

REPORT TO: CILEx REGULATION BOARD

FOR: DECISION

DATE: 22 June 2020

REPORT TITLE: IGR compliance

SUBMITTED BY: Stuart Dalton, Director of Policy, Governance & Enforcement

PURPOSE OF REPORT:

1. To provide assurance to the Board on full compliance with the IGR prior to IGR go-live on 24 July 2020.
2. For the Board to approve that CRL is IGR compliant, to enable the compliance certification (appendix 4) the LSB require from the Board and Chairman as part of the IGR compliance process.

ANALYSIS AND FINDINGS:

3. The evidence log for IGR compliance is attached as appendix 1, setting out how each of the rules in the IGR have been complied with.
4. CRL's Director of Governance assures the Board, to the best of his knowledge, CRL is now fully compliant with the IGR, as part of the assurance to enable the Board to sign-off compliance. CILEx's Director of Governance is providing the same assurance to CILEx's Board/Chairman.
5. We utilised the services of an external governance consultancy company, Hook Tangaza, to support achieving IGR compliance. Their report is attached (appendix 2) providing independent assurance to the Board that we are fully compliant with the IGR, with their standard dashboard progress report (appendix 3).
6. The IGR Working Group was established at officer level to implement the IGR and it has met monthly during the implementation, with both CRL and CILEx Chief Executives being members of the Group. The Group met on 17 June and members confirmed that all the identified actions to deliver the IGR have been completed.
7. The IGR NEDs Steering Group was established at NEDs level with NED representatives from both CRL and CILEx to provide NED strategic oversight of implementation as well as provide a forum to resolve matters that needed respective Board steer between formal Board meetings. The NEDs Group met on 17 June to provide a final assessment prior to formal Board consideration. The NEDs Group were happy for the Boards to proceed with certifying compliance with the IGR.

8. To achieve compliance within the timescale for such a significant range of changes required a pragmatic approach and this involved applying a 'good enough' principle where necessary. Whilst the governance leads are clear we are fully IGR compliant, we anticipate that there will be ongoing work to embed and improve systems in light of experience of the IGR working in practice. Our goal remains to achieve the spirit of maximising regulator independence intended by the revised IGR and not just technical compliance. Therefore, we are viewing this sign-off as an important milestone on that journey rather than an end point.
9. CILEx's constructive and collaborative approach to the IGR, particularly Simon Garrod, Linda Ford, and Chris Bones, has been crucial to the success of the project and the Board may wish to consider how it acknowledges this to CILEx. Whilst the skill, expertise and flexibility provided by the external governance consultancy, Hook Tangaza, and Katherine Bird in particular, has also proved crucial and invaluable.

Update on specific areas

10. The key assurance documents are appended to keep the Board papers focused and proportionate. The remaining compliance evidence is lengthy and detailed. Therefore, it is annexed on SharePoint for transparency and reference by the Board. Therefore, this section of the report updates the Board on important developments since the May Board, particularly related to documents on SharePoint.
11. A compliance log (annex 1) has been built that captures compliance issues and evidence for once IGR goes live. There will be an ongoing resource implication for maintaining this log, which is covered in the impact assessment below and Hook Tangaza's compliance assessment.
12. The LSB requested we expand on the issues resolution process covered in the Protocols. Therefore, an issues resolution process (annex 2) has been developed, incorporating the NEDs Steering Group as a resolution forum, following the steer from May's Board.
13. The LSB requested we provide more specifics on what would be shared under the information-sharing protocol (annex 3) and this information list is included as tab 3a in the compliance log on SharePoint.
14. We have developed various supporting processes such as flow-charts, templates and processes to support the IGR, such as a flowchart on what to do in the event of a breach of the IGR – these are on SharePoint for reference.
15. CRL and CILEx agreed rather than rushing producing Procurement Policies which are not required for IGR compliance, but will aid in achieving IGR compliance, that we develop these in phase 2 of the independence project so that we get them right.

16. Redacted - commercially sensitive
17. All CRL staff, bar those on maternity leave, have completed the IGR level 1 training.
18. A pricing clause has been added to the SLA (annex 10), following May Board feedback, and CILEx have agreed to the amendment. The quid pro quo for getting CILEx's agreement to include a maximum 5% price increase at annual review was agreeing to CILEx's request that the notice period be extended from six months to a year. If exceptional circumstances justify an increase over 5% it requires mutual consent and CRL only need to give six months' notice.
19. Articles of Association: CILEx, as the sole shareholder for CRL, approved the amendment to the articles that was presented to May Board, removing the right of the CILEx President to attend CRL's Board meetings.

IMPACT ASSESSMENT:

Public/Consumer	
Consumer	Positive impact by greater regulator independence
Public interest	Positive impact by greater regulator independence
Environment	N/A
Regulated Community	
Cost of Regulation	Ongoing compliance costs have been included in the 2021 PCF budget, estimated at 0.15 of a FTE related to contract monitoring, service development and procurement; various IGR-required logging activities; providing evidence to the LSB; issue resolution; training; administration and meeting support for ongoing NEDs Steering and Working Group as the project moves to phase 2 greater independence focus etc.
Equality and Diversity	None identified – due to keeping costs down
Us	
Reputation/Brand	Positive impact by being viewed as more independent with the opportunity to review our branding
Resources:	<ul style="list-style-type: none"> • Hook Tangaza – CILEx agreed to pay for this service for the IGR compliance until 23 July. If we wish to use them as part of the greater independence work, there may be a cost implication

	<ul style="list-style-type: none"> A member of CRL staff is doing an additional day a week on IGR since mid-March to increase CRL capacity (this reflects the 0.15 FTE covered in Cost of Regulation above)
Operations:	N/A
Risk:	None identified given compliant assessment
Finance:	No additional finance implications beyond the PCF point highlighted above
Legal:	None identified
IT:	N/A

RECOMMENDATION:

- For the Board to **APPROVE** the certification to the LSB that CRL is fully IGR compliant

APPENDICES:

Appendix 1: Evidence log

Appendix 2: Hook Tangaza compliance assessment report

Appendix 3: Hook Tangaza IGR dashboard

Appendix 4: Certificate of compliance

SharePoint supporting evidence documents:

Annex 1: Compliance log

Annex 2: Issue resolution process

Annex 3: Agreed list of information sources to share as part of assurance process

Annex 4: Reporting a breach to the LSB process

Annex 5: Support Services procurement processes:

- New service evaluation flow diagram

- Existing service evaluation flow diagram

- Risk assessment template

Annex 6: Assessment of support services suppliers

Annex 7: Quotes from support services suppliers

Annex 8: Protocols with appendices (Board approved in May)

Annex 9: Contract for support services from CILEx (Board approved in May)

Annex 10: Service Level Agreement with CILEx (amended following May Board feedback)

Annex 11: Articles of Association amended (Board approved in May)