

**REPORT TO:** CILEx REGULATION BOARD

**FOR:** DISCUSSION/DECISION

**DATE:** 21 FEBRUARY 2018

**REPORT TITLE:** Q4 PERFORMANCE: OCTOBER TO DECEMBER 2017

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

**PURPOSE OF REPORT:**

- 1 To report progress against Business Plan and operational performance in Quarter 4.

**KEY ISSUES FOR CONSIDERATION:**

2017 Business Plan:

- 2 Progress in Q4 is shown at Appendix 1, together with key milestones for Q1 2018.
- 3 The following operational work streams are mainstream and have been de-listed in order to focus reporting on delivery of the Board's strategic priorities:
  - o review of non-executive contractor appraisal;
  - o development of intervention and forensic investigation capability and capacity;
  - o application to become a licensing authority for ABS;
  - o 2018 PCF setting and review of other fees and charges;
  - o review of performance reporting framework.

Delivery of consumer objectives:

- 4 A set of new high-level business objectives, designed to extend the focus on the Board's consumer strategy, are set out for discussion at Appendix 2. Subject to Board member preliminary views, a detailed activity plan will be developed for discussion at the July 2018 strategy planning day, and once agreed can be reflected in the Board's strategy which was last considered at the mid-year strategy review on 8 November 2017. Activities will be scheduled for delivery and progress reported from Q4.
- 5 An oral update will given in relation to delivery of refreshed consumer objectives.

#### Diversity Action Plan update:

- 6 The Equality and Diversity Action Plan aims to meet the LSB Guidance for legal services regulators on encouraging a diverse workforce published in February 2017. The LSB published an update on regulators' progress in meeting the guidance in December 2017.<sup>1</sup>
- 7 An update on progress to December 2017 is attached at Appendix 3. Board members will recall funding included in the 2018 budget for external consultancy on the development of our approach to meeting the regulatory objective in the Act, of '*encouraging an independent, strong, diverse and effective legal profession*'. A scoping brief discussed with the consultant can be accessed in Board SharePoint.
- 8 This covers an initial scoping exercise for a consultancy commission on (1) assessment of diversity impact of regulatory arrangements, (2) diversity audit focusing on the proportion of cases at Disciplinary Tribunal involving regulated members from a BME background, and access to Qualifying Employment for members, and therefore progression to Fellowship, by regulated members from a BME background and (3) appointment to non-executive roles.
- 9 The formal LSB assessment of our progress in meeting the revised guidance will take place in 2018. The main element of the assessment will be a self-assessment in a template supplied by the LSB.

#### Entity/ABS Delivery Plan update:

- 10 The entity/ABS delivery plan is attached at Appendix 4 showing progress as at 31 January 2018.

#### Competition and Markets Authority (CMA) Action Plan update:

- 11 The plan to deliver the recommendations of the CMA report on the legal services market is attached at Appendix 5 showing progress as at the end of December 2017.

### **OPERATIONAL PERFORMANCE OCTOBER TO DECEMBER 2017**

- 12 Operational performance in Q4 is attached at Appendix 6.

#### Authorisation and Supervision

- 13 Authorisation and Supervision is divided into Practitioner and Entity teams. Both had busy but successful years in 2017.

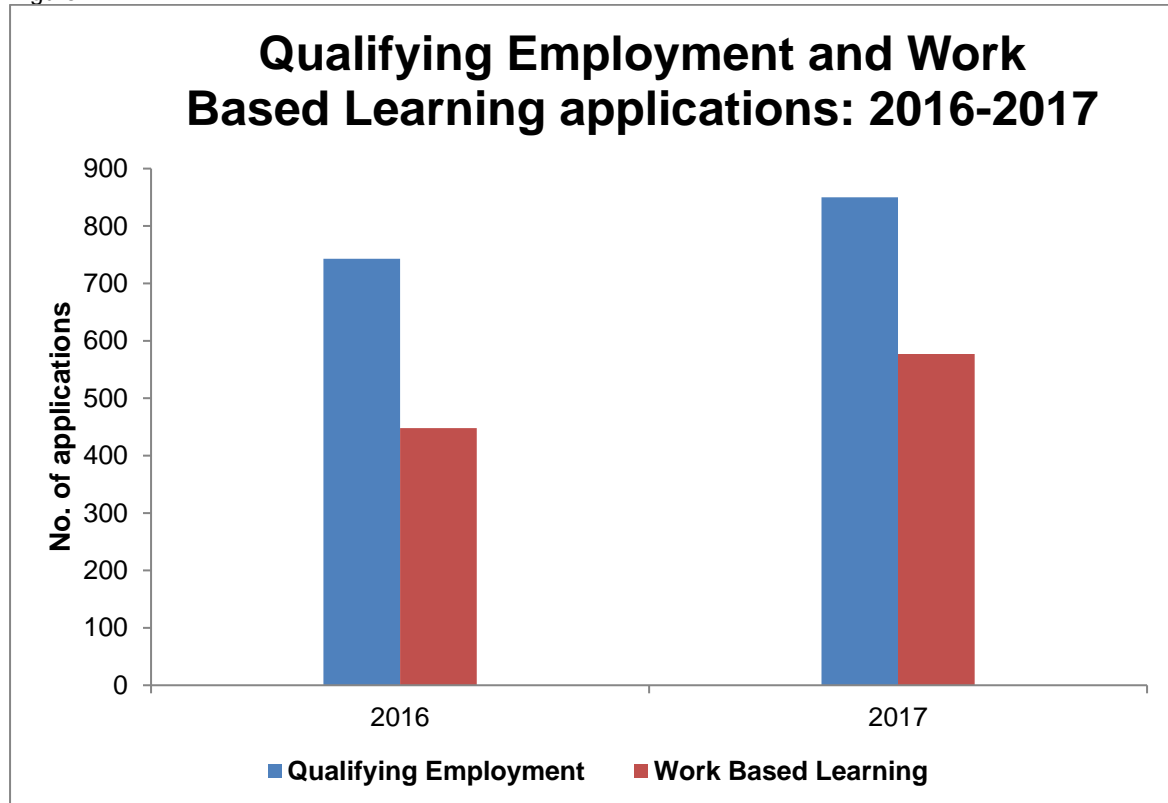
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## Practitioner

- 14 Qualifying Employment and WBL applications: The number of qualifying employment applications increased from 743 in 2016 to 850 (an increase of 14.4%) received in 2017 and a similar increase has been seen in the new WBL applications received, from 448 applications received in 2016 compared with 577 new applications received in 2017 (an increase of 29%). The trend is shown at Figure 1 below:

Figure 1



- 15 Turnaround times are improving. The figures show end to end assessment times including time taken for applicants to respond to requests. In 2017, the time to first assessment reduced from 10 weeks to 3-5 weeks (even though external assessor use has significantly reduced). The number of requests for additional information has also reduced significantly. Applicants are now usually successful on either their first or second attempt, with the average for 2017 being 1.5 attempts.
- 16 The team is working on additional guidance to applicants so that the quality of portfolios can be further enhanced, reducing the need for resubmission. The increase in the number of applications is reflected in the growth in the Fellowship grade – since deregistration in April, the number of Fellows has increased by 414. Since January the number has increased by 237.
- 17 The number of solicitor conversions is increasing. Historically this figure was in the region on 100-150 per year. In 2016 there were 227 conversions. In 2017 this rose to 271. This may be a result of the decision of the SRA and

CILEx Regulation on the previous '7 year rule' removing the 'expiry date' on law degrees. This means that those who have a law degree older than 7 years old can now seek exemption.

- 18 Further evidence of this increase can be found in CILEx exemptions data, which in the last few years has also increased. A total of 426 individuals joined CILEx at Graduate grade in 2015. The corresponding figure in 2016 was 556. In 2017, this number fell back to 377. This may have a knock-on effect to WBL and QE applications in the future.
- 19 Practice Rights and Advocacy: The number of applications for independent rights in 2017 was 20 with a further 12 applications for standalone advocacy rights (an 18% and 140% rise respectively). Of these applications, 7 new practice rights holders were created in 2017 and 13 new advocates. This compares with 17 practice rights and 5 advocacy applications received in 2016.
- 20 Turnaround times in approvals are affected by the number of available advocacy courses (which are required for both standalone advocacy and litigation practice rights admissions). Some of the practice rights applicants have expressed an interest in applying to set up their own business, once authorised, and the entity team is working with these individuals. The number of practice rights holders in total to December 2017 was 37, up from 30 in December 2016 (an increase of 23%).
- 21 Active marketing of practice rights by CILEx Regulation started in 2018.

## **Entity**

- 22 The Entity team authorised 7 new firms in 2016 and received 5 new applications. There were 5 renewals, which brings the current total of firms authorised to 12 at the end of 2017. At present, there is interest from a further 7 individuals, who are at various stages of the process.
- 23 The SRA has finalised the required MoU to enable regulator switching. CILEx Regulation will start to market this option to SRA regulated firms shortly. Interest exists for switching regulator however, some areas of practice remain susceptible to barriers such as access to lender panels and insurance products. This continues to be a focus for CILEx Regulation in 2018.
- 24 Active marketing of entity regulation by CILEx Regulation started in 2018.

## **Enforcement**

- 25 By way of exception, statistics were not collected for prior conduct declarations or conduct complaints in this period due to staff absence. Intakes and performance for Q4 will be reported with the next quarterly performance report.

## **Complaints about CILEx Regulation**

- 26 Customer service complaint reporting has now come on stream. More detail appears in the Annual Report on Complaints and Compliments reported separately.

### **RECOMMENDATIONS:**

- To consider progress in Q4 against Business Plan objectives;
- To endorse the approach to development of expanded consumer business objectives to deliver the Board's strategic consumer objectives;
- To consider progress against associated delivery plans (Diversity Action Plan, Entity/ABS Plan, CMA Action Plan);
- To consider operational performance in Q4.

### **APPENDICES:**

- Appendix 1: Business Plan update
- Appendix 2: New DRAFT consumer objectives
- Appendix 3: Diversity Action Plan update
- Appendix 4: ABS/entity plan update
- Appendix 5: CMA Action plan update
- Appendix 6: Q4 Operational Performance