

## Our Costs in 2020

### 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 2020

- 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 2020 was 7,770 (in 2019 we regulated 7,660 authorised persons). This represents just over one third (38.4%) 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.

10 ‘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 7 Legal Accountants, and 168 Associate Prosecutors employed by the Crown Prosecution Service (in 2019 we regulated 190 Associate Prosecutors).

The total number of individual legal services professionals we regulated in 2020 was 20,213 (down from 22,248 in 2019). The 12,443 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 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. At the end of 2020 we regulated 21 firms (up from 18 in 2019) 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 2020 was £1,772,704 compared to £1,616,309 in 2019. This was made up as follows:

|  | <b>2020</b>       | <b>2019</b>       |
|--|-------------------|-------------------|
| Practising Certificate Fees including practice fees paid by individuals holding practice rights and by firms for authorisation and supervision | £1,511,407        | £1,304,325        |
| Other fees and charges   | £261,297          | £311,984          |
| <b>TOTAL</b>   | <b>£1,772,704</b> | <b>£1,616,309</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 2020 was £1,535,515 (down 6.36% from £1,633,214 in 2019). Our spend in 2020 has decreased by 6.36 % over the previous year and we generated a pre-tax surplus of £237,189.

With effect from 23 March 2020 CILEx Regulation carried out business operations remotely and non-essential expenditure was suspended throughout the COVID-19 pandemic. This resulted in a significant number of savings being achieved, as our budget for the year had already been set well in advance of COVID-19 and based on standard business operations. Our revenue remained consistent and unaffected by the change in operational behaviour, which contributed to our positive financial performance in 2020.

#### **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 2020 we received 56% of overall practising fee income, with CILEx retaining the other 44%. This is a 5% increase when compared to 51% in 2019 with CILEx retaining 49%.

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

In 2020 we employed 24 full-time equivalent staff (increase of 3 from 21 in 2019).

### **ADDITIONAL INFORMATION**

#### **7 Size of reserves:**

Our pre-tax surplus for the financial year 2020 was £237,189. When added to our 2019 cumulative reserves of £158,248, this equates to £395,437 of carried forward

reserves subject to the relevant corporation tax adjustments being made, once the 2020 year end audit has been completed.

## **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.

In June 2020 the Chair of Board volunteered a 20% reduction in remuneration to support the savings required pending a projected reduction of revenue generation due to COVID-19.

Out of pocket expenses for travel and subsistence are paid. No bonus or pension is payable. The remuneration package in 2020 was the same as for 2019.

## **9 What we paid our CEO:**

Our CEO was paid based on an annual salary of £92,500. However, due to the position remaining vacant until mid-February 2020, the actual salary paid was £78,915 plus employer's pension contribution of £11,640 and benefits - health insurance: £446; health benefits scheme: £93: TOTAL £91,093.

Our CEO's remuneration in 2020 was in line with prior year costs, except 2019 where the CEO role was vacant from September 2019 to mid-February 2020.

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

The median salary (mid-point between the annual CEO salary of £92,500 and the minimum salary paid) was £29,581, or 31.98% of CEO salary.

The median salary in 2019 was £28,939 or 32.32% of CEO salary.

## **11 Overall staff costs:**

Overall staff costs in 2020 were £948,486 including pension contributions, NI contributions, other benefits, recruitment costs and learning and development costs.

The equivalent overall staff costs total for 2019 was £919,907.

## **12 Total Board costs:**

Total Board costs in 2020 were £79,009. This was made up of fees totalling £73,350, NI contributions of £2,993, out of pocket expenses of £866 and recruitment costs of £1,800. There were five members on our Board in 2020 including the Chair.

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 2020 were £9,751 (or 11%) lower than in 2019. The voluntary reduction of the Chair of Board remuneration contributed £5,250 (or 53.84%) towards the saving when compared to 2019.