

REPORT TO: CILEx REGULATION BOARD

FOR: DECISION/DISCUSSION

DATE: 12 JULY 2018

REPORT TITLE: Q2 PERFORMANCE: APRIL TO JUNE 2018

SUBMITTED BY: Vicky Purtil, Director of Authorisation and Supervision,
Helen Whiteman, CEO

PURPOSE OF REPORT:

1. To report against Business Plan targets and operational performance in quarter 2 (Q2).

KEY ISSUES FOR CONSIDERATION:

2018 Business Plan

2. **Appendix 1** shows an overview of progress on work streams to deliver the Board's five strategic objectives. The strategy will be updated and republished following review at the Board's strategy day on 12 July 2018. The Board will focus on the development of activities to improve the organisation's consumer focus, informed in part by a member of the Legal Services Consumer Panel (LSCP) Board and the LSCP's new strategy and business plan.
3. As indicated by the RAG ratings, workstreams are progressing as planned either wholly or in part, other than the redevelopment of protocols to fit the new CILEx Group governance structure.

New Group governance structure

4. The redevelopment of the protocols between CILEx and CILEx Regulation forms part of the workplan to address anticipated changes in the operating environment as a consequence of the review of the CILEx Group governance structure. Work continues to be on hold in this area, pending the outcome of the CILEx consultation on the changes to its bye laws. CILEx Regulation has submitted a response to the CILEx consultation, which has been reviewed and approved by the Board.
5. The Group Board met on 2 and 3 July 2018. They have invited CILEx Regulation to feed in 3-4 KPIs each quarter, these will be considered alongside similar KPIs from both CILEx Professional and CILEx Law School. The selection of indicators is to be those which are considered to be indicators measuring organisational health and business growth.

Group Services purchasing

6. The work to form CILEx Group Services Limited is progressing. In addition to the appointment of the Board, reported to the last meeting, the new limited

company was incorporated on 1 June 2018. In relation to impact on CILEx Regulation's budget, following the increase in the proposed contribution from CILEx Regulation to Group Services recharges from £142k to £170k, reported to the May Board, CILEx Regulation has now received clarification on this matter and a correction has been provided by Finance to the Board and features earlier in the agenda, following the draft May minutes. Mr Cerski has confirmed that the £150k allocation within the draft 2019 budget remains realistic as this will be based on the headcount arrangement.

Barriers to entity growth

7. Work continues to address the barriers to entity growth. The rule change approval needed from the LSB in relation to PII was received on 20 June 2018 and this opens the way for SRA regulated firms to switch their regulation to CILEx Regulation.
8. Since the May meeting, we have met with 2 brokers and we believe that we may now have a workable solution to the After the Event (ATE) insurance barrier reported to the May Board meeting. Whilst not a replication of the Designated Professional Body (DPB) status enjoyed by SRA and CLC regulated firms, it will enable firms to access ancillary insurance products for their clients. The limitation to our alternative is that law firms will not be able to retain the commission on products sold. However, this is generally small (in the region of £20 per product) and the new EU legislation in relation to sale of insurance products (including through the DPB arrangement) may make the compliance obligations on law firms sufficiently onerous to dissuade them from selling ancillary products directly.
9. The meeting with one broker has also created an opportunity for CILEx Regulation to receive introductions from them of law firms interested in switching regulator to us. The broker has mentioned this opportunity at its annual conference and has agreed to circulate the electronic brochure on switching to all firms on its mailing list. The broker has agreed to track opened correspondence as far as it is possible to do so.
10. The lender panel issue remains live and this is reflected in the risk register. We continue to discuss the issues with relevant parties. As part of the Regulator Pioneer Fund available from the government, the LSB is co-ordinating potential cross-legal sector bids for funding. Vicky Purtill has submitted an outline proposal to the LSB and shared this with the other regulators to propose creating a bid to mitigate or eliminate the lender panel issue through the use of technology. There are at least 2 tech start-up companies working in this area and one has expressed an interest in joining a partnership for any resulting bid. As the subject matter chimes with initiatives at the Ministry of Housing, Community and Local Government and the Land Registry, this may be taken forward as a bid from the legal sector. The LSB will give this further consideration and a decision is likely to be taken in the summer. In addition, the proposal from the SRA to reduce PII minimum cover for conveyancing firms may have further negative impact on lender panel accessibility and this has been raised with the SRA in the CILEx Regulation response to their consultation, which is available in the Board Sharepoint.

Succession Planning

11. As requested by the Board at its last meeting, succession planning has been added into the business plan. This will be drafted during Q3 and presented to the Board by the end of the year.

Quarter 3 (Q3) milestones

12. Key milestones for Q3 are shown in **Appendix 1**.

Meeting the regulatory objective in relation to diversity

13. The LSB will assess us formally in August 2018. We have identified a number of areas of work, as per the Business Plan, and engaged the services of a specialist diversity consultant to assist us with their delivery. This includes ensuring we meet the requirements of the LSB. Progress against our Diversity Action Plan is show in **Appendix 2**.

Entity/ABS Delivery Plan update

14. The ABS Working Group, at its June meeting, requested a refreshed action plan following the LSB's recommendation to the Lord Chancellor that CILEx be designated as a Licensing Authority. A revised action plan can be found at **Appendix 3**.

Meeting the regulatory objective in relation to the consumer

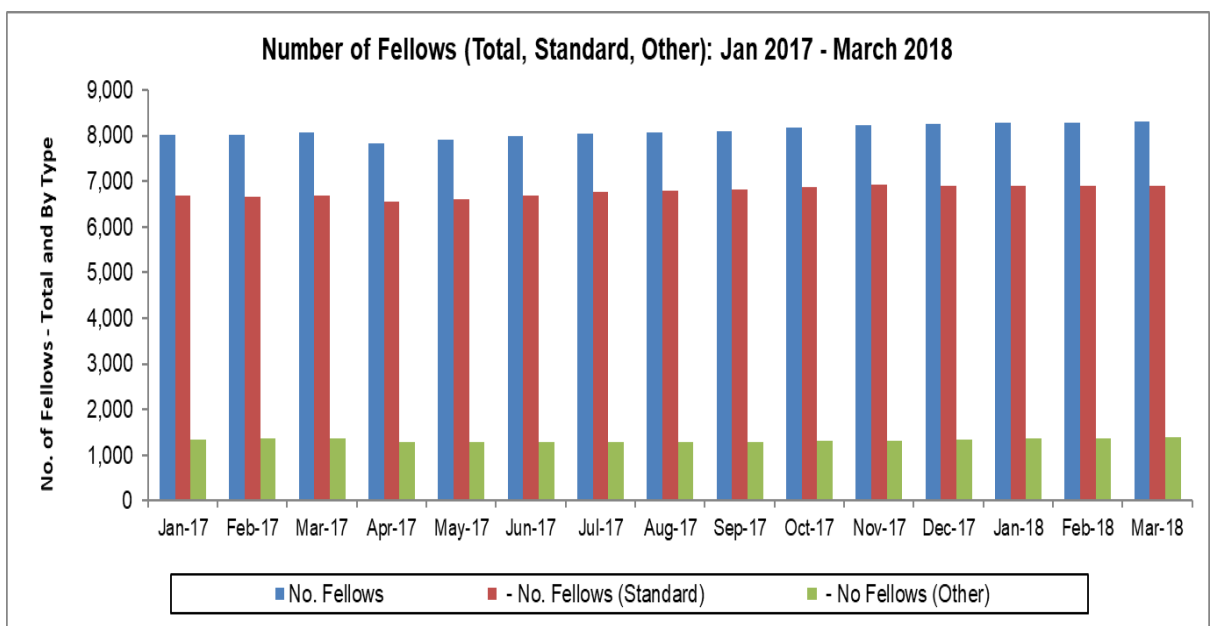
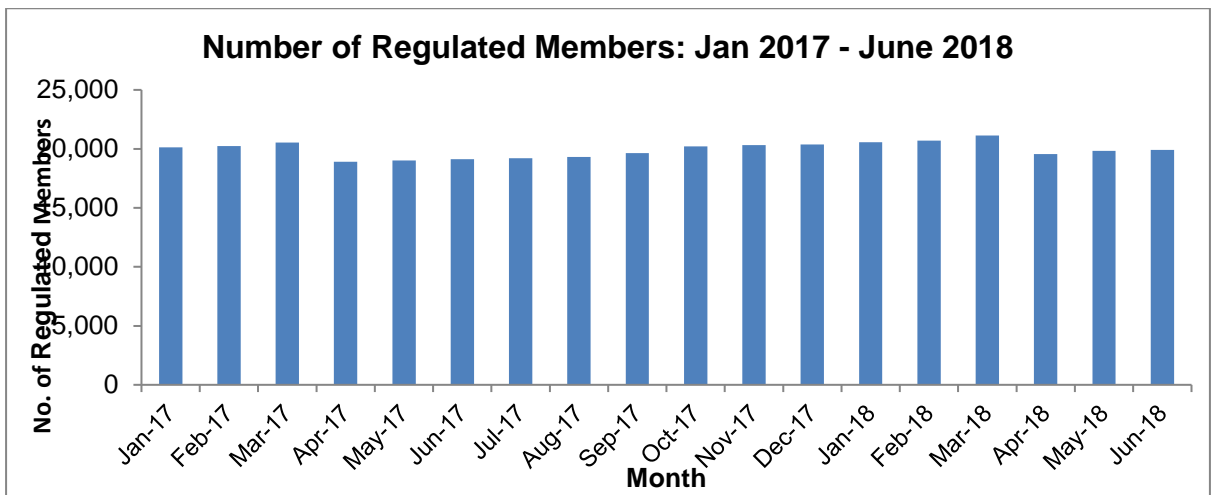
15. We are engaged in a number of cross-regulator projects in relation to meeting this objective. These are captured in the CMA and Communications Plans (the latter was reported to May Board).

New website

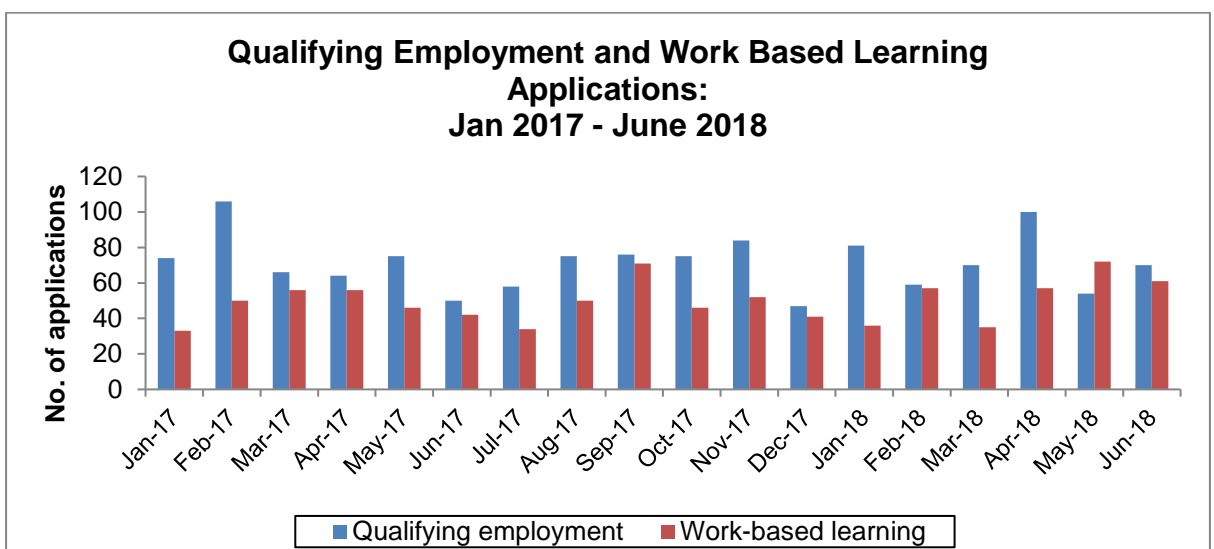
16. The development of the new website is progressing and a site map has been drafted. Managers are now looking at the structure and content of information to be provided through the new website and the launch is expected in the autumn.

Operational performance April to June 2018

17. The data on operational performance in Q2 is attached at **Appendix 4**.
18. Numbers of regulated individuals: Fellow numbers are shown split as Standard and Other as previously requested. The following graphics show trends from the introduction of the current performance reporting framework:



Practitioner Authorisation and Supervision: intakes on QE and WBL application are shown below:



Staff training

General: staff training days reported for this quarter include the following:

Office 365/Sharepoint: three training days on 18 May, 31 May and 27 June.

Business Strategy Staff Workshops: Two morning sessions on 17 May and 7 June.

Vulnerable client training: outlined at the last meeting, this training is scheduled for 5 September 2018.

Sponsored qualifications: CILEx Regulation continues to sponsor a number of staff through CILEx qualifications and other professional qualifications.

Mindfulness: 6 week course offered to staff by the Group.

Complaints about us:

19. There were 2 customer complaints in Quarter 2. Two have been closed out. No complaints will carry forward into Quarter 3 reporting.

Communications:

20. A Board Action Plan is in development, this is currently with the CILEx Regulation Chair for consideration.

CMA Action Plan

21. The action plan is located at **Appendix 5**. Progress in relation to the CMA work is reported elsewhere in the Board papers.

Performance reporting to LSB:

22. The LSB received our first dataset submitted under the new regulatory reporting arrangements in May 2018. The LSB has made a request for additional information in relation to some of the functions-based standards. These were discussed at the Board's Strategy Day on 11 July 2018.

RECOMMENDATIONS:

That the Board:

- considers progress in Q2 against Business Plan objectives;
- considers progress against associated delivery plans (Entity/ABS Plan, CMA Action Plan);

APPENDICES:

Appendix 1: Business Plan

Appendix 2: E&D action plan

Appendix 3: ABS action plan

Appendix 4: Q2 Operational performance data

Appendix 5: CMA action plan