regulatory & Ethics</i>	339	171		510	80%	408	102
<i>Remuneration & Legal Practice</i>	196	99		295	100%	295	-
<i>Communications</i>	234	118		352	95%	334	18
Subtotal Representation	1,984	998	-	2,982		2,671	311
Total	3,254	1,511		4,765		4,301	464
<i>2020/21 Budget</i>	<i>3,364</i>	<i>1,318</i>		<i>4,682</i>		<i>4,214</i>	<i>468</i>

59. Support Costs represents the share of Resources Group (overhead costs) detailed in table 9.

III. Consultation on PCF

Consultation Process

60. The Joint Finance Committee (27 October 2020) approved the proposal for no increase in the PCF fee level and the draft budget proposal for 2021/22. The proposal to make no change to the PCF fee level and the proposed budget for 2021/22 was put before the profession between 9 November and 14 December 2020.

61. We followed a similar approach in this consultation to that used in previous years:

- The BSB sent out its Regulatory Update on 9 December 2020 inviting comments from registered and unregistered barristers. The following statistics relate to the December Regulatory Update:
- 17,217 emails were sent out (registered Bar)
- 6,600 emails were confirmed as being opened
- 589 barristers clicked on the PCF consultation link (4.24%)

62. Additionally, the consultation document has been available on the website since November 2020.

- There were 226 page views since 13 November and 190 unique page views: <https://www.barstandardsboard.org.uk/news-publications/consultations.html>
- The BSB posted the consultation link to its 25,861 Twitter, its 6,768 LinkedIn and its 1,111 Facebook followers on 17 November and 9 and 11 December and put a banner on MyBar, with a link to the consultation, in November 2020.

63. The Bar Council separately included a link to the consultation and messaging inviting responses to it in three editions of the Bar Council's fortnightly e-newsletter, BarTalk, updates on 12 November, 26 November, 10 December.

- Each edition of BarTalk was sent to more than 17,700 recipients (including the whole of the practising Bar), with over 50% of recipients reading the newsletter and, in total, just over 200 clicking on the consultation document from the newsletter.
- In addition, a link with messaging inviting responses was included in a message to the whole Bar from the Chair of the Bar, which went to over 17,000 recipients and had a readership rate of over 55%. More than 50 people clicked on the link to the consultation.

The PCF fee level and budget proposal for 2021/22 was widely disseminated to the legal press; Law Society Gazette, Legal Futures.

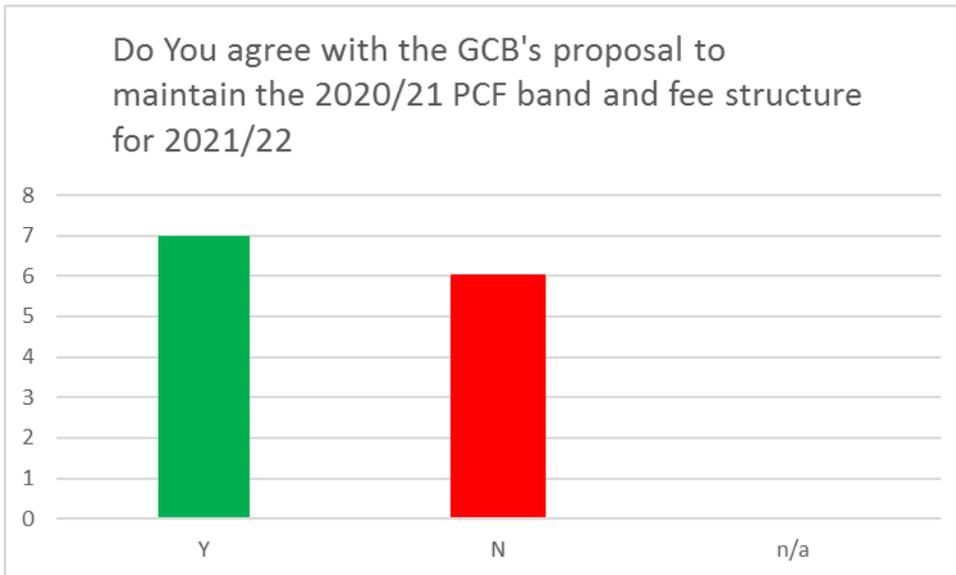
Consultation Responses

64. There were 13 responses in total. **Consultation Questions**

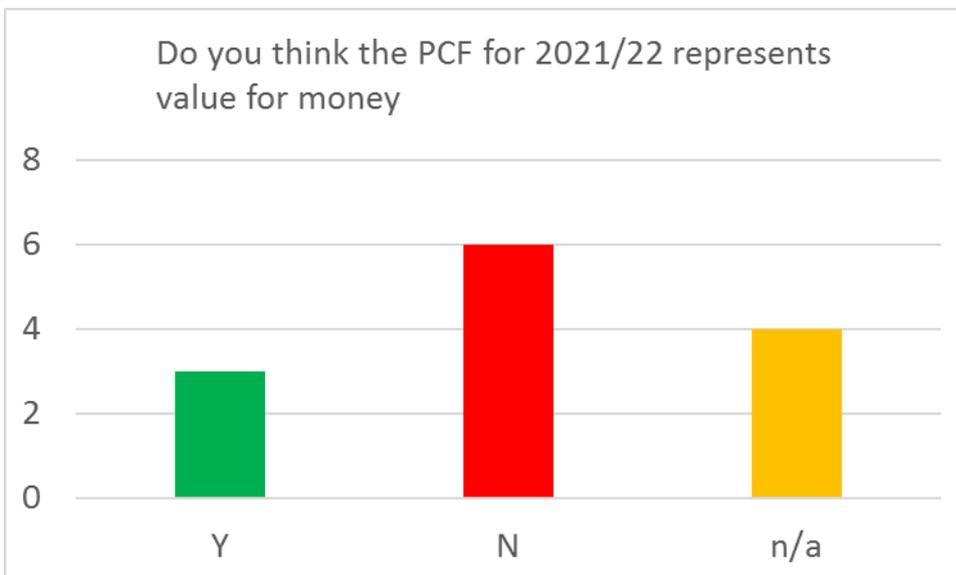
The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

- Do you agree with the GCB's proposal to maintain the 2020/21 PCF band and fee structure for 2021/22?
- Do you think the PCF for 2021/22 represents value for money?
- Do you have any other comments regarding PCF or the General Council of the Bar budget for 2021/22?

On the first question 7 supported there being no change and 6 did not, there were no n/a.



On the second question, 3 thought the PCF represented value for money and 6 did not, there were 4 n/a.



The joint Finance Committee has reviewed and considered the consultation responses. No changes were made to the proposals as a result of the consultation.

IV. Permitted Purposes

Allocation of PCF to Permitted Purposes

65. Table 9 below shows the allocation of PCF to regulatory and representative permitted purpose activities.

66. The split of PCF is based on the forecast permitted purpose costs as shown in Table 9 (s51 report) below. The proportions have remained steady over the years: the decrease in the absolute amount of PCF forecast is due to the Covid pandemic.

67. All BSB activity is for permitted purposes. In 2021/22, the level of PCF income applied to BSB activities falls to £8.4m (down £2.5M, on 2020/21, £10.88M).

68. In 2021/22, the level of PCF income applied to Bar Council representative permitted purpose activities falls to £3.5M (down £1M, on 2020/21, £4.5M). Further details of the functional split of representative permitted purposes are shown in tables 7 and 9. The allocation of PCF to permitted purposes shown in table 9 is based on the proportion of permitted purpose spend in the regulation and representative bodies.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 9 - s51 Report on 2021/22 - Allocation of PCF to Permitted Purposes

	Regulation (BSB)	Representation	Services	Revenue Total	Capital Spend	Capital Spend	Total Funding & Spend	
Total costs breakdown by source								
Direct Costs	6,715	3,254	828	10,797			10,797	
Share of Resources Group	4,353	1,511	448	6,312			6,312	
Project Spend	0	0		0	787	36	823	
LSB/OLC	591	253		844			844	
DB Pension Scheme	910	390		1,300			1,300	
Total Spend - Funding Required	12,569	5,408	1,276	19,253	787	36	20,076	
Analysed between Type:	Regulatory Permitted Purposes	Other Permitted Purposes	Other Purposes		Other Permitted Purposes	Other Purposes		
Permitted Purposes	12,569	4,867		17,436	787		18,223	
Not Permitted Purposes			541	1,276		36	1,853	
	100%	90%	10%	19,253			20,076	
Funded by:								
PCF	8,427	3,521	0	0	11,948	0	0	11,948
Direct Income								
Regulatory Fees & Charges	1,488				1,488			1,488
Services To Members				2,221	2,221			2,221
Other Contributions		250			250			250
Other Administrative Income	107	0	45		152			152
Subtotal Direct Income	1,595	250	45	2,221	4,111	0	0	4,111
Cross Subsidy from Services to Members	0	526	419	(945)	0	0	0	0
Total Funding	10,022	4,297	464	1,276	16,059	0	0	16,059
Net Surplus/(Loss)	(2,547)	(570)	(77)	0	(3,194)			(3,194)
Surplus/(Loss) Analysed between source:								
Permitted Purposes	(2,547)	(570)			(3,117)	0		(3,117)
Not Permitted Purposes			(77)	0	(77)		0	(77)
								(3,194)
Cashflow : Add back								
Permitted Purposes-Depreciation	976	409			1,385			
Not Permitted Purposes-Depreciation			10		10			
Cash Inflow/(Outflow) Analysed between source:								
Permitted Purposes	(1,571)	(161)			(1,732)	787		(2,519)
Not Permitted Purposes			(67)	0	(67)		36	(103)
Net Cash Outflow								(2,622)

PCF Application: 2020/21 operating budgets for Bar Council and BSB

69. The operating budget proposals for the organisation as a whole are summarised below.

Budget Summary

70. The budgets for 2020/21 were drawn up under very different circumstances to the ones we now find ourselves in. Consequently, many of the actions this year have the aim of delivering savings. They have been driven by the need to prepare for the expected significant drop in income forecast for 2021/22. The GCB is a financially lean organisation and does not carry excessive cash reserves. The expected drop in income will expend the available cash reserves. In order to mitigate this and avoid an immediate and substantial increase in the PCF the joint Finance Committee sought a CBILS (Coronavirus Business Interruption Loan Scheme) Loan backed by the UK Government for business that will see their income hit by the Corona virus.

Expenditure

71. GCB plans for total expenditure of £19.25M in 2021/22, £601k higher than the 2020/21 budget (Table 10). The combined PCF and Other Income is forecast to be £16M. This will lead to the GCB making an operational loss. The expenditure will be funded via a combination of PCF, Reserves and CBILS Loan.

72. This budget is part of a medium-term financial strategy to enable the GCB to smooth the effects of the Covid virus over a number of years and mitigate as far as possible the effects on the profession. It will allow the GCB to rebuild reserves over time and recover financial resilience.

	2020/21 Budget	2021/22 Budget	2020/21 Budget v 2021/22 Budget Variance
	£000's	£000's	£000's
Income			
PCF- BSB (<i>inc LSB/OLC allocation</i>)	10,873	8,427	(2,446)
PCF- BC (<i>inc LSB/OLC allocation</i>)	4,543	3,521	(1,022)
BSB Fees and Charges	1,448	1,488	40
BC Representation Income	250	250	0
BC Services to the Profession	2,041	2,221	180
Share Corporate Income	152	152	(0)
Total income	19,307	16,059	(3,248)
BC Direct Costs	4,263	4,082	181
BC Shared Services	1,736	1,959	(223)
BSB Direct Costs	6,538	6,715	(177)
BSB Shared Services	3,975	4,352	(377)
Total Operating Cost	16,512	17,108	(596)
DB Pension Fee	1,300	1,300	0
<i>LSB/OLC Charge</i>	838	844	(6)
Total Non Operating Costs	2,138	2,144	(6)
Total Costs	18,650	19,252	(602)
Net Surplus/(Loss)	657	(3,193)	(3,850)

Allocation of PCF to non-regulatory Permitted Purposes activities

Introduction

73. We have reviewed the representative activities of the Bar Council to determine the extent to which they fall within the Permitted Purposes described by section 51 of the LSA 07 and so may be funded by PCF. The rationale set out here has been considered in the budget setting process.

Outcomes

74. The Bar Council representative function supports the Permitted Purposes including s51 (4) a), c), d), e) and f). As well as work delivered by Bar Council staff, barrister led committees and working groups in specialist areas are supported by our staff working through five core teams. These activities are grouped by one of five themes and described on pages 23-27.

75. A proportion of the staffing resource within the representation teams supports non-Permitted Purposes activity and is funded independently. Table 11 shows the proportion of team resources applied to each Permitted Purpose and Table 8 shows the value of the relevant budget proposals analysed between Permitted and other purposes. Direct costs for activities of the services function that are completely outside of Permitted Purposes are budgeted for separately and analysis of this is outside the scope of this paper.

76. The Bar Council has again chosen to restrict the amount of PCF that we are prepared to seek for representation purposes and so has funded some Permitted Purposes activity, that otherwise may be funded by PCF, by other means. These means include surpluses from commercial activity and the Bar Representation Fee. The value of these is shown as other income or as a cross subsidy in Table 9.

Description of Representative Activity by Function

Equality, Diversity, Inclusion, Education & Training and Social Mobility

77. This work of the Diversity & Inclusion and Corporate Social Responsibility team covers:

- Matters to do with the 'training' and 'education' of barristers and those wishing to become barristers (section 51(4)(a));
- Promoting the objectives of the Equality Act 2010, to which the Bar Council as an approved regulator is subject, including:
 - 'advance equality of opportunity between people from different groups' (section 51(4)(a)(ii));
 - 'eliminate unlawful discrimination and other conduct prohibited by the Equality Act'; and
- Promoting equality, diversity and inclusion (including social mobility) in the profession. Specific programmes cover (i) access, (ii) retention and (iii) progression. Programmes

include but are not limited to Bar Placement Schemes throughout England & Wales (with social mobility charity partners); e-mentoring, careers outreach, pupillage specific projects and supporting barristers' work with schools and universities, for example Young Citizens' Bar Mock Trials.

- A significant amount of work is both underway and planned on race at the Bar, which falls squarely within the objectives of the Equality Act. Our work is crucial and is designed to ensure that (i) our existing D&I work programme incorporates race across the board and (ii) specific workstreams relating to race at the Bar are established and developed. In terms of training, we are investing significant time developing a Race Awareness Training product to supplement existing E&D awareness training.
- The team is also responsible for leading on all work in relation to the Young Bar and the Employed Bar: a broad remit.

Outside of permitted purposes:

78. Up to 10% of the time of the team is allocated towards supporting Pro Bono activity, Wellbeing, Silk and Judicial Mentoring, an annual Young Bar social event, the biennial Employed Bar Awards and other small projects.

European Activities (Brussels)

79. The Bar Council maintains effective two-way communication between the institutions of the European Union and the Bar Council. This work is led by the Bar Council's Brussels Consultant and EU Law Committee. All activities are within Permitted Purposes. The focus of our activity continues to relate to the UK's departure from the EU and maintaining constructive dialogues with the EU. 60% of our Brussels work enables the Bar Council to:

- Capture the output of the EU institutions which have a bearing on the reform and development of the law in England and Wales, the administration of justice in England and Wales and the consumer as well as the public interest;
- Draw attention to EU-wide consultation exercises and related initiatives; and
- Communicate the views of the Bar of England and Wales on a wide range of legal matters affecting the development of EU law and justice including matters of family law, criminal law, administration of estates, contract law and intellectual property. This work will continue after the UK has left the EU. The UK has long contributed to and indeed led the development of many aspects of EU law and will continue to influence developments as a key third country and through expert stakeholders like the Bar Council from 2021 onwards.

80. Our work relating to the UK's departure from the EU all falls within section 51(4)(c): (law reform and related legislative process) and encompasses working with government and other

interested parties on the required changes to domestic legislation as a result of the UK leaving the EU. This crucial public-interest work accounts for the remaining 40% of our European activities.

International

81. The International Team exists to:

- Advise the Bar Council on international developments of relevance to the Bar, to promote the interests of the Bar to international organisations and other legal professions and to lead the support and promotion of the international rule of law. It also acts to maximise international business opportunities for the Bar.
- Provide policy expertise and intelligence to the organisation across the range of international interests of the Bar including trade, rule of law (this is particularly the case at the moment due to the impact of Covid-19 on the rule of law) and international issues.
- Ensure that the Bar and the Bar Council's positions are effectively put forward in international organisations (e.g. the Council of Bars and Law Societies of Europe and the International Bar Association).
- Support the development of the international rule of law by interesting and engaging the profession in relevant activities (e.g. through lectures and other educational means) and by providing Bar expertise to Bar associations and other lawyers' organisations overseas (e.g. by taking part in capacity building and other training projects abroad, whether alone or with partners like the Royal Commonwealth Society).
- One member of the International team currently spends a significant amount of time working on matters related to the UK's departure from the EU which also come within section 51(4)(c) as described above and 51(4)(f), for example supporting the government's Professional Business Services Council and DTI Trade Advisory Group for Professional Advisory Services.

Outside of permitted purposes:

82. On occasion, the International Team's activity has an ancillary purpose to create opportunities for business development including initiating international business development projects, overseas marketing missions to changing jurisdictions including to the likes of Colombia, China and Russia, organisation of or attending business conferences, promotional publications or networking events with incoming delegations of foreign lawyers. These activities generate fees which pay for the incremental costs arising and may also subsidise the Permitted Purposes activity. However, due to Covid-19 much of this work has been put on hold since inward and outward travel is advised against and we are spending more time working on projects related to the rule of law and the UK's departure from the EU. Therefore, up to 10% of the resources of the International function this year are funded by other sources.

Law Reform, Regulatory and Ethics Issues

83. The Regulatory Issues, Law Reform and Ethics team is responsible for engaging with the legal sector regulators on issues affecting the profession. The main areas of work include the following, all of which fall within the Permitted Purposes:

- Education and provision of leadership to the profession on key regulatory changes. These include communication with the Legal Services Board, Bar Standards Board and other key stakeholders including the Competition and Markets Authority, the monitoring of changes to the regulatory environment for barristers, chambers and other business models and educational work on practical issues on establishing entities and Alternative Business Structures.
- Practical Advice and support on practice management, including drafting practice management guidance for the Bar and arranging practice management seminars on both new areas of interest and updates on existing matters.
- Monitor and respond to consultations that impact on the administration of justice. This includes coordination of Law Reform Committee (LRC) led responses to consultations on a broad range of legislative matters, coordination of law reform related working groups which influence legislation, contributions of the LRC to the Law Commission's programmes of law reform, raising awareness of current law reform issues through the annual law reform lecture delivered to some 200 law students, barristers and judges and fostering an interest in law reform amongst law students and aspiring barristers through LRC's annual law reform essay competition.
- This team also leads on policy related to the Bar's ethical standards and obligations, which includes management and provision of the Ethical Enquiries Service.

Remuneration and Legal Practice

84. The Remuneration and Legal Practice team leads on policy relating to remuneration and legal practice, including issues focused on access to justice and the administration of justice. This includes, for example HMCTS' vast court reform programme and the justice system's response to the Covid 19 pandemic.

85. This team also works to further the interests of all barristers to ensure that they are paid fairly for the work that they do. It also works to help enable access to justice, through legal aid or other funding arrangements, for example, investigating the viability of novel approaches to legal aid funding and engaging with the Ministry of Justice on fee schemes. The team also focuses on family and civil justice, including the promotion of access to justice in these areas of public interest.

Outside of permitted purposes:

86. Some limited activities are considered as falling outside of Permitted Purposes, including work related to Alternative Dispute Resolution.

Research function

87. Our research function is fully up and running and is helping the Bar Council to both identify research needs and to gather robust data and evidence. The research function is central to much of our work and allows us to produce evidence-based policy positions and papers. Examples of projects the research function is involved in include research in relation to law reform, research to assist with our practice management work, aspects of the court reform programme and supporting our regulatory issues work.

Communications Function

88. The work of the Communications function includes:

- Activities on behalf of the Approved Regulator function and complementary to the BSB regulatory communications function.
- Support for the public and consumer interest including the promotion of standards and good practice, publicising practical guidance, promoting entry to the Bar, advocating greater social responsibility by the Bar (working in conjunction with the Inns of Court and government in relation to the 'social mobility agenda'), publicising training events and pro bono work and supporting the promotion of events such as the Schools Mock Trial competition.

Outside of Permitted Purposes:

89. Some activities undertaken like the lobbying of government, opinion-formers and others in the interests of both the Bar and the public interest. Other activities include marketing certain services to members of the profession and chambers. For that reason, 25% of the activities and resources are funded independently of PCF.

Corporate Function

90. This consists of the leadership and support of the Approved Regulator and the representative function. About 10% of this activity is consistent with the management of commercial business activity and so is outside Permitted Purposes and funded independently.

Application of PCF to permitted purposes

91. When preparing the Bar Council budget, we have apportioned the total costs of the various functions between permitted and other purposes according to the descriptions summarised in Table 11. The value of this apportionment is shown in Table 8 which is repeated below.

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 11 – Proportion of representational activity that is for Permitted Purposes								
Representative Function Area	Regulation, accreditation, education & training of authorised persons	Maintaining and Raising of professional standards	Practical Advice and support on practice management	Law Reform and related legislative process	Promoting the protection by law of Human Rights and fundamental freedoms	Promotion of relations between AR and national, international bodies, governments or legal reps	Permitted Purposes Subtotal	Not in scope of pp
	51(4)(a)	51(4)(i)	51(4)(a)(ii)	51(4)(c)	51(4)(e)	51(4)(f)	(Max 100%)	Other
<i>Equality, Diversity & CSR</i>	30%	30%	30%				90%	10%
<i>EU Law</i>				40%		60%	100%	
<i>International</i>						80%	80%	20%
<i>Law Reform, Regulatory & Ethics</i>	25%	20%	15%	25%	10%	5%	100%	
<i>Remuneration & Legal Practice</i>	15%	15%	15%	45%		5%	95%	5%
<i>Communications</i>	15%			30%	15%	15%	75%	25%
<i>Corporate</i>	15%	15%	15%	15%	15%	15%	90%	10%

V. Transparency of PCF information to fee-paying members

Introduction

92. The following sections 93-109 (inclusive) have been shared directly with barristers as part of its communication and engagement. The material is available on the Bar Council website under Consultations <https://www.barcouncil.org.uk/policy-representation/consultations.html>

2021/22 Practising Certificate Fees (PCF) and Budget November 2020

Introduction

93. The General Council of the Bar (GCB) is very conscious of the financial and personal impact the COVID pandemic is having on the profession and is making every effort to ensure that it avoids adding costs to the profession at this difficult time.

94. Because of the COVID pandemic, the GCB is forecasting a significant reduction in barristers' incomes in 2020. This will feed through into a commensurate fall in PCF income in 2021/22 assuming no change in the basis on which the PCF is levied. The 2021/22 PCF income for the Self-Employed Bar (approximately 80% of all barristers) is based on barristers' income from January 2020 to December 2020 and many at the Bar have suffered a substantial drop in earnings in 2020. The Employed Bar changes in income will be reflected in the 2022/23 PCF collection.

95. Our forecasts of a fall in PCF income in 2021/22 then imply a substantial loss in the coming year because of the nature of our costs. Approximately 50% of the GCB's costs are staff costs with the other 50% made up of office costs, pension contributions, legal costs, LSB / OLC costs, and overheads etc. These costs are not easily reduced in the short term without severely impacting the work of the Bar Council and Bar Standards Board (BSB). Since March the GCB has been cutting staff and non-staff costs and using the furlough scheme so that the scale of next year's cash flow problem is minimised.

96. The GCB has been negotiating with our bank, RBS, for a CBILS loan to mitigate the expected drop in income. The CBILS loan is available on very favourable terms and is repayable over 6 years. The CBILS loan has been provisionally approved subject to finalisation of the loan documentation. This loan will enable the GCB to smooth out the effects of the lost income over an extended period.

97. Consequently, **the GCB does not intend to increase PCF for the budget year 2021/2022** and will submit a proposal for no PCF increase to the Legal Services Board (LSB) for approval.

98. We shall continue to plan budgets and set the level of the PCF on a year-to-year basis in the light of the circumstances at the time and having regard to barristers' earnings / incomes. However, PCF may need to rise modestly in the years ahead in order to enable the GCB

to cover the costs of regulatory and other 'permitted purposes'; to re-pay the loan, taken out to manage the cash flow shortfall we expect in 2021/22; and to re-build our liquid reserves. We shall, of course, consult about any such changes each year.

Summary

PCF bands and fees will remain the same as in 2020/21:

Band	Income Band	2021/22 Fees
1	£0 - £30,000	£100
2	£30,001 - £60,000	£246
3	£60,001- £90,000	£494
4	£90,001 - £150,000	£899
5	£150,001 - £240,000	£1,365
6	£240,001 - £500,000	£1,850
7	£500,001 - £1,000,000	£2,500
8	£1,000,001 and above	£3,000

Income Prediction for PCF and Other income (regulatory and non-regulatory)

99. Given the likely impact of the COVID crisis on earnings at the Bar, we have used all available information and data to make an income prediction (PCF income in particular). We will not know the true picture until after Authorisation to Practise 2021.

General Council of the Bar

Total Income	20/21	21/22	Change	% Change
	£000's	£000's	£000's	
PCF income	15,416	11,948	 (3,468)	-22.5%
Other income	3,891	4,110	 219	5.6%
	<hr/> 19,307	<hr/> 16,058	<hr/> (3,249)	<hr/> -16.8%

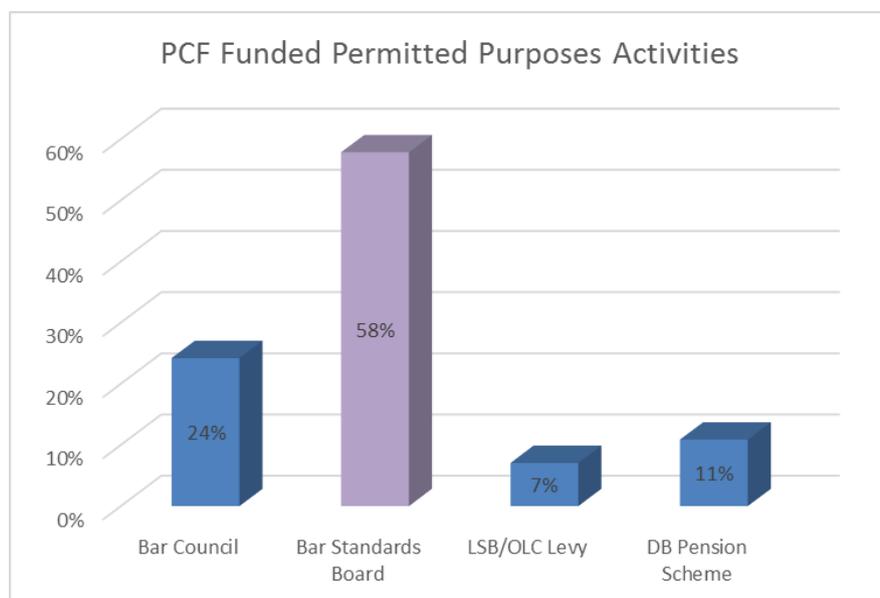
Split of PCF income:

100. We plan to set an operating budget which is as tight as possible while still being able to meet the regulatory and other permitted purposes for which PCF is raised. Any shortfall in cash will be met through reserves and the CBILS Loan. The GCB organisational overheads and those of the LSB/OLC levy and the DB Pension scheme are split between the Bar Council and BSB, based on relative size of each (see below).

	£000's	PCF Funded Permitted Purpose Activities	PCF Funded LSB/OLC Levy	Legacy DB Pension Scheme	Total PCF
2021/22 Proposed	Bar Council	2,892 24.20%	253 2.12%	390 3.26%	3,535 29.59%
	Bar Standards Board	6,912 57.85%	591 4.95%	910 7.62%	8,413 70.41%
	Total	9,804	844	1,300	11,948

* Please note %'s are of the Total PCF

101. The graph below also shows the allocation of PCF cash to Permitted Purposes activities.



Expenditure

102. The budgeting and planning process for 2021/22 took account of the predicted impact of COVID on the profession and the expected finances of the GCB. Although the revenue budget shows an increase of £595k (mainly due to non-cash depreciation charge), the capital budget for

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

2021/22 has been significantly reduced from £1,467k last year to £823k a 44% decrease, and a cash saving of £644k.

General Council of the Bar

Operating Expenditure	20/21	21/22		Change	% Change
	£000's	£000's		£000's	
Bar Council	4,263	4,082	↓	(181)	-4%
Resources Group	5,710	6,311	↑	601	11%
Bar Standards Board	6,539	6,714	↑	175	3%
	16,512	17,107	↑	595	4%

103. The Bar Council has made net operating cost savings of £181k (£70k staff and £111k non-staff). This is a 4% decrease in operating costs. There is a decrease in RPS capital expenditure of £31k.

104. The BSB has a net increase in operating costs of £176k (£23k staff and £153k non-staff). This is a 3% increase in operating costs although there is a decrease in capital expenditure of £613k.

105. Resources Group has a net operating cost increase of £601k (£46k increase in staff costs; non-staff cost increases in IS of £71k and depreciation of £506k (a non-cash movement) offset by facilities savings of £22k). Last year's capital programme (office refurbishment and IT improvements) were the main contributors to the increased depreciation charge. Overall, there is a 4% increase in operating costs, largely due to depreciation.

106. The proposed budgeted expenditure for 2021/22 is funded through the PCF collection and Reserves (supplemented by the CBILS loan):

Planned Permitted Purpose Spend - 2021-2022			
	Bar Council	Bar Standards Board	Total
	£000s	£000s	£000s
Funded from anticipated PCF Collection	2,892	6,912	9,804
Funded from Reserves	1,872	4,156	6,028
Total Planned Permitted Purpose Activities	4,764	11,068	15,832
Non Permitted Purpose spend	1,275		1,275
Budgeted Operating Expenditure			17,107

GCB Budget 2021/22

107. The consolidated position of the GCB is shown below:

General Council of the Bar Budget 2020-2021	Total Budget 2020-2021	Total Budget 2021-2022	Change	% Change
	£000's	£000's	£000's	
Income				
PCF	15,416	11,948	(3,468)	22%
Other Income	3,891	4,110	219	-6%
Total Income	19,307	16,058	(3,249)	17%
Expenditure				
Operating Expenditure	16,512	17,107	(595)	4%
Non Operational Expenditure				
LSB / OLC levy	838	844	(6)	
DB Pension fee	1,300	1,300	0	
Total Expenditure	18,650	19,251	(601)	
Total Operational & Non Operational Surplus / (loss)	657	(3,193)	(3,850)	

108. The GCB continue to review its cost base. It has identified a number of options for reducing its costs, although these have not all been incorporated in the budget at this stage. The budget will be reviewed after the PCF collection next year is completed to assess what actions are needed to keep its finances aligned with its five-year forecasts.

Next steps

109. We welcome views from the profession on the proposal not to increase PCF and the budget for 2021/22 and invite you to consider the questions below. Please send your responses to: treasurer@barcouncil.org.uk

[The consultation will close on 14th December 2020 at 17:00.](#)

Consultation Questions

- Do you agree with the GCB's proposal to maintain the 2020/21 PCF band and fee structure for 2021/22?
- Do you think the PCF for 2021/22 represents value for money?
- Do you have any other comments regarding PCF or the General Council of the Bar budget for 2021/22?

PCF Application: LSB and OLC recharges 2021/22

110. The forecast charges for 2021/22 are £844k, £6k higher than in 2020/21 (£838k). No changes to PCF fee levels are required to meet this target.

PCF Application: Defined Benefit Pension Scheme (DB scheme)

111. In 2017, GCB raised the PCF by 12% to generate an additional £1.3M annually to make annual payments towards the agreed DB scheme deficit recovery plan and build a fund that would eliminate the scheme altogether in the long term. The first collections in 2017 raised £1.3M and the first recovery plan payments were made as expected.

112. No changes to PCF arrangements in respect of the DB scheme are to be made for 2020/21. The DB scheme recovery plan is formally reviewed every three years with the last review being in September 2018. This resulted in the payment plan being extended to 2024. At present no additional amounts above the annual £1.3M will be needed to meet the current repayment plan. The next review is due in September 2021.

113. The GCB continues to treat and account for these funds separately from PCF collected for other permitted purposes. The movements and operation of the designated fund, the DB Pension Reserve, will be audited as part of the independent annual audit and published as part of the annual accounts.

VI. Regulatory and Equality Impact assessment

Equalities Impact Assessment

114. We aim to follow better regulation principles when setting the PCF:

- Our decision-making is open and transparent
- Stakeholders can contribute throughout the policy making process
- Actions are based on evidence and understanding of the impacts
- Regulatory burdens on the profession are kept to a minimum

115. The impact of the proposed PCF level on protected characteristics and equality have been considered. An Equality Impact Assessment has been conducted by the Head of Policy E&D at the Bar Council. The EIA has been updated for 2021/22. The aim of the EIA is to ensure that the GCB approach to the Practising Certificate Fee (PCF) does not have a disproportionate / adverse impact on those with protected characteristics.

116. The PCF is set according to income band. This ensures that those who are generating lower receipts (have lower income) pay a lower rate for their PCF. Further steps have been taken to address any perceived disadvantage of:

- There will be no proposed change in the PCF fees for 2021/22. It is however expected that due to the Covid pandemic many barristers will be declaring less income than in the previous year. In many cases this will lead to the barrister being in a lower band for their fee. Those barristers whose income has been hardest hit will see the greatest benefit. The GCB will be taking an income hit for 2021/22 and to mitigate the loss of income it sought a Government backed CBILS loan.

- In 2020/21 we introduced split payments for barristers that had delegated their payments to chambers. This allowed the chambers to split the payments into two halves. The aim was to try and support barristers and chambers through the difficult Covid period. We are aiming to introduce split payments for all barristers if technically and legally feasible for the 2021/22 AtP process.
- Those returning to practice after taking parental leave. The PC is provided at no cost during a period of parental leave and at the lowest level (Band 1) for those returning to practice irrespective of the PCF Band prior to parental leave. This is intended to encourage return to practice by reducing the costs of returning to practice.
- Those with a debilitating illness. Any barrister who is forced to give up practice due to a period of ill-health is now able to secure a reimbursement for period they are unable to practise.

117. There is an element of economic fairness in the PCF bands in that it recognises the wide gap in earnings across the Bar and of the pressures faced by those at the publicly funded Bar, compared to those on the higher bands.

VII. Other supporting information

Financial Risk & Mitigation Steps

118. The main budgetary risks are:

- a. PCF collection levels uncertainty due to Covid
- b. Uncertainty of non-PCF income due to Covid
- c. Effect of the downturn in the economy and political uncertainty (Brexit) on inflation, tax rates and costs.

Financial risk mitigation

119. GCB maintains financial reserves to fund working capital, investments and to provide a financial damper to smooth or cushion adverse financial issues. GCB operates a reserves policy to maintain sufficient cash reserves for these purposes. However, the scale of the Covid pandemic and its effect on income could not have been predicted. In order to protect the permitted purpose activities and not produce an excessive burden on the profession the joint Finance Committee have sought a CBILS Loan. This will allow the GCB to smooth out the effects of the drop in income.

VIII. Contact details

Next steps and communication with the Bar

120. The annual AtP renewal period for practising certificates opens in February and closes at the end of March. Barristers needing a practising certificate are required to apply for one and pay the PCF. The Bar Council and BSB have a joint plan in place to communicate with Barristers, chambers and employer administrators to ensure that they have the information they need about the AtP process.

121. The communication plan is underway from November and will continue through post, email and social media channels up to and beyond the opening of the AtP process in February 2021.

Richard Cullen
Director of Finance
General Council of the Bar of England and Wales
December 2019

Appendix 1: Previous years comparisons

Table 4 Cash comparison:

Table 4 - 2021/22 High level cash budget and indicative outyear proposition for GCB						
Values in £000's						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actuals	Forecast	Budget	Indicative Fcst	Indicative Fcst	Indicative Fcst
PCF	14,881	15,740	11,948	14,271	15,983	16,547
BRF	944	1,251	1,300	1,300	1,300	1,300
Contribution from Inns	250	250	250	0	0	0
Other Bar Council Income	965	693	921	1,056	1,074	1,092
BSB Fees and Charges	1,597	1,718	1,488	1,441	1,488	1,537
Other Income	167	158	152	452	452	452
Total Income	18,804	19,810	16,059	18,520	20,297	20,928
Operating Spend	9,125	11,541	12,567	12,759	13,126	13,505
Overheads	5,041	3,078	3,147	2,758	2,780	2,850
Capital & Property Spend	2,829	1,145	823	750	750	750
Other Spend	1,409	2,138	2,144	2,144	2,144	2,144
Loan Capital & Interest	0	0	0	1,056	1,056	1,056
Total Spend	18,404	17,902	18,681	19,467	19,856	20,305
Cashflow In/(Out)	400	1,908	(2,622)	(947)	441	623
	2.1%	9.6%	-16.3%	-5.1%	2.2%	3.0%

*Forecast as at 11th November 2020

Table 6 Cash comparison:

Table 6 - BSB 2021/22 Cash Budget Summary			
	2020/21	2020/21	2021/22
Income	Budget	Forecast*	Budget
PCF	10,873	11,102	8,427
Fees and Charges	1,448	1,718	1,488
Share Corporate Income	107	111	107
Subtotal Funding	12,428	12,931	10,022
Costs			
Governance, Exec, Support & Communication	1,549	1,313	1,571
Strategy and Policy	933	876	977
Supervision and Authorisations	2,547	2,623	2,673
Enforcement	1,509	1,428	1,494
Subtotal Spend	6,538	6,240	6,715
Shared Overheads	3,349	3,398	3,376
Total Spend	9,887	9,638	10,091
DB Pension Fee	917	917	910
LSB Charge	591	591	591
Cash Surplus/(Loss)	1,033	1,785	(1,570)
Capital Expenditure			
Specific Projects	318	351	20
Joint Projects	762	412	448
Total Cash Inflow/(Outflow)	(47)	1,022	(2,038)

*Forecast as at 11th November 2020

Table 7 Cash comparison

Table 7 - Bar Council 2021/22 Cash Budget Summary			
	2020/21	2020/21	2021/22
	Budget	Forecast*	Budget
Income			
PCF	4,543	4,638	3,521
Representation Income	250	250	250
Services to the Profession	2,041	1,944	2,221
Share Corporate Income	45	47	45
Total Funding	6,879	6,879	6,037
Costs			
Representation Direct Costs	3,364	2,875	3,254
Shared Overheads	1,119	1,090	1,188
Total Representation	4,483	3,965	4,442
Costs of Services	899	687	828
Shared Overheads	355	330	353
Total Services	1,254	1,017	1,181
Direct Bar Council Costs	4,263	3,562	4,082
Shared Overheads	1,474	1,420	1,541
DB Pension Fee	383	383	390
LSB Charge	247	247	253
Cash Surplus/(Loss)	512	1,267	(229)
Capital Expenditure			
Specific Projects	174	53	169
Joint Projects	353	177	186
Total Cash Inflow/(Outflow)	(15)	1,037	(584)

*Forecast as at 11th November 2020

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Table 9 Previous Year comparison:

Table 9 - s51 Report on 2020/21 - Allocation of PCF to Permitted Purposes

	Regulation (BSB)	Representation	Services	Revenue Total	Capital Spend	Capital Spend	Total Funding & Spend	
Total costs breakdown by source								
Direct Costs	6,250	3,310	887	10,447			10,447	
Share of Resources Group	4,153	1,318	418	5,889			5,889	
Project Spend	0	0		0	1,446	161	1,607	
LSB/OLC	591	247		838			838	
DB Pension Scheme	917	383		1,300			1,300	
Total Spend - Funding Required	11,911	5,258	1,305	18,474	1,446	161	20,081	
Analysed between Type:	Regulatory Permitted Purposes	Other Permitted Purposes	Other Purposes		Other Permitted Purposes	Other Purposes		
Permitted Purposes	11,911	4,732		16,643	1,446		18,089	
Not Permitted Purposes			526	1,305		161	1,992	
	100%	90%	10%	18,474			20,081	
Funded by:								
PCF	10,873	4,543	0	0	15,416	0	0	15,416
Direct Income								
Regulatory Fees & Charges	1,448				1,448			1,448
Services To Members				2,041	2,041			2,041
Other Contributions		250			250			250
Other Administrative Income	107	0	45		152			152
Subtotal Direct Income	1,555	250	45	2,041	3,891	0	0	3,891
Cross Subsidy from Services to Members	0	255	481	(736)	0	0	0	0
Total Funding	12,428	5,048	526	1,305	19,307	0	0	19,307
Net Surplus/(Loss)	517	316	0	0	833			833
Surplus/(Loss) Analysed between source:								
Permitted Purposes	517	316			833	0		833
Not Permitted Purposes			0	0	0	0		0
								833
Cashflow : Add back								
Permitted Purposes-Depreciation	626	199			825			
Not Permitted Purposes-Depreciation			63		63			
Cash Inflow/(Outflow) Analysed between source:								
Permitted Purposes	1,143	515			1,658	1,446		212
Not Permitted Purposes			63	0	63		161	(98)
Net Cash Outflow								114

Table 10 Cash comparison

Table 10 - 2021/22 Cash - Income & Expenditure Budget Proposals

	Bar Council	BSB	Total Cash Revenue Income / Expenditure
PCF Income	3,521	8,427	11,948
Non-PCF Income	2,516	1,595	4,111
Total Cash Income	6,037	10,022	16,059
Direct Costs	4,082	6,647	10,729
Shared Services	1,541	3,444	4,985
Total Cash Expenditure	5,623	10,091	15,714
Operating Cash Surplus/(Loss)	414	(69)	345
DB Pension Fee	390	910	1,300
LSB Charge	253	591	844
Net Cash In/(Out)	(229)	(1,570)	(1,799)
Capital Expenditure			
Specific Projects	169	20	189
Joint Projects	186	448	634
Total Cash Inflow/(Outflow)	(584)	(2,038)	(2,622)

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

PCF allocation compared to previous years

	£000's	PCF Funded Permitted Purpose Activities	PCF Funded LSB/OLC Levy	Legacy DB Pension Scheme	Total PCF
2019/20					
Actuals	Bar Council	4,147	128	307	4,582
Per Statutory Accounts		27.87%	0.86%	2.06%	30.79%
	Bar Standards Board	9,315	291	694	10,299
		62.60%	1.95%	4.66%	69.21%
	Total	13,462	419	1,000	14,881
			2.8%	6.7%	
2020/21					
Forecast	Bar Council	3,913	247	383	4,543
		25.38%	1.60%	2.48%	29.47%
	Bar Standards Board	9,365	591	917	10,873
		60.75%	3.83%	5.95%	70.53%
	Total	13,278	838	1,300	15,416
			5.4%	8.4%	
2021/22					
Proposed	Bar Council	2,892	253	390	3,535
		24.20%	2.12%	3.26%	29.59%
	Bar Standards Board	6,912	591	910	8,413
		57.85%	4.95%	7.62%	70.41%
	Total	9,804	844	1,300	11,948
			7.1%	10.9%	

* Please note %'s are of the Total PCF

Appendix 2: EIA

EQUALITY IMPACT ANALYSIS



The Bar Council

BAR
STANDARDS
BOARD

REGULATING BARRISTERS

EQUALITY IMPACT ANALYSIS (EQIA)

Date of Assessment	<ul style="list-style-type: none"> 04/12/20
Assessor Name & Job Title	<ul style="list-style-type: none"> Richard Cullen (Director of Finance) / Sam Mercer (Head of Policy: E&D and CSR).
Name of Policy/Function to be Assessed	<ul style="list-style-type: none"> PCF 2021-22
Aim/Purpose of Policy	<p><i>The PCF level and bands will remain unchanged for 2021/22 AtP</i></p> <ul style="list-style-type: none"> <i>Collection of PCF based on the income levels</i> <i>There will be no change to the policy for 2021/22</i> <i>The PCF is charged annually as part of the Authorisation to Practice process. On an annual basis barristers confirm they are fit to practise and pay an annual practising fee (PCF)</i> <i>The fee provides the necessary funds for permitted purposes provided by the regulatory body (BSB) and the representative body (Bar Council)</i> <i>It benefits the legal profession and society as a whole to have an appropriately funded regulator and representative body ensuring standards are improved and maintained and the benefits and needs of the profession are articulated to the wider society.</i> <i>In 2020/21 we introduced split payments for barristers that had delegated their payments to chambers. This allowed the chambers to split the payments into two halves. The aim was to try and support barristers and chambers through the difficult Covid period. We are aiming to introduce split payments for all barristers if technically and legally feasible for the 2021/22 AtP process.</i> <i>The intention is that barristers pay an annual fee based on ability to pay.</i>

1. Evidence

What evidence will you use to assess impact on equality?

- *There will be no proposed change in the PCF fees for 2021/22. It is however expected that due to the Covid pandemic many barristers will be declaring less income than in the previous year. In many cases this will lead to the barrister being in a lower band for their fee. Those barristers whose income has been hardest hit will see the greatest benefit. The GCB will be taking income hit for 2021/22 and to mitigate the loss of income it sought a Government backed CBILS loan.*
- *In 2020/21 the GCB allowed barristers who had delegated their payments to chambers to make the payments in two halves. The first and second payments (May / October) were collected successfully with no defaults. Though there were many other contributing factors (Government support) it appears that the policy did benefit those barristers who were able to make the split payments.*
- *After the completion of AtP we will be analysing the results and comparing them to previous years to assess the impact of the policy.*

2. Impact on Equality

Consider whether the evidence listed above shows the potential for differential impact, either adverse or positive, for different groups. If there are negative impacts, explain how you will attempt to mitigate these. Mitigating actions can be described in more detail in your Action Plan (Section 4).

- *All groups will be able to access the PCF in the normal way Will people from all groups be able to access the service; will there be any barriers for certain groups?*
- *Policy based on ability to pay and should not discriminate unlawfully or provide any indirect discrimination.*
- *The changes should be beneficial but an analysis will take place post AtP to confirm this.*

Race	<ul style="list-style-type: none"> • <i>As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.</i>
Gender	<ul style="list-style-type: none"> • <i>As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.</i>
Disability	<ul style="list-style-type: none"> • <i>As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.</i>

The General Council of the Bar
2021/22 PCF submission and Bar Council & BSB budget

Age	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.
Sexual Orientation	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.
Religion/Belief	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.
Gender Reassignment	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.
Pregnancy/ Maternity	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area.
Marriage and Civil Partnership	<ul style="list-style-type: none"> Not applicable
Other Identified Groups	<ul style="list-style-type: none"> As there is no significant change to the policy of PCF based on ability to pay there is not expected to be any negative impact in this area

How does the policy advance equality of opportunity?
<i>The policy further promotes payment of the PCF based on ability to pay</i>

How does the policy promote good relations between different groups?
<i>It is generally thought that those who earn more (and have benefited from a well regulated profession) should bear a greater burden for supporting the profession than those who earn less or are at the start of their careers.</i>

3. Summary of Analysis

Now you have considered the potential impacts on equality, what action are you taking? (Mark 'X' next to one option and give a reason for your decision)		
a. No change to the policy (no impacts identified)	Your analysis demonstrates that the policy is robust and the evidence shows no potential for discrimination. You have taken all appropriate steps to advance equality and foster good relations between groups.	X
b. Continue the policy (impacts identified)	Continue with the proposal, despite any adverse impacts, provided it is not unlawfully discriminatory and is justified.	
c. Adjust the policy and continue	Take steps to remove barriers, mitigate impacts or better advance equality before continuing with the policy.	
d. Stop and remove the policy	There are adverse effects that are not justified and cannot be mitigated. The policy is unlawfully discriminatory.	
Reason for decision: <i>It is not anticipated that there will be any negative effects from these changes to PCF and the hope is that it will be beneficial. An analysis of the data post AtP will be undertaken to assess the validity of this assumption.</i>		

4. Action Plan for Improvement

Give an outline of the key actions that need taking based on any challenges, gaps and opportunities you have identified. Include here any action to address negative equality impacts or data gaps.			
Action Required	Desired Outcome	Person Responsible	Timescale
<i>Analysis of the AtP results for impact on equality</i>	<i>Evidence to support the assumptions</i>	<i>Paul Martyn / Richard Cullen</i>	<i>Post AtP end of March 2021</i>