

REPORT TO: CILEx REGULATION BOARD

FOR: DISCUSSION

DATE: 8 NOVEMBER 2017

REPORT TITLE: Q3 PERFORMANCE: JULY TO SEPTEMBER 2017

SUBMITTED BY: Jill Durham, Director of Policy and Enforcement
Vicky Purtil, Director of Authorisation and Supervision

PURPOSE OF REPORT:

- 1 To report progress against Business Plan and operational performance in Quarter 3.

BACKGROUND:

- 2 Under the Board's Transparency Policy we have published reports of progress against key Business Plan activities to deliver the Board's five strategic objectives since the Q2 update to July Board. It is anticipated that continuing to publish quarterly progress reports will form part of the management data set to be shared with LSB under the new regulatory standards assessment framework.
- 3 At its July meeting the Board decided to review its approach to publication of operational performance data in January 2018, following the first year of operation of the new performance reporting framework.

KEY ISSUES FOR CONSIDERATION:

2017 Business Plan:

- 4 Progress in Q3 is shown at Appendix 1, together with key milestones for Q4. Plans in relation to marketing of practice rights and entity regulation are reported elsewhere. There was a significant delay at the time the Q2 progress report in relation to review of non-PCF fees and charges. This has now progressed as reported to September Board. All other projects are on track.

Associated Delivery Plans:

- 5 **Diversity Action Plan:** Progress in Q3 against our Diversity Action Plan of activities to deliver the regulatory objective of '*encouraging an independent, strong, diverse and effective legal profession*' in line with the LSB's revised Guidance, is attached at Appendix 2. On an informal basis the LSB has favourably assessed the plan, as set out at the draft assessment at Appendix 3. The LSB draft all regulator assessment attached at Appendix 4 gives a broader perspective. The formal assessment is scheduled for August 2018.

We expect further detail on the scope of the formal assessment in Spring 2018.

- 6 **Education Standards Review Project Plan:** The position at the end of Q3 is reported at Appendix 5. The plan is overseen by the Joint Education and Training (JET) Group.
- 7 **Entity/ABS Delivery Plan:** The position at the end of Q3 is reported at Appendix 6. The plan is overseen by the ABS Working Group.
- 8 **CMA Action Plan:** Progress in Q3 is shown at Appendix 7 with the plan for collaboration with CILEx on engagement with their members attached. Finalising transparency consultation proposals was the major focus in Q3, ahead of the launch of our 12 week consultation on 29 September. The LSB's assessment of our action plan as sufficient was published on their website on 2 October 2017¹ and is attached at Appendix 8. The results of the review of regulated entities current practice in relation to publishing transparency information on their websites is attached at Appendix 9.
- 9 **CRM Project Plan:** This Group project was reported as an associated delivery plan in the last update. Following the Board's request at its September meeting that progress be reported via Finance reports, this has been taken out of Business Plan progress reports.

NEW Key Business Projects:

- 10 Three new key projects have been added to deliver growth of opportunity for CILEx Practitioners:
 - 'Quick wins' (practitioner authorisation);
 - review of education and training requirements (SQE exemption); and
 - AML Supervision restructuring.

OPERATIONAL PERFORMANCE JULY TO SEPTEMBER 2017

- 11 Operational performance in Q3 is attached at Appendix 10. Turn around times have been converted from days to weeks. The office recommends this change to the format to make the figures more accessible. Regulation Matters user and sessional data has been added for comparison to the traditional website.
- 12 QE applications remain buoyant with 644 applications by the end of Q3 compared to 525 at the same point last year. Similarly, the total number of WBL portfolios received in 2016 was 448. By the end of Q3 this year intakes were at 438 applications. 343 new Fellows have been authorised during the period January to September. Reductions in the lead times for processing authorisations have been maintained.

¹ [CILEX Regulation - action plan suff assessment.pdf](#).

RECOMMENDATIONS:

- To note progress in Q3 against Business Plan objectives.
- To note the position in relation to associated delivery plans.
- To note operational performance in Q3.

APPENDICES:

- Appendix 1: Q3 Business Plan update
- Appendix 2: Diversity Action Plan Q3 update
- Appendix 3: Informal LSB Assessment of Diversity Action Plan
- Appendix 4: Informal LSB Assessment of all regulators' Diversity Action Plans
- Appendix 5: Education Standards Review Project Plan
- Appendix 6: Entity/ABS Delivery Plan
- Appendix 7: CMA Action Plan
- Appendix 8: LSB Assessment of CMA Action Plan
- Appendix 9: Review of entity website transparency publishing
- Appendix 10: Q3 Operational Performance

CILEx Regulation Business Plan 2017

The quarterly performance summary shows:

- high level progress on key planned business activities to deliver the five strategic priorities in CILEx Regulation's Strategy 2017-20;
- RAG (Red/Amber/Green) ratings for the last quarter with comparison to previous quarter; and
- next quarter milestones.

Where business activities are managed through associated delivery plans updates to these are shared in the Board member secure online area. Delivery plans and plan owners/sponsors currently in place are as follows:

Diversity Action Plan: Jill Durham, Director of Policy and Enforcement (jill.durham@cilexregulation.org.uk)

Educational Standards Review Project Plan (in development): Victoria Purtill, Director of Authorisation and Supervision (victoria.purtill@cilexregulation.org.uk)

Entity/ABS Delivery Plan: Victoria Purtill, Director of Authorisation and Supervision

Competition and Markets Authority Legal Services Market Study Action Plan: Jill Durham, Director of Policy and Enforcement

Contact for questions: Clare Harper Smith, Research and Performance Analyst
(Clare.harper@cilexregulation.org.uk)

Key:

Red: Project not progressed or on hold

Amber: Project partly progressed, milestones partly met

Green: Project progressing as planned with milestones achieved

Abbreviations:

ALC: Admissions and Licensing Committee

CRM: Customer Relationship Management (system)

SMT: Senior Management Team

SRC: Strategic Risk Committee

QE: Qualifying Employment

WBL: Work-based learning

Strategic Priority	Q2 2017 (Apr to Jun)	Priority project	Q3 2017 (July to Sep)	Progress in Q3 2017	Q4 Milestones 2017 (Oct to Dec)	Forward look
1. Ensure the needs of the consumer inform all our	G	Consumer needs mapping	G	<ul style="list-style-type: none"> Consumer impact assessment policy and assessment template developed (available in SharePoint) 	<ul style="list-style-type: none"> N/a - mapping arrangements to be piloted with education standards in 2018 	
	A	Vulnerable Consumer Strategy	A	<ul style="list-style-type: none"> Attended LSB hosted roundtable on next steps following research on experience of consumers in vulnerable circumstances 	<ul style="list-style-type: none"> Incorporate Vulnerable Consumer provisions into main Consumer Strategy 	Implementation from 2018
2. Minimise barriers to entry for practitioners (cost and bureaucracy)	A	Risk based supervision of individuals	A	<ul style="list-style-type: none"> Risk matrix developed for recommendation to Strategic Risk Committee (SRC) 	<ul style="list-style-type: none"> SRC approval of risk matrix (or provisional sign off by Board subject to SRC input) 	2018 implementation
	G	QE/WBL assessment online	A	<ul style="list-style-type: none"> Supplier options reported to September Board New CRM functionality identified as preferred solution 	<ul style="list-style-type: none"> Part of Group CRM Project¹ 	Agreed by Group as a Priority 1 for roll out
	G	Post transition CPD	G	<ul style="list-style-type: none"> Rule changes approved by LSB Approach to enforcement for non-compliance reviewed for proportionality Transitional arrangements ended 	<ul style="list-style-type: none"> Implementation Communication with regulated community Publish revised CPD Handbook 	N/a, closed out
	G	Entity authorisation lead time reduction	A	<ul style="list-style-type: none"> CILEx member support/mentoring function (agreed and implemented in Q2) - lack of evidence of positive impact on take up Support/mentoring function reverted to CRL to enable comparison with Q2 results User journey mapping completed 	<ul style="list-style-type: none"> Use comparative analysis of Q2 and Q3 results to inform decisions on operational best fit for business development Review of pipeline Develop sales web area in line with current branding 	
	A	Anti-competitive practices	A	<ul style="list-style-type: none"> <u>Access to lender panels</u>: monitor reported success of regulated 	<ul style="list-style-type: none"> Agree a switching protocol across 	Develop lobbying plan

¹ Group Project for new CRM to be reported to Board as part of Finance updates.

Strategic Priority	Q2 2017 (Apr to Jun)	Priority project	Q3 2017 (July to Sep)	Progress in Q3 2017	Q4 Milestones 2017 (Oct to Dec)	Forward look
				<p>entities authorised for conveyancing in gaining access on a case by case basis. Lender panels access engagement plan developed</p> <ul style="list-style-type: none"> ○ <u>Regulator switching</u>: Dialogue opened with SRA to develop protocols for information sharing ○ <u>Designated Professional Body (DPB) status</u>: Joint approach with another regulator made to FCA requesting engagement with a view to agreement on a proportionate approach. 	<ul style="list-style-type: none"> ○ regulators – awaiting SRA rule changes ○ Assess impact of issues identified in published ICAEW licensing refusal re individuals regulated by Regulator A employed in firms regulated by Regulator B ○ Identify options for DPB status in liaison with FCA. Meeting scheduled for November. 	
	G	Performance reporting framework	G	<ul style="list-style-type: none"> ○ Unit cost modelling for key processes developed - first costings reported to September Board ○ Regulation Matters uptake reporting introduced ○ Engagement with LSB to align reporting framework with new style regulatory standards assessment 	<ul style="list-style-type: none"> ○ Q3 performance reported to November Board in line with agreed high level indicators ○ Build trend data 	Embedded. Review after first year of operation
	G	Review Non-exec Contractor Appraisal	G	<ul style="list-style-type: none"> ○ Informal consultation undertaken with DT members ○ DT member champion identified ○ Chair's agreement gained to conduct annual/biennial 1:1s 	<ul style="list-style-type: none"> ○ Options developed and piloted 	Extend to SRC members in 2018
	G	Revised LSB Diversity Guidance	G	<ul style="list-style-type: none"> ○ As update on accompanying Diversity Action Plan ○ Preliminary analysis of all member survey results completed (see SharePoint) and shared with CILEx 	<ul style="list-style-type: none"> ○ First formal assessment by LSB shared and awaiting publication ○ Survey report published 	Next formal assessment by LSB due August 2018

Strategic Priority	Q2 2017 (Apr to Jun)	Priority project	Q3 2017 (July to Sep)	Progress in Q3 2017	Q4 Milestones 2017 (Oct to Dec)	Forward look
				<ul style="list-style-type: none"> Positive draft assessment of progress by LSB 		
3. Grow opportunities for CILEx practitioners	G	Educational standards review (Phoenix)	G	<ul style="list-style-type: none"> As accompanying Education Standards Review Project Plan Research scoped and agreed Researcher identified and commissioned Milestones developed and reported to Joint Education and Training (JET) Group 	<ul style="list-style-type: none"> N/a - research due in Q1 2018 (draft in Feb and final in March) 	
	G	Intervention capacity and capability	G	<ul style="list-style-type: none"> First draft of processes and procedures reviewed 	<ul style="list-style-type: none"> Finalise processes and procedures Implementation 	Q4 implementation
	G	Forensic investigation capacity and capability	G	<ul style="list-style-type: none"> Assessment of business need completed (part dependency on intervention processes) 	<ul style="list-style-type: none"> Decisions on supplier options and partnership working 	2018 implementation
	G	Development of entity regulation arrangements	G	<ul style="list-style-type: none"> As accompanying Entity/ABS delivery plan ABS application comms delivered Review of compensation policies and procedures externally commissioned 	<ul style="list-style-type: none"> External commissioning of ABS policies and procedures Alignment of entity and ABS appeals processes 	As delivery plan
	G	Gain designation as a Licensing Body	G	<ul style="list-style-type: none"> Timing issues identified in relation to First Tier Tribunal (FTT) access (statutory instrument workload at MoJ). 	<ul style="list-style-type: none"> As shown in accompanying Entity/ABS delivery plan Options appraisal for FTT Risk assessment of FTT options Monitor progress of application through LSB/MoJ stages 	Implementation planned for 2019

Strategic Priority	Q2 2017 (Apr to Jun)	Priority project	Q3 2017 (July to Sep)	Progress in Q3 2017	Q4 Milestones 2017 (Oct to Dec)	Forward look
	R	Practice rights and entity regulation growth	R	<ul style="list-style-type: none"> Review of approach and sourcing of marketing capacity Review of digital engagement (development of web sales capacity) 	<ul style="list-style-type: none"> Decisions on revised approach to marketing and resourcing 	Under review
		'Quick wins' (practitioner authorisation)		NEW FROM Q3	<ul style="list-style-type: none"> streamlining of WBL and practice rights application processes review of advocacy training supply 	
		Review of education and training requirements		NEW FROM Q3	<ul style="list-style-type: none"> Mapping for new SRA framework in relation to SQE exemption 	
		AML Supervision restructuring		NEW FROM Q3 - OPBAS to be the oversight body for 23 legal and accountancy services regulators, need to consult on levy as it will change 2019 PCF	<ul style="list-style-type: none"> collaborate with CILEx on implementation of sector guidance communication and awareness raising for regulated community review impact of levy on 2019 PCF plan consultation on levy 	
4. Practical collaboration with other regulators	G	Deliver CMA legal services market study recommendations	G	<ul style="list-style-type: none"> As progress update on accompanying CMA Action Plan Consultation on transparency requirements launched Comms/member engagement plan agreed with CILEx Proposal for cross regulator funding of single digital register options appraisal reviewed (deferred to 2018) 	<ul style="list-style-type: none"> Review responses to consultation on transparency requirements Present proposals to CMA hosted roundtable with consumer bodies (5 Dec) 	As published Action Plan

Strategic Priority	Q2 2017 (Apr to Jun)	Priority project	Q3 2017 (July to Sep)	Progress in Q3 2017	Q4 Milestones 2017 (Oct to Dec)	Forward look
5. Address anticipated changes in the operating environment	G	Improve brand awareness	G	<ul style="list-style-type: none"> First draft Communication strategy developed and reported to SMT away day. Revisions in progress 	<ul style="list-style-type: none"> Communication Strategy agreed for report to Board 	Implementation from 2018
	G	Achieve planned 2017 operating costs reductions	G	<ul style="list-style-type: none"> Q3 outturn within budget QE/WBL income growth 	<ul style="list-style-type: none"> Achieve planned 8% costs reduction 	Completes 31/12/17
	G	2018 PCF setting	G	<ul style="list-style-type: none"> Board approval of final fee 2018 proposals Application for approval lodged with LSB Approved fees published Invoicing under way Three stage budget process agreed with CILEx for 2019 budget setting in 2018 	<ul style="list-style-type: none"> Commence 2019 PCF setting process including further review of the funding model, including group services recharging 	PCF 2019 budget to be provisionally agreed in Q1 2018
	R	Review of other fees and charges setting process	G	<ul style="list-style-type: none"> Processes audited in collaboration with CILEx for 2019 fee setting Unit costs modelling methodology agreed and quarterly reporting implemented 	<ul style="list-style-type: none"> Announce fee review effective January 2018 with associated comms Revised fee setting cycle as Forward List 	Review 2019 fee setting process in 2018
	G	Redevelopment of protocols for new CILEx Group Governance structure 2018	A	<ul style="list-style-type: none"> Received further updates from CILEx on progress towards new governance structure 	<ul style="list-style-type: none"> Revised protocols scoped Draft protocols aligned with regulatory arrangements Scoping of work to support transition to new CILEx structure 	Implementation by CILEx of its new structure anticipated from mid 2018