



## 2023 Practising Certificate Fee consultation

### Introduction

Each year, CILEx Regulation (CRL) and the Chartered Institute of Legal Executives (CILEX) consult upon the proposed practising certificate fees to be charged to the regulated communities.

This consultation sets out the proposals for the 2023 practising certificate fee.

CILEX and CRL are required by to provide, as part of the consultation process, the following information:

- how we calculate the practising fee,
- the fee distribution between individuals and firms,
- how we intend to use your fee in 2023, linking this back to our strategic objectives and our day-to-day regulatory activities.
- a breakdown of the 2022 practising fee, to show how we have used the fee so far this year

This year, we have clearly delineated the share of the practising fee taken by CILEX and by CRL and set our work, both for the year to date and for 2023. By setting out the information in this way, we hope that you will be able to engage effectively with the consultation.

As usual, we have also included an equality and diversity questionnaire as part of the consultation response form, this has been extended this year to enable us to identify more completely any potential differential impacts of the 2023 practising fee on protected groups.

25 July 2022



## CILEx Regulation Limited Practising Certificate Fee Consultation 2023

### Purpose:

1. The purpose of this consultation is to outline how we have used our share of your practising certificate fee in the first six months of 2022 and to set out our proposals for the 2023 practising certificate fee.

### About us:

2. CILEx Regulation is the independent regulator for chartered legal executives, other grades of CILEX membership, CILEX Practitioners and firms, including ACCA-probate firms. We take a risk based and outcomes focused approach to regulation, by working constructively with our regulated community to ensure that they deliver the best outcomes for clients. We have set clear principles within our Code of Conduct and inform the public of the standards they can expect. We believe this provides a balanced approach. In 2021, we were assessed by the LSB as meeting all the outcomes within their regulatory assessment framework.









### What is the practising certificate fee?

3. The practising certificate fee is the fee paid by qualified lawyers and regulated law firms (authorised persons) for the cost of regulation and related activities. The practising certificate fee funds the activities of CRL, some activities of CILEX (those that are permitted under the Legal Services Act) and the cost of the Legal Services Board and other bodies.

### How is the practising fee calculated and apportioned between CILEX and CRL?

4. CRL creates its budget each July. Other income that CRL expects to receive (for example, from fees paid by individuals applying to be authorised and fees paid by practice rights holders and firms) is taken from that budget, which leaves the amount to be charged to Chartered Legal Executives and Associate Prosecutors.
5. CILEX calculates its budget for activities that it is allowed to undertake as the approved regulator (called permitted purposes) and an estimate of the levies to be paid to the Legal Services Board etc. is included in the final practising certificate fee budget.
6. The fee payable by each Chartered Legal Executive and Associate Prosecutor can then be calculated by dividing the anticipated number of each group into the total budget.
7. For 2022, CRL's share of the practising certificate fee was £222. Our proposal for 2023 is to **hold** our share of the fee **at £222**.

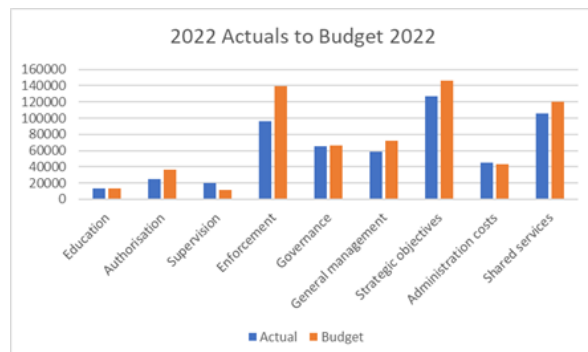
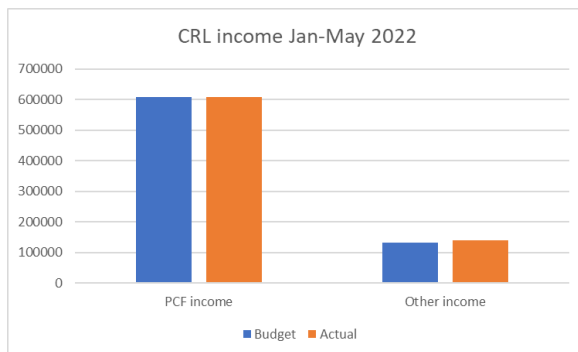
**January to June 2022, CRL's activities at a glance:**

	<p>We regulate <b>17,633</b> CILEX members, including <b>7091</b> practising chartered legal executives, <b>123</b> Associate Prosecutors and <b>74</b> non-Fellow CILEX Practitioners</p>
	<p>We regulate <b>68</b> firms (including CILEX ACCA-Probate firms)</p>
	<p>We have approved <b>408</b> qualifying employment applications</p>
	<p>We have authorised <b>324</b> chartered legal executives</p>
	<p>We have authorised <b>29</b> firms (including CILEX ACCA-Probate firms)</p>
	<p>We have worked with <b>2480</b> CILEX members to bring them into compliance with their CPD obligations</p>
	<p>We have dealt with <b>120</b> prior conduct declarations</p>
	<p>We have dealt with <b>24</b> complaints about the conduct of CILEX members</p>

8. In addition to our core regulatory activities, CRL has been working on a range of activities for the benefit of the regulated community, consumers and the public, including:

- a. Developing a new, streamlined, and cost-effective approach to authorising and regulating law firms, as part of a package of measures to make regulation simpler and cheaper for the benefit of both the consumer and our regulated community
- b. Working in partnership with the University of Law, to open the new route to practice rights. The first assessment opportunity should be available in quarter four of 2022.
- c. Creating a toolkit for advocates in the Coroners' Court in collaboration with the Solicitors' Regulation Authority and the Bar Standards Board
- d. Beginning the work to make an application to the Legal Services Board to open opportunities for CILEX members to gain Higher Rights of Audience
- e. Working with the Institute of Apprenticeships, CILEX and the Employer Group we have been progressing the development of a revised chartered legal executive apprenticeship standard that will incorporate the new education standards
- f. Holding conversations with insurers and brokers to tackle the PII market for CRL regulated firms
- g. Consulting on an approach to ensure that our existing regulated firms are able to continue to operate following the withdrawal of the insurer of our compensation arrangements
- h. In collaboration with the ICAEW (chartered accountants), we have had meetings with UK Finance to aid understanding of non-solicitor probate practitioners to start to address the barriers in dealing with high street banks
- i. Working with other frontline regulators, the Legal Services Board, OPBAS and the Ministry of Justice on a range of regulatory issues, including financial sanctions, anti-money laundering, digital identity, improving transparency for the consumer, and seeking to enable CILEX Advocates to become involved in delivering advocacy in domestic violence cases
- j. Continuing to work with the Home Buyers and Sellers Group and the Land Registry, and
- k. Hosting a cross-sector roundtable focused on equality, diversity and inclusion, with an emphasis on barriers to career progression in the legal sector. We have also joined the other frontline regulators to sign the LSB's statement on counter-inclusive practices.

## 2022 budget to actuals for 2022



9. Overall, CRL's budget against actuals for 2022 are performing as anticipated and CRL's operations are predicted to breakeven at the end of 2022.

10. Owing to a restructure, which took place after the 2022 budget had been set, there are some changes to staff time allocated to the unit costs of each activity. This has affected performance against individual budget lines. In addition, CRL has seen increases in VAT (loss of relief), increased national insurance charges and a reduction in shared services costs owing to CRL no longer using CILEX premises (which remain closed). There have also been fewer than budgeted entity applications and renewals (largely owing to issues with access to PII and compensation arrangements).
11. In addition to CRL's performance against its budget, CRL has utilised some of its operating reserves during 2022 to fund a number of projects including the review of entity regulation and the compensation arrangements changes. CRL's reserves remain within its reserves policy.

### **Our plans for 2023**

12. CRL will continue to regulate all CILEX members in the public and consumer interest in 2023.
13. In addition to delivering our core regulatory activities to high standards, CRL will deliver year two of its strategic objectives:
  - a. We will uphold standards whilst pursuing innovative models to improve access and minimise the regulatory burden
  - b. We will enhance the information available to consumers to improve accessibility to legal services, and
  - c. We will champion fair access for all in the legal services market

### **CRL's budget for 2023**

14. Our total budget for 2023 is £1,902,254. The total practising certificate fee budget for 2023 is £1,529,136, an increase of £70,597 (4.84%). The increase is explained as follows:
  - A return to in-person hearings
  - Increases in administration costs (changes to VAT relief, increased banking charges to accommodate card payments and staff training)
  - An increase in staff costs (reallocating finance and HR staff to the CRL budget from shared services, as the majority of these services will no longer be provided to CRL by CILEX, increased national insurance payments, and cost of living pay increases)
  - An increase to the in-year budget as the 2022 budget was partly funded from CRL reserves to mitigate the proposed practising fee increase in 2022

### **Distribution between individuals and firms of the PCF for CILEx Regulation**

15. The distribution of the expected practising certificate fee income from individuals with additional rights, Chartered Legal Executives and Associate Prosecutors v firms is as follows:

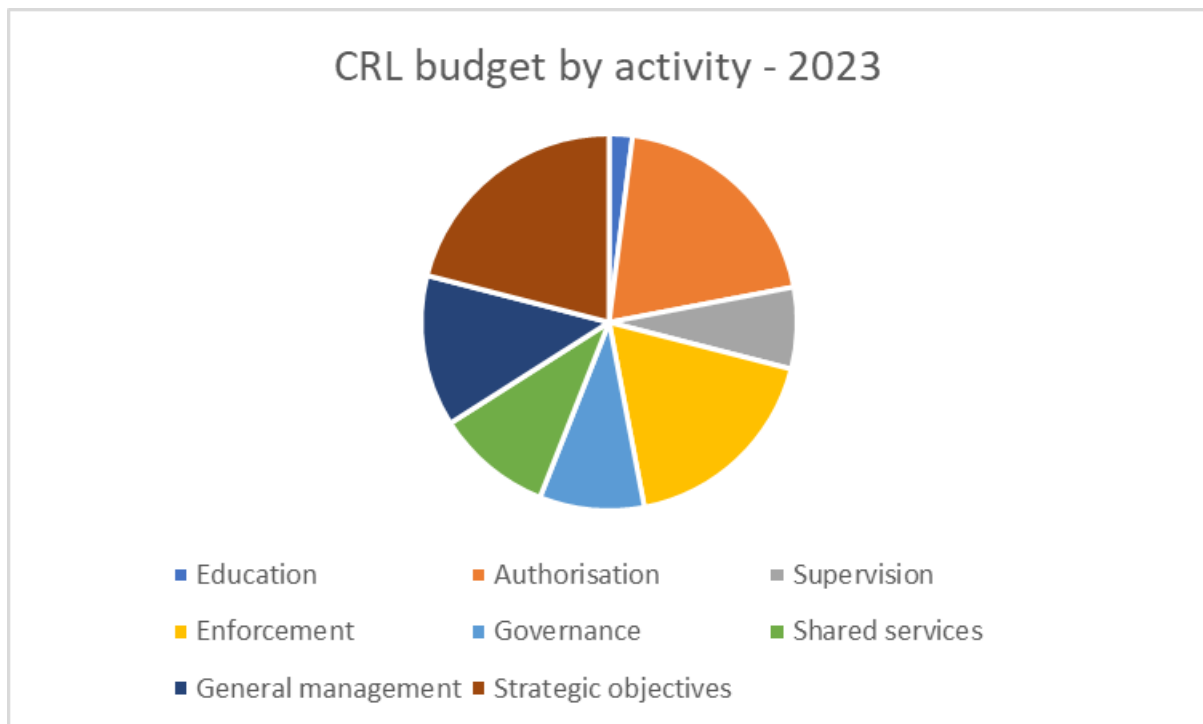
	2023	2022
<b>Individuals</b>	1,480,691 (96.8%)	1,417,686 (97.2%)
<b>Firms</b>	48,445 (3.2%)	40,853 (2.8%)

### How we use our budget

16. As a smaller regulator, with 23 FTE staff, 79% of the PCF income is spent on our day-to-day regulatory activities (comprising education, authorisation, supervision, enforcement, governance, services we share with CILEX (e.g., IT support) and general management activities (e.g., development of functionality for the CRM). The remaining 21% of the PCF income is spent on activities which flow from our strategic objectives.

17. Our budget for 2023 is partly funded by the practising certificate fee paid by chartered legal executives and partly funded by the fees paid by others we regulate (including CILEX Practitioners, CILEX firms and ACCA individuals and firms, as well as from application and accreditation fees we receive).

18. For 2023, our budget by activity breaks down as follows:



### Planned programme of activity for 2023

Area of work	Planned activity	Benefits
Education	Accreditation of CILEX and other qualifications, launch of new Chartered Legal Executive Apprenticeship, implementation of new route to practice rights and application for Higher Rights of Audience	Improved access and progression opportunities for the CILEX regulated community
Authorisation	Authorisation of individuals and firms to deliver reserved legal activities	Enable progression for CILEX regulated community and protection for consumers and the public

Supervision	Ensuring individuals and firms remain competent to deliver legal services, review changes to ongoing competence required by the LSB, introduce risk-based supervision for regulated individuals. Continuing to work with others to improve the arrangements for the compensation arrangements and PII. Working with others in relation to anti-money laundering and economic crime.	Protection for consumers and the public by ensuring the regulated community is competent and compliant with legislation and regulations
Enforcement	Actioning prior conduct declarations and complaints from members of the public about the regulated community, rules review to ensure processes are streamlined and implementing new rules as appropriate, including the implementation of risk-based enforcement	Taking action to protect the public and consumers and upholding the reputation of the CILEX regulated community
Governance	Holding regular Board meetings, risk management and performance, strategy and business plan, liaison with other regulators and government	Protecting and promoting the public interest, the rule of law and ensuring CRL is operating effectively
General management	Review of who pays the practising fee and administering the practising fee approval process, finance, HR, CRM development and business support. Reviewing the value for money of services we buy from CILEX	Ensuring CRL is operating effectively
Services we buy from CILEX (shared services)	Implementing changes to the services we buy from CILEX versus the services that we must now buy independently.	Ensuring CRL is operating effectively
Strategic objective 1: Standards	Implement changes to the regulatory model, based on activities undertaken during 2022, review the compensation fund and PII for CRL firms. Review the regulation of authorised persons versus the wider CILEX membership, continued collaboration with others to create innovative legal services and improve internal processes to ensure consistent high standards	Ensure CRL continues to regulate to the highest standards for the benefit of the public, consumers and the regulated community
Strategic objective 2: Consumer	Continue to contribute to the work of Legal Choices, working collaboratively with others to deliver public legal education, implementation of the single digital register and other technological initiatives such as digital comparison tools. Implement the outcomes of work relating to quality measures and unbundling. Review of rules and guidance in relation to transparency requirements for CRL regulated firms. Consider how identified gaps in customer protection can be addressed.	Improving the information available to consumers in relation to the CRL regulated community
Strategic objective 3: Equality, Diversity and Inclusion	Analysing collected data and other available information in relation to progression of the CRL regulated community within the legal profession and identifying actions to improve progression, implementation of initiatives to ensure fair access for all to the legal services market. Developing requirements to ensure CRL regulated firms contribute to removing barriers that exist both for consumers and the progression of individuals with from a range of backgrounds Working with other stakeholders to where appropriate and necessary to remove barriers to access and progression	Improving progression outcomes for the CRL regulated community and for consumers from a range of backgrounds

### Who pays for CRL's regulatory activities?

19. Some of these activities cover regulatory activities for non-authorised CILEX members (notably supervision and enforcement), even though these are funded only by the authorised community such as chartered legal executives.

20. In 2023, CRL will seek to work with CILEX to create a fairer balance between the costs of regulation and those who pay for it.

**The practising certificate for 2023**

21. As part of its activities carried out as part of its share of the practising certificate fee, CILEX collects the fee and issues the practising certificate. For 2023, CILEX is proposing to issue a digital 'badge', rather than a traditional certificate, similar to those issued for its qualifications. As part of the consultation process, your views are sought on this proposal.





## CILEX PCF consultation 2023

### How CILEX has used its share of the 2022 practising fee between January and June 2022:

22. CILEX's share of the 2022 practising fee is **£121**, it can only be used to fund activities which are permitted under the Legal Services Act. CILEX uses these funds to provide the following services to chartered legal executives:

- Membership/Sales & Development/Operations (including Education)
- Policy and Governance
- Communications
- Central Resources and Admin

### Nature of activities to be used by CILEX by category

23. The CILEX share of the PCF as allocated to each of these activities is as follows:

Area of activity	Actions
<b>Membership/Sales &amp; Development/Operations (including Education)</b>	<u>Supporting Chartered Legal Executives and Associate Prosecutors:</u> <ul style="list-style-type: none"> <li>• Liaising with Authorised Persons</li> <li>• Support and nurture of Fellows</li> <li>• Practice advice and support for Fellows</li> </ul> <u>Supporting those seeking to become Chartered Legal Executives:</u> <ul style="list-style-type: none"> <li>• Providing support to assure the quality of the academic qualifications</li> <li>• Ensuring training and assessment is fit for purpose,</li> <li>• Providing assessment results for candidates by centre and learner</li> <li>• Providing relevant committee meeting minutes,</li> <li>• Liaison with Ofqual (including, providing details of alleged misconduct, attending stakeholder meetings, and attending professional institute forums)</li> <li>• Qualification: regulation, compliance, development</li> <li>• Accreditation of centres</li> </ul> <u>Regulatory work</u> <ul style="list-style-type: none"> <li>• Maintaining the Fellow, Associate Prosecutor, and member database,</li> <li>• Issuing the PCF invoices,</li> <li>• Maintaining CPD records,</li> <li>• Providing information to CILEx Regulation about Authorised Persons and members,</li> </ul>
<b>Policy and Governance</b>	<u>Supporting Chartered Legal Executives and Associate Prosecutors:</u> <ul style="list-style-type: none"> <li>• Providing representation for authorised persons</li> <li>• Liaison and support in the areas of law reform, policy, lobbying, equality and diversity, pro bono and judicial appointments</li> </ul> <u>Regulatory work</u> <ul style="list-style-type: none"> <li>• Managing the relationship with the LSB, other Approved Regulators and government</li> </ul>
<b>Communications</b>	<u>Supporting Chartered Legal Executives and Associate Prosecutors:</u> <ul style="list-style-type: none"> <li>• Providing the Journal online</li> <li>• Editorial support</li> <li>• Educational articles</li> <li>• Direct mailings to Authorised Persons</li> <li>• Press releases</li> <li>• Publication of the newsletter</li> </ul>

	<u>Regulatory work</u> <ul style="list-style-type: none"> <li>• CILEx Regulation publications,</li> <li>• Journal publication of disciplinary decisions</li> </ul>
<b>Central Resources and Admin</b>	<u>Regulatory work</u> <ul style="list-style-type: none"> <li>• Proportion of contribution of overhead costs including Board and Senior Leadership resource spent on activities as Approved Regulator</li> </ul>

### CILEX's budget for 2023

24. Our total budget for 2023 is £10,019,918. In addition to the PCF, CILEX receives income from other sources (e.g., the Law School, sale of assessments etc.).

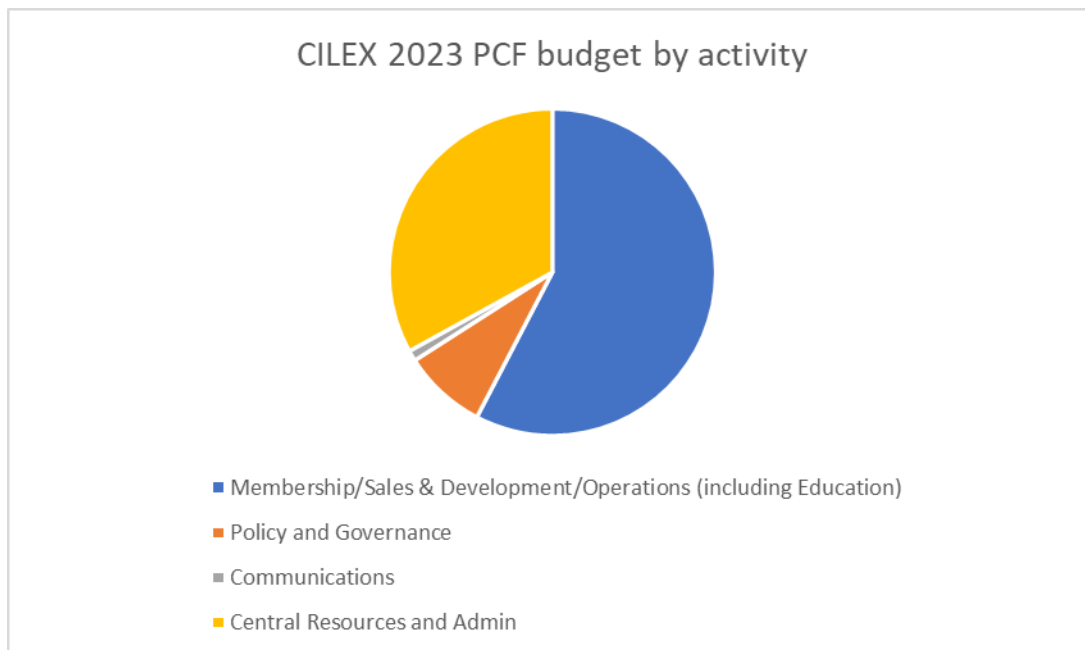
25. Our total practising certificate fee budget for 2023 is £821,687, an increase of £38,267 (4.88%). The increase is explained as follows:

- A slight increase to the policy and governance budget
- A slight increase to the communications budget
- A slight increase to the Membership/Sales & Development/Operations (including Education), and
- A slight increase to the central resources and administration budget

CILEX's share of the PCF as a percentage of its total income is as follows:

Income to be generated excluding PCF 2023	9,201,575
<b>PCF (8.18% of total income)</b>	<b>821,687</b>
Total income	10,019,918

### How we use our PCF budget at CILEX



Area of activity	Actions	Benefit
<b>Membership/Sales &amp; Development/Operations (including Education)</b>	<u>Supporting Chartered Legal Executives and Associate Prosecutors:</u>	<ul style="list-style-type: none"> <li>• Giving of practical support, and advice about practice</li> </ul>

	<ul style="list-style-type: none"> <li>• Liaising with Authorised Persons</li> <li>• Support and nurture of Fellows</li> <li>• Practice advice and support for Fellows</li> </ul> <p><u>Supporting those seeking to become Chartered Legal Executives:</u></p> <ul style="list-style-type: none"> <li>• Providing support to assure the quality of the academic qualifications</li> <li>• Ensuring training and assessment is fit for purpose,</li> <li>• Providing assessment results for candidates by centre and learner</li> <li>• Providing relevant committee meeting minutes,</li> <li>• Liaison with Ofqual (including, providing details of alleged misconduct, attending stakeholder meetings, and attending professional institute forums)</li> <li>• Qualification: regulation, compliance, development</li> <li>• Accreditation of centres</li> </ul> <p><u>Regulatory work</u></p> <ul style="list-style-type: none"> <li>• Maintaining the Fellow, Associate Prosecutor, and member database,</li> <li>• Issuing the PCF invoices,</li> <li>• Maintaining CPD records,</li> <li>• Providing information to CILEx Regulation about Authorised Persons and members,</li> </ul>	<p>management, in relation to practices carried on by such persons</p> <ul style="list-style-type: none"> <li>• Education and Training that meets regulatory standards</li> <li>• Preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate</li> <li>• Authorised persons are aware of and meet professional standards and maintain effective records</li> <li>• Data relied upon by CRL is accurate &amp; available.</li> </ul>
<b>Policy and Governance</b>	<p><u>Supporting Chartered Legal Executives and Associate Prosecutors:</u></p> <ul style="list-style-type: none"> <li>• Providing representation for authorised persons</li> <li>• Liaison and support in the areas of law reform, policy, lobbying, equality and diversity, pro bono and judicial appointments</li> </ul> <p><u>Regulatory work</u></p> <p>Managing the relationship with the LSB, other Approved Regulators and government</p>	<ul style="list-style-type: none"> <li>• Participation of approved regulator in law reform and legislative process</li> <li>• Establishment &amp; maintenance of effective relationship between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions</li> <li>• Provision of required information to relevant bodies inc LSB, OPBAS &amp; MoJ</li> </ul>
<b>Communications</b>	<p><u>Supporting Chartered Legal Executives and Associate Prosecutors:</u></p> <ul style="list-style-type: none"> <li>• Providing the Journal online</li> <li>• Editorial support</li> <li>• Educational articles</li> <li>• Direct mailings to Authorised Persons</li> <li>• Press releases</li> <li>• Publication of the newsletter</li> </ul> <p><u>Regulatory work</u></p> <ul style="list-style-type: none"> <li>• CILEx Regulation publications,</li> <li>• Journal publication of disciplinary decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Increased public understanding of the citizen's legal rights and duties</li> <li>• Increased awareness of legal and regulatory requirements affecting authorised persons</li> <li>• Regulatory information is communicated in an accessible</li> </ul>

		format and in a timely fashion.
<b>Central Resources and Admin</b>	<u>Regulatory work</u> <ul style="list-style-type: none"> <li>Proportion of contribution of overhead costs including Board and Senior Leadership resource spent on activities as Approved Regulator</li> </ul>	<ul style="list-style-type: none"> <li>Participation by the approved regulator in matters of law reform, legislative process &amp; LSB, MoJ &amp; OPBAS interactions.</li> <li>Access to relevant expertise, system &amp; technical support.</li> </ul>

## SUMMARY OF PROPOSALS, QUESTIONS, AND THE FEE FOR 2023

### FOR CHARTERED LEGAL EXECUTIVES

- The proposal is to **hold** the practising fee for 2023 at **£367**, the allocation of the fee for 2023 is as follows:

RECIPIENT	COST OF PCF 2023	PERCENTAGE OF PCF 2023	COST OF PCF 2022	PERCENTAGE OF PCF 2022
CILEx Regulation (CRL)	£222	60%	£222	60%
CILEx	£121	33%	£121	33%
Regulatory Levies	£24	7%	£24	7%
<b>TOTAL PCF</b>	<b>£367</b>			

### CRL QUESTIONS

- Do you agree that CRL should hold its share of the practising fee for 2023 at £222?

Response:

- Yes
- No

Please give reasons for your answer

2. Do you agree that CRL should seek to rebalance the costs of regulation across all of the CILEX regulated community, to include a contribution from the non-authorized grades of membership?

Response:

- a) Yes
- b) No

Please give reasons for your answer

## CILEX QUESTIONS

3. Do you agree that CILEX should hold its share of the practising fee for 2023 at £121?

Response:

- a) Yes
- b) No

Please give reasons for your answer

4. Do you agree with CILEX's proposal to replace the current practising certificate with a digital 'badge' for 2023?

Response:

- a) Yes
- b) No

Please give reasons for your answer

## FOR ADVOCATES AND CILEX PRACTITIONERS

The proposal is to hold the practising certificate fee (PCF) for 2023 at the same level as 2022

Practice Rights top up	CILEX Fellow with additional practice rights (per right)	£60	<b>£60</b>
Practice Rights top up	Other CILEX members with additional practice rights (per right)	£60	<b>£60</b>
Advocacy rights	CILEX Fellows with additional rights of audience	£150 (at first renewal and then once every 3 years)	<b>£151 (every 3 years)</b>
PCF	Non-member with practice rights	£450	<b>£453</b>

**1. Do you agree that CRL should hold the practising fee for 2023?**

**Response:**

a) Yes

b) No

**Please give reasons for your answer**

**2. Do you agree with CILEX's proposal to replace the current practising certificate with a digital 'badge' for 2023?**

**Response:**

a) Yes

b) No

**Please give reasons for your answer**

**FOR ENTITIES**

**It is proposed that the practising certificate fee (PCF) for entity owners for 2023 will be held at the same level as in 2022**

**Fees:**

Turnover	Non-ABS Entity		ABS Entity		Renewal	
	CRL (Client money)	CRL (No client money)	CRL (Client money)	CRL (No client money)	CRL (Client money)	CRL (No client money)
£0 - £100,000	£1,260	£767	£2,117	£1,624	£1,109	£616
£100,001 - £250,000	£1,512	£1,075	£2,369	£1,931	£1,361	£923
£250,001 - £500,000	£1,764	£1,361	£2,621	£2,218	£1,613	£1,210
£500,001 - £1m	£3,377	£2,570	£4,234	£3,427	£3,226	£2,419
£1m - £3m	£4,990	£3,578	£5,846	£4,435	£4,838	£3,427
£3m +	£6,612	£4,596	£7,469	£5,453	£6,461	£4,445

**1. Do you agree that CRL should hold the practising fee and the compensation fund contributions for 2023?**

**Response:**

a) Yes

b) No

Please give reasons for your answer

The proposal for the 2023 Compensation Fund Contributions for CILEx Entities is to hold the contributions at the 2022 fee level.

**Compensation Fund Contributions (2021 and 2022):**

<b>Turnover</b>	<b>Client Money</b>	<b>No Client Money</b>
<b>Litigation and Immigration</b>		
£0 to £250,000	£700	£500
£250,001 to £500,000	£1,400	£1,000
£500,001 – £1m	£2,100	£1,500
£1m – £3m	£3,500	£2,500
£3m +	£5,075	£2,538
<b>Probate and Conveyancing</b>		
£0 to £250,000	£750	£500
£250,001 to £500,000	£1,500	£1,000
£500,001 – 1m	£2,500	£1,500
£1m – £3m	£4,000	£2,500
3m +	£6,090	£2,538

**2. Do you agree that CRL should hold the Compensation Fund contributions for 2023?**

**Response:**

a) Yes

b) No

Please give reasons for your answer

**FOR CILEX ACCA Probate ENTITIES and INDIVIDUALS**

**It is proposed that the practising certificate fee (PCF) for CILEX-ACCA Probate Firms and individuals for 2023 will be held at the same level as in 2022 as set out below:**

**Proposed fees for ACCA Probate individuals and firms for 2023**

CILEX Practitioner (ACCA-Probate)	<b>£100</b>
CILEX-ACCA Probate firms	<b>£200</b>

- 1. Do you agree that CRL should hold the practising fee for 2023?**

**Response:**

- a) Yes**
- b) No**

**Please give reasons for your answer**