

## Our Costs in 2019

### About Us

We regulate Chartered Legal Executive lawyers, other members of the Chartered Institute of Legal Executives (CILEx), CILEx practitioners and law firms.

We oversee the education, qualification and practice standards of the legal professionals we regulate. We work with CILEx to ensure that qualifications are at the right level and appropriate to the work that regulated individuals do. CILEx is the professional association representing 20,000 Chartered Legal Executives, paralegals and legal professionals.

We aim to ensure that regulated individuals are fully aware of their obligations to consumers, colleagues, the courts and the public, and that they maintain proper standards of professional conduct. When necessary, we deal with complaints against regulated individuals and firms.

We believe that professional representative bodies, like CILEx, should separate their regulatory and representative functions so that consumers and the public can have confidence in the independent regulation of legal services providers.

### How much does regulation by us cost?

We publish an annual statement of what regulation by us costs each year. This is so that we can be transparent for the benefit of legal services providers and firms, who fund these costs by paying regulatory and other fees, and so that we can be transparent for the benefit of consumers and the public. There are several legal services regulators, each regulating different parts of the legal profession. All legal services regulators have agreed to publish certain core information in a consistent way, so that comparisons can be made fairly, and an overall picture of legal regulator costs can be presented. As well as this core information, we also publish additional information in line with best practice across a variety of sectors, which we hope you will find helpful and informative.

### CORE INFORMATION<sup>1</sup>

#### **1 Number of 'authorised persons' we regulate:**

The phrase 'authorised persons' comes from the Legal Services Act 2007 (the Act). Although there is a lot of technical detail in the Act about what the phrase means, in layman's terms it means qualified, practising lawyers, regulated to do certain types of legal work called reserved legal activities. The Act provides that the following types of legal work can only be done by 'authorised persons':

- appearing before and addressing a court, otherwise known as rights of audience;
- taking or defending court proceedings, otherwise known as conduct of litigation;
- transferring land, known as conveyancing;

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<sup>1</sup> Figures are actual for the twelve month period ending 31 December 2019

- obtaining a grant of probate when someone dies having made a will, or letters of administration if there was no will;
- acting as a notary;
- administering oaths.

The number of ‘authorised persons’ we regulated in 2019 was 7,660 (in 2018 we regulated 7,587 authorised persons). This represents just over one third (34.4%) of the total number of legal services providers we regulated.

Most of the ‘authorised persons’ we regulated were CILEx Fellows, otherwise known as Chartered Legal Executives. The reserved legal activity that most Fellows were authorised to carry out was administration of oaths. A small number of Fellows were also ‘authorised persons’ for litigation, conveyancing or probate.

8 ‘authorised persons’, who were not also CILEx Fellows, were regulated for conveyancing or probate. They gained their ‘authorised person’ status via competence routes that are open to all, without the need to qualify as a CILEx Fellow first.

We also regulated 2 Legal Accountants, and 190 Associate Prosecutors employed by the Crown Prosecution Service (in 2018 we regulated 187 Associate Prosecutors).

The total number of individual legal services professionals we regulated in 2019 was 22,248 (up from 21,770 in 2018). The 14,588 individuals we regulated who were not ‘authorised persons’ were members of CILEx in grades other than Fellowship, namely Student, Affiliate, Associate and Graduate grades. The authorised persons, and others we regulated, work in a variety of settings delivering legal services. Some work in law firms. Others work in in central or local government; as in-house legal professionals; in the voluntary sector such as law centres; in commercial settings or as judges.

## **2 Number of authorised entities:**

Along with other legal regulators, we refer to firms, businesses, practices or other types of organisation that we regulate, as ‘entities’. We began regulating law firms in 2015. So, we are still relatively new to the sector as an entity regulator. At the end of 2019 we regulated 18 firms (up from 14 in 2018) and expect this area to grow as more of the individuals we regulate gain ‘authorised person’ status in relation to litigation, conveyancing and probate by qualifying for practice rights. This will mean they are able to set up their own businesses to deliver legal services.

## **3 Total income:**

Our total income in 2019 was £1,616,309 compared to £1,595,236 in 2018. This was made up as follows:

	<b>2019</b>	<b>2018</b>
Practising Certificate Fees including practice fees paid by individuals holding practice rights and by firms for authorisation and supervision	£1,304,325	£1,293,510
Other fees and charges	£311,984	£301,726
<b>TOTAL</b>	<b>£1,616,309</b>	<b>£1,595,236</b>

Our income from fees and charges included the application fees we charged for authorisation processes including the two-stage application for admission as a Fellow of CILEx, firstly for approval of qualifying employment and secondly for

assessment of work-based learning. Other income came from sources such as application fees for Advocacy authorisation.

#### **4 Total regulatory expenditure:**

Our total expenditure on regulation in 2019 was £1,633,214 (up 13.15% from £1,443,358 in 2018). Our spend in 2019 has increased by 13.15 % over the previous year and we had deficit of £16,904, leaving £160,458 of carried forward reserves (see section 7).

Additional costs incurred in 2019 were due to exceptional spend that CILEx Regulation was not aware of at the budget setting stage; CEO recruitment and temporary staff support in connection with the implementation of the new Customer Relationship Management (CRM) system. Although budgeted for, CILEx Regulation also commissioned a research project in 2019 which was a factor in the increase over previous year costs.

Although CILEx Regulation's costs in 2019 increased by 13.15% over 2018, it is important to highlight the actual 2019 expenditure of £1,633,214 was 10.81% lower than the £1,809,730 originally budgeted.

#### **5 Proportion of practising certificate fees retained by us as regulator:**

We collect the practising certificate fees from 'authorised persons' we regulate who are not members of CILEx, and from authorised and regulated firms. CILEx collects the practising certificate fees from Chartered Legal Executives, and pays us part of this to fund the cost of regulation. Under the Act, CILEx can keep a proportion of practising certificate fee income to fund activities it carries out, and which come within the definition of 'permitted purposes' in Practising Certificate Rules made by the Legal Services Board (LSB). The LSB is an umbrella regulator which oversees the work of the different legal services regulators.

The Practising Certificate Rules provide that CILEx can spend part of the practising certificate fees it collects on certain activities, before we receive the share of this income that funds us, to regulate legal professionals. These activities are:

- accreditation, education and training;
- practice advice and support;
- participating in law reform activities;
- provision of pro bono (free to the public) work.

In 2019 we received 51% of overall practising fee income, with CILEx retaining the other 49%. This remained consistent when compared to 52% in 2018 with CILEx retaining 48%.

#### **6 Staff head count:**

In 2019 we employed 21 full-time equivalent staff (increase of 2 from 19 in 2018).

**7 Size of reserves:**

Our deficit for the financial year 2019 was £16,904. When deducted from our 2018 cumulative reserves of £177,362, this equates to £160,458 of carried forward reserves.

**8 What we paid our Chair of Board:**

Our Chair of Board remuneration package was £45,000 per annum in return for an expected commitment of 70 days' work. Over and above 70 days, a day rate of £643. Our Chair claimed nil additional days in 2018. On 1<sup>st</sup> November 2018, the Chair of Board was reappointed for a final three-year term, the contract of service was amended and the claim for additional days removed.

Out of pocket expenses for travel and subsistence are paid. No bonus or pension is payable. The remuneration package in 2019 was the same as for 2018.

**9 What we paid our CEO:**

Our CEO was paid a salary of £59,693 plus employer's pension contribution of £4,775, and benefits - car: £4,401; health insurance: £912; health benefits scheme: £73: TOTAL £69,854.

Our CEO's remuneration in 2019 was 46% lower than for 2018. This was due to the CEO role being vacant from September 2019 to February 2020. During the time the role was vacant, two Senior Managers carried out interim cover of the CEO duties and received additional remuneration of £5,000 each in 2019.

**10 Ratio of pay between CEO and median salary:**

The median salary (mid-point between the annual CEO salary of £89,539 and the minimum salary paid) was £28,939, or 32.32% of CEO salary.

The median salary in 2018 was £28,338 or 32.24% of CEO salary.

**11 Overall staff costs:**

Overall staff costs in 2019 were £919,907 including pension contributions, NI contributions, other benefits, recruitment costs and learning and development costs. Of this total £28,803 or 3.13% was spent on temporary staff.

The equivalent overall staff costs total for 2018 was £870,409.

**12 Total Board costs:**

Total Board costs in 2019 were £88,760. This was made up of fees totalling £81,071, NI contributions of £3,287 and out of pocket expenses of £4,402. There were five members on our Board in 2019 including the Chair.

Total Board costs in 2018 were £85,765. This was made up of fees totalling £77,807, NI contributions of £5,033 and out of pocket expenses of £2,925. There were five members on our Board in 2018 including the Chair.

Total Board costs in 2019 were 3.5% higher than in 2018.