

## Annual Report 2018

### Introduction

Late 2018 marked the end of my first three-year term as Chair. As I embark on my second term, I am more convinced than ever that Chartered Legal Executives have an increasingly important role to play in the future of legal services. Whether in terms of diversity and access to the profession, growing emphasis on specialist skills or understanding of the needs of consumers, Chartered Legal Executives have a bright future.

I am proud of the work CILEx Regulation does to balance support for its regulated community with the overriding objective of protecting and promoting the interests of consumers and the wider public. During 2018 we made strong progress in a number of areas. In response to user feedback, we continued to deliver greatly improved turnaround times for applications for authorisation, particularly in Practice Rights and Advocacy. Take-up of Practice Rights remained steady, and our community of regulated firms continued to grow – not only in number, but also in terms of their financial health and sustainability. I look forward to seeing this growth continue, not least since 2018 saw us receive approval to become a Licensing Authority for Alternative Business Structures. This is yet another opportunity for CILEx Regulation to maintain high standards and promote diversity in an increasing complex sector.

During the year we also developed proposals for updating and future-proofing the education standards required of Chartered Legal Executives. We launched a formal consultation in December on new standards, including greater emphasis on awareness of technology and emotional competence. We believe these areas will be important for consumers in the future, alongside the improvements in transparency and public information that we have been pursuing in response to the recommendations of the Competition and Markets Authority.

We have continued to work constructively with the wider CILEx organisation as it implements significant governance changes. There is recognition across the organisation that we must establish clearer separation and independence, not least to ensure that we meet the likely requirements of the Legal Services Board in its forthcoming revised Internal Governance Rules.

I am very grateful for all the hard work and professionalism of our staff, led by Helen Whiteman, and for the support of the Board, one of whose professional members – Ian Chivers – stepped down after making a significant contribution during his six-year term.

There is a great deal of change on the horizon in the legal services sector. This will, I am sure, mean that 2019 is every bit as busy as 2018. But I have every confidence that the staff and Board together will rise to the many challenges this will bring, and I look forward to reporting further progress next year.

**Sam Younger**

## **Who we are**

We are the independent regulator of the Chartered Institute of Legal Executives – the professional association that represents chartered legal executives, paralegals and other legal practitioners.

CILEx Regulation offers a forward-thinking, constructive approach to regulation. We regulate members of CILEx, law firms, and the legal professionals we have authorised with practice rights in specialist areas of law.

We are responsible for regulatory matters affecting all those in our regulated community. In addition, we oversee the education, qualification and practice standards of CILEx members. In 2018, the Institute for Apprenticeships authorised us to provide external quality assurance for the Chartered Legal Executive Apprenticeship.

2018 was the second year of our Board's three-year strategic plan. This report sets out our progress against its five strategic aims.

*Stakeholder graphic*

*Aims graphic*

## **Aim 1: Ensure the needs of consumers inform all our work**

To deliver proportionate and relevant regulation, we need to understand what consumers and the public need and expect from those we regulate. This helps us provide a proportionate, effective regulatory framework. Consumer needs inform the services we deliver now and those we plan to deliver in the future.

We continued to work on three main activities to help us deliver this strategic aim.

### **Activity 1 – deliver the CMA’s recommendations**

In December 2016, the Competition and Markets Authority (CMA) published *Increasing market transparency for consumers*. We developed an [action plan](#) to deliver the report’s recommendations, which involves working collaboratively with other legal regulators. Our oversight regulator, the Legal Services Board (LSB), monitors our progress against the plan and in June 2017 assessed our progress in meeting the recommendations. We were pleased that the LSB considered our progress was sufficient and have continued to build on those foundations during 2018. The LSB’s most recent assessment of our progress is available [here](#).

During 2018 we:

- consulted on our proposed Transparency Rules and guidance and secured the LSB’s approval of our Rules.
- developed a digital verification logo to help consumers check that a firm’s website is genuine, and which legal activities the firm is authorised to carry out.
- agreed with the Board additional areas of law that should be subject to transparency requirements.
- continued to work with other regulators on Legal Choices – the consumer website run by the legal regulators – during its second year of development.
- worked with other regulators to discuss developments in rules and guidance for the benefit of consumers.

### **Activity 2 – improve our understanding of consumer needs and perspectives through research**

Having strengthened our in-house research capacity in 2017, we have continued to develop our understanding of consumers’ needs and perspectives. We have made more use of published research, attended a wide range of forums and events and referred directly to evidence in our decision-making and development work.

During 2018 we:

- used a wide range of published consumer research to inform our Transparency work, including the guidance we issued to firms.
- worked with other regulators on the consumer focus group for Transparency, led by the Solicitors Regulation Authority.
- continued to make use of the research commissioned by the Legal Services Consumer Panel and the insight gathered at their roundtable on publication of complaints data.

### **Activity 3 – Linking consumer impact assessment to the development of regulatory arrangements**

During 2018 we:

- developed a new policy and assessment framework to assess the impact of any proposed changes on consumers.
- piloted the impact assessment framework to inform the consultation on education standards.

### **Aim 2: Minimise the barriers to entry for practitioners**

Those we regulate are delivering legal services directly to consumers, so it is important they are supported by a regulatory framework that is cost effective, proportionate and easy to access. Once again, we have listened and responded to feedback from our regulated community and identified a number of improvements for 2018.

We identified four activities to help us deliver this strategic aim.

#### **Activity 1 – Keeping costs under strict control**

2018 was the second year that we achieved a retained surplus. We found savings across every area of our business to ensure that the cost of general regulation is covered by income from the Practising Certificate Fee, which has not changed since 2016.

During 2018 we saw a significant increase (13%) in the number of work-based learning applications submitted to us. This is reflected in an increase in our total

income by £161,172. This increase is also due in part to a higher regulatory proportion of the practising certificate fee income coming to CILEx Regulation. Our direct expenditure was £53,755 less than 2017, with most our activities achieving a lower spend.

While there were no significant process changes during 2018, we reviewed our current processes to improve efficiency. We continued our work on unit costing to ensure that our processes are achieving full cost recovery.

### **Activity 2 - Using technology to slim key processes**

Our IT infrastructure continued to evolve during 2018. Following our 2017 project to source a new customer relationship management system, during 2018 we contributed to its customisation and development. In time, this will automate more of our assessment and authorisation processes. We were also involved in the introduction of a new HR system to improve our administrative efficiency, Sharepoint to improve collaboration across the organisation, and research to shape a new learning and development system.

### **Activity 3 - Ensuring all requirements are risk-based and outcomes-focused**

We completed our development of a practitioner risk matrix, which will enable us to adopt a tailored, risk-based approach to the supervision of individuals. The matrix has been piloted and will be implemented in 2019. We finished the changes to the compensation arrangements, which has led to a more proportionate compensation scheme whilst maintaining protection for consumers.

During 2018 we:

- finalised the risk matrix for individuals, ready for 2019 implementation.
- implemented a more proportionate approach to compensation arrangements for consumers of CILEx Authorised Firms.

### **Activity 4 - Reducing turnaround times in our processes**

We have maintained our improved turnaround times for applications for Chartered Legal Executive status, with both qualifying employment and work-based learning timescales broadly in line with the previous year. 2018 saw significant improvements

to our turnaround times for Practice Rights (reduced by six weeks on average) and Advocacy Rights (reduced by eight weeks on average).

### **Aim 3: Grow opportunities for CILEx practitioners**

We identified two activities to help us deliver this strategic aim.

#### **Activity 1 - Reviewing education and training requirements for individuals and creating integrated qualification routes to authorisation**

To recognise the emergence of legal technology and other innovations in the legal services market, we consulted on proposals to change our education standards to meet future the sector's future needs by incorporating legal technology and emotional competence.

We have proposed combining authorisation as a Chartered Legal Executive with the right to practise independently in their area of specialism. And we are in the process of reviewing how we assess qualifying employment.

During 2018 we:

- developed options for updating and future-proofing our education standards, launching a formal consultation in December.
- researched options to enable established Fellows to become authorised to practise independently in their area of specialism. We will be consulting on these options in 2019.

#### **Activity 2 - Continuing to offer entity regulation and achieving designation as an alternative business structure (ABS) Licensing Authority**

We continued to offer entity regulation, authorising two new firms during the year (bringing the total to 14). We also received the Lord Chancellor's recommendation to Parliament to become an ABS Licensing Authority in 2018. We finalised interim arrangements for appeals, and work on the Parliamentary Orders required to complete this work. We expect these in 2019/20.

### **Aim 4: To progress practical collaboration with other regulators**

We identified two activities to help us deliver this strategic aim.

### **Activity 1 - Working collaboratively including delivering the recommendations in the CMA study**

We continued to work with other regulators on a range of joint projects. Through regular engagement opportunities like the quarterly Regulators' Forum and more focused cross-regulator committees, we have:

- worked with the Solicitors Regulation Authority, the Council of Licensed Conveyancers and, more recently, the Office of the Immigration Services Commissioner to identify areas of law where we could introduce Transparency Rules – as well as developing consistent templates, guidance and consumer testing.
- taken part in the new Equality, Diversity & Inclusion Group for regulators, where discussions covered disability and the collection of diversity data, and facilitated information sharing between regulators and external bodies.
- taken part in the Regulators' Research Forum to share and raise awareness and the impact of research among the legal regulators, the Legal Services Board and some of the representative bodies.

### **Activity 2 - Identifying areas to reduce cost and/or improve quality**

During the year we:

- were assessed by OPBAS (the Office for Professional Body Anti-Money Laundering Supervision) and developed an anti-money laundering action plan.
- worked closely with other anti-money laundering supervisors in raising standards and sharing best practice.
- trialled a digital verification badge to enable consumers to check that a firm's website is genuine, and which legal activities the firm is authorised to carry out.
- made progress in identifying ways to target our resources more effectively, including initial work to adopt a risk-based approach to enforcement, exploring how we can apply Lean principles to our work, and analysing our performance data to identify areas of focus.
- reduced the number of Admission and Licensing Committee meetings from eight to six.

### **Aim 5: Address anticipated changes in the operating environment**

We identified two activities to help us deliver this strategic aim.

### **Activity 1 - Maintaining a sustainable funding model**

During 2018 we continued our costs modelling activities, carrying out an annual review of all our regulatory fees and the practising certificate fee. In line with requirements from the Legal Services Board, we published our costs transparency statement for 2017 and for the second year running, benchmarked our costs against those published by other regulators.

During the year we:

- reviewed practising certificate fees, maintaining them at the 2017 level for Chartered Legal Executives.
- reduced our direct expenditure by £53,755 from the previous year.
- undertook further detailed costs modelling to prepare for anticipated changes to the LSB's internal governance rules, which will require greater regulatory independence.

### **Activity 2 - Ensuring that working arrangements are future-proofed against a background of greater regulatory independence**

While we waited for the LSB's finalised internal governance rules, which are due to be published mid-2019, during 2018 we agreed with CILEx a pathway towards greater regulatory independence and ultimately full independence.

During 2018 we:

- carried out financial modelling for independent services previously provided by CILEx. This helped identify a service delivery model to achieve greater regulatory independence while keeping costs as low as possible for our regulated community and performing our regulatory duties effectively.
- agreed in principle to TUPE CILEx Regulation staff from CILEx to CILEx Regulation.
- recommended changes to CILEx's Byelaws that protect regulator independence.
- secured agreement to review contracts for shared services and protocols with CILEx.



### **Activity 3 - ensuring that the regulatory framework is kept under review and updated when necessary**

During the year we received the LSB's approval of changes to the CILEx Professional Indemnity Insurance Rules.

### **Our people**

During 2018 we continued to invest in corporate and individual learning plans for our staff. We developed our requirements for a new e-learning system to provide mandatory training, such as data protection, as well as developmental courses. Our staff received training on effective enforcement panels, Sharepoint, and on how to deal sensitively and constructively with vulnerable people. We continued to support members of staff in studying CILEx and TAQA qualifications.

In our January 2019 staff survey (which related to 2018), we were pleased that 69% of staff said they would recommend CILEx Regulation as a great place to work to friends and family. 77% said they were proud to work for CILEx Regulation. Staff turnover remained low during the year.

We also:

- initiated a salary review to ensure staff are fairly and appropriately paid.
- introduced a weekly staff news bulletin in response to requests for more timely communication.
- held offsite meetings with the whole team to discuss our strategic objectives and develop our values.
- invited staff to attend the public session of Board meetings to increase awareness of discussions and decision making.