



**CONFIDENTIAL MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF CILEx REGULATION LIMITED
HELD ON 23 FEBRUARY 2023**

Present:

Jonathan Rees (Chair), Helen Astle, Alice Belcher, Douglas Blackstock and Robert Morris

In attendance (CILEx Regulation):

Carilyn Burman, Chief Executive Officer
Victoria Purtil, Chief Operating Officer
David Pope, Director of Operations
Simon Blandy, Director of Governance
Beccy Snape, Personal Assistant (minutes)
Michelle Drury, Finance Manager (item 6 only)

1 Welcome and Apologies

The Chair opened the meeting. There were no apologies for absence.

2 Declarations of Interests

Helen Astle declared that she had been engaged on a freelance basis by gunnercooke LLP, an SRA regulated firm. No other declarations of interests were made in addition to those already included on the register of interests.

3 Minutes of previous meetings and action log

The Chair reminded the Board that, subject to its agreement (item 17), there was a presumption that Board papers and minutes would now be published.

The Board **APPROVED**:

- the minutes set out below and **AGREED** they should be published with appropriate redactions:
 - meeting of 17 November 2022
 - meeting of 6 December 2022
 - meeting of 25 January 2023
- the action log for publishing and **AGREED** that completed actions would be removed.

4 Chair's update

The Chair confirmed that Alan Kershaw had been appointed as the Chair of the Legal Services Board. Mr Kershaw had been the inaugural Chair of CILEx Regulation and therefore knew the regulator well. The Chair had exchanged introductory emails with Mr Kershaw and planned to meet him before his term of appointment began on 1 April 2023.

PRIVATE DISCUSSION

An alternative venue would be booked for the Board's strategy day in May because the Arden Hotel was not available. The Chair asked Board members to consider any items for discussion that they would like added to the agenda. Current items included: LSB investigation, ongoing competence, board effectiveness, KPIs and assurance.

The Chair thanked Board members who had completed their e-learning modules and asked that any outstanding learning be completed.

The Chair summarised the following actions agreed by the Board:

- 02/23 Board members feedback any discussion items to be included in the strategy programme by end of March
- 03/23 Board members to complete any outstanding e-learning modules.

The Board **NOTED** the report.

5 Chief Executive's Report

The Chair introduced the Chief Executive's Report and asked the Chief Executive Officer to present the paper.

The Chief Executive Officer asked the Board to note the report which provided an update on key activities across the organisation since 17 November 2022. In addition to the report, the Chief Executive Officer advised the Board as follows:

- The Chief Executive's Report had been restructured and operational items had been moved to other reports
- Stakeholder engagement had been more limited due to the Christmas break and handover from the Interim Chief Executive Officer
- The Chief Executive Officer would include learnings and intelligence gained from meetings with stakeholders in future Chief Executive Reports.

PRIVATE DISCUSSION

At the request of the Chair, the Chief Executive Officer updated the Board on the approach to staff vacancies. The Chief Executive Officer advised that some roles had been re-evaluated and work re-allocated between existing staff. Other positions continued to be challenging to recruit, not least because of the current LSB investigation, so some roles remained unfilled.

The Chief Operating Officer updated the Board on current vacancies as follows:

- PAS Manager: a key vacancy and difficult role to recruit to because of the technical aspect specific to CRL. A plan had been developed for managing the workload in the interim. The outcome of the investigation would determine the recruitment approach (e.g., whether it should be a fixed term contract)
- Legal Tech Policy Officer: There remained money in the budget for the role, which had not yet been filled
- Head of Communications: the role had been re-evaluated and been covered internally
- WBL Assessor: Budget had been used on external assessors rather than recruiting internally, so this role did not currently need to be filled

- HR: CRL would recruit part time internal HR from 31 March 2023 when the shared services agreement ceased. Interim cover was in place.

In discussion, the following points were made:

- A recent salary benchmarking exercise indicated that CRL paid competitive salaries below Director level, and, therefore this was not a reason for staff turnover or lack of applications. Regulators across the board had experienced similar issues, with many candidates moving to commercial organisations rather than to other regulators.
- The period of uncertainty was likely to continue after 1 April 2023 and therefore thought should be given to the message given to staff by continuing to keep recruitment of key vacancies on hold.
- Ideas to encourage applications could be explored, including a referral scheme, deputy roles to allow growth for existing staff and flexible working packages.
- Fixed term contracts could be considered, dependent on the outcome of the LSB investigation.
- CRL would be transparent with prospective candidates about the future of the business, where previously they been unable to disclose anything because of the NDA.
- **REDACTED**

Summarising, the Chair commented that vacancies should ideally be filled giving thought to approach and timing, as well as consideration of the overall package to encourage applications.

The Chair summarised the following actions agreed by the Board:

- 04/23 The Chief Executive Officer would include learnings and intelligence gained from meetings with stakeholders in future Chief Executive reports
- **REDACTED**

The Board:

- **APPROVED** a pay increase for all staff with effect from 1 April 2023
- **NOTED** the remainder of the report.

6 Finance Update

The Chair introduced the Financial Update, welcomed the Finance Manager to the meeting and asked her to present the paper.

REDACTED

The Board:

- **NOTED** the draft year-end result for 2022 and congratulated the team on an excellent performance
- **NOTED** the draft 2022 unit costings for Q4 2022
- **AGREED** that CRL should not appoint different auditors from CILEX for the 2022 financial statements

- **AGREED** not to share unredacted minutes subject to legal professional privilege with auditors. Any issues with the decision to be reported back to Board.

7 Chief Operating Officer's Report

The Chair introduced the item and asked the Chief Operating Officer to present the paper.

REDACTED

The Board:

- **APPROVED** the proposed changes to the data reported in the Chief Operating Officer report
- **NOTED** the remainder of the update

8 Business Continuity

The Chair introduced the item and asked the Director of Governance to provide an oral update.

The Director of Governance advised Board members that the business continuity plan needed to be updated because hybrid working had resulted in a different set of risks which needed to be mitigated. A revised business continuity plan would be presented to the Board at its meeting in May 2023.

The Board **NOTED** the report.

9 Review of Entity Regulation

The Chair introduced the item and asked the Director of Operations to present the paper.

The Director of Operations said that there had been indications that there was appetite in the market for the law firm in a box proposal. CRL had had encouraging discussions with a professional indemnity insurer who expressed interest in the model. That initiative had come to a halt owing to the dispute with CILEX entering the public domain. Insurers made it clear that they were not willing to engage in talks before the long-term future of CRL was known. CRL had used this delay to discuss and work with staff on development of the model into a product which would be attractive to the legal sector. Learning from CRL's experience with ACCA firms had been applied to differentiate from the SRA's regulatory approach.

CRL had also had discussions with two brokers about other ways in which risk to the Compensation Fund could be mitigated. The Board was advised that by the end of March 2023 CRL would not be regulating any conveyancing firms., One effect of this development would be to make CRL entities more attractive to the market because of the elimination of inherent and emerging risks in the conveyancing sector. The brokers were currently reviewing what mitigations could be built into the PII policies to incorporate commercial crime cover as part of the options to amend compensation arrangements at CRL. Feedback received would be presented to the Board and provided to CILEX should they request it in March 2023. The



Director of Operations said that at the same time a request would be made to CILEX to confirm that the interim compensation arrangements would be extended to the end of 2023.

The Chief Operating Officer advised that the LSB had expressed interest in the proposal at the 5-way meeting with CRL in January 2023. More information would be provided to them to demonstrate how CRL was approaching the change to entity regulation.

In summary, the Chair confirmed the Board remained supportive of the law firm in a box proposal, although it was not possible to promote until after CILEX had decided not to pursue the SRA proposal. The Board agreed that the report should be shared with the LSB.

The following actions were highlighted:

- 10/23 The Director of Operations to update the Board on feedback received from brokers about mitigations which could be built into the PII policies to incorporate commercial crime cover as part of the options to amend compensation arrangements at CRL.
- 11/23 As part of any response to a request by CILEX for an update the Director of Operations to ask for confirmation from CILEX for an extension of the interim compensation arrangements to the end of 2023.
- 12/23 The Chair to send a copy of the law firm in a box research to the Chair of the LSB after their first meeting.

The Board **NOTED** the update.

10 Director of Operations' Report

The Chair introduced the item and asked the Director of Operations to present the paper.

The Director of Operations summarised the report which provided an update on the work of the Operations Directorate since the last meeting. The format of the report had been amended, with the work on anti-money laundering compliance and sanctions compliance grouped into economic crime. Much of the paper would be published with only confidential items and third-party information redacted.

As the Chief Operating Officer had previously advised, a revised reporting format was being trialled. The following updates were provided for the report. There were 55 QE applications in January 2023 and 34 to date in February 2023, both less than in previous years. WBL applications were at similar levels to previous years with 54 applications in January 2023 and 32 to date in February 2023.

Without prior discussion or notice to CRL, CILEX had issued guidance about CILEX Lawyers in December 2022 which had resulted in a substantial and unplanned increase in enquiries to CRL. 3 practice rights applications had been received in January 2023, 5 to date in February 2023 with 4 new practitioners authorised to date in 2023. 23 Fellows had completed the ULaw training and assessment for Practice Rights in December 2022. Of those 8 completed and 7 were successful in civil litigation. All 15 candidates were successful in conveyancing. A press release congratulating the successful candidates would be issued at the beginning of March 2023. 50 Fellows were registered to start the ULaw course in March 2023.



The Director of Operations noted the continued good progress of the CPD non-compliance team. To date in February 2023 there were 214 non-compliant Fellows (compared to 314 reported to 23 January 2023) and 286 CILEX Advanced Paralegals (compared to 448 reported to 23 January 2023). CRL would next be in contact with CILEX Paralegals (Associates).

The triage process continued to work well for the Enforcement Team. It continued to be documented as part of a wider review of the enforcement process. Information provided to consumers on the CRL website was being updated, specifically to explain the types of complaints that can be investigated by CRL.

CRL expected the data relating to members of the Institute of Paralegals from CILEX in the next few weeks, so the screening process could be started.

In discussion the following points were made:

- Changes to the QE (from 'Qualifying Employment' to 'Qualifying Experience') allowed for greater flexibility to the way in which legal experience requirements were satisfied. The revised requirements had been mapped against, and were in line with, other legal qualifications, including SQE. The new requirements had been publicised in the CRL newsletter, by email, and on the CRL website.
- It would be useful for Board members to be given a presentation on Enforcement processes, in particular the jurisdiction of the PCP and the criteria applied in determining which cases should be delegated for determination by the Executive.
- Consideration should be given to classifying cases which could not be progressed pending determination by another body as closed, and reopened if appropriate once that determination had been made.

Summing up, the Chair congratulated the team on their continued improvements and highlighted the following actions:

- 13/23 The Board receive a briefing on Enforcement processes, at its meeting in July 2023.

The Board **NOTED** the report.

11 Director of Governance Report

The Chair introduced the item and asked the Director of Governance to present the paper.

The Director of Governance asked the Board to note the report that provided an update on the work undertaken in the governance, policy, and legal directorate since the last Board meeting. In addition to the report, the Director of Governance updated the Board on Equality, Diversity and Inclusion (EDI).

The main focus of work on EDI had been preparing to collect data on the CRM for the 2023 diversity survey and on work arising from the EDI survey by the cross-sector consortium of regulatory and professional bodies. A change of personnel at the research company had resulted in a delay in CRL receiving initial headline findings, though the research company had given assurance that the cross-sector report would be finalised by July 2023.

The LSB had been working on a statement of policy on EDI to be published later in 2023. CRL would encourage firms to test a range of interventions aimed at promoting progression within

the sector. It was likely to be some time before an evaluation could be carried out to assess the effectiveness of this approach. CRL's influence was necessarily limited because of the number of firms it regulated.

CRL continued to work with ACCA firms on their transparency requirements and was on track to be completed by end of Q1 2023.

The Legal Ombudsman had published guidance on the new scheme rules. The next CRL newsletter to members would include a link to the guidance.

The Director of Governance anticipated presenting a plan for the promotion of legal technology to the Board at its meeting in May 2023.

Traffic to the Regulation Matters website had dipped because new content had not recently been posted. The Chair queried whether there was a continuing benefit to CRL in maintaining a separate website.

The following action was highlighted:

- 14/23 The Director of Governance to present a plan for the promotion of legal technology to the Board at its meeting in May 2023.

The Board **NOTED** the update and action identified.

12 Response to LSB Regulatory Performance Assessment

The Chair introduced the item and advised since the discussion at the Board meeting on 25 January 2023 a letter dated 16 February 2023 (previously circulated to the Board) had been received from the LSB Chair. This suggested that the Boards of the various legal regulators might wish to consider an 'assurance mapping' exercise.

The Director of Governance summarised the report. This proposed that CRL use the sourcebook as the template for a resource to plan and complete a programme of work, demonstrating the direction of travel whilst ensuring CRL was not overcommitted. This document would be published on the CRL website and updated periodically. CRL had a meeting with the LSB Relationship Manager at the beginning of April 2023 at which the approach would be discussed to check it aligned with the LSB's expectations.

The following comments were made by the Board:

- A cautious approach should be taken so as not to create an industry that measured process rather than achievement of outcomes
- Self-assessment and genuine self-reflection were important steps to improve the organisation and time could be set aside at the strategy day for a SWOT analysis
- The Board thanked the Director of Governance and the wider team for their work on the actions required following the outcome of the LSB's assessment.

In summary, the Chair noted the Board agreed with the approach being taken to monitor progress against the actions and that it be brought back to the Board for review during the year. A more detailed discussion would take place at the May Board meeting to review any gaps and agree how best to fill them taking account of CRL's resource levels.

The Chair highlighted the following action:

- 15/23 Director of Governance to schedule a detailed discussion at the May Board meeting to review any gaps and agree how best to fill them taking account of CRL's resource levels.

The Board **APPROVED** the proposals.

13 Annual Complaints and Compliments Report

The Chair introduced the item and asked the Director of Operations to present the paper.

The Director of Operations summarised the report which provided a review of the complaints and compliments received during 2022. The compliments had been undercounted as some received in 2022 had not been logged. This would be rectified in 2023.

Any issues raised by a formal complaint are addressed with the relevant team at the time of the complaint. There were very few formal complaints in proportion to the volume of work undertaken by CRL staff.

The following comments were made in the course of the discussion:

- The report recorded three times as many compliments as complaints
- CRL had responded to each of the individuals who had expressed frustration on LinkedIn about the difficulty they had experienced in contacting CRL:
 - CRL had resolved issues within their remit
 - Some of these concerns related to members finding it hard to access practice advice from CILEX
 - CRL had also raised this issue with CILEX Head of Customer Experience.
- CRL should consider the most effective way of recording all expressions on performance, including negative comments posted on social media.

Summing up, the Chair noted the effective monitoring of social media and highlighted the following action:

- 16/23 CRL to propose the most effective way of recording all expressions on performance, including negative comments posted on social media, as part of the complaint logging process.

The Board **APPROVED** the information on corporate complaints and compliments received for inclusion in the 2022 CRL Annual report.

14 Information Governance Annual Review

The Chair introduced the item and asked the Director of Governance to present the paper.

The Director of Governance asked the Board to note the report which provided a review of data protection and information governance compliance during 2022.

The Board was reassured that there had been no breaches that required reporting to the Information Commissioner's Office and that all staff had completed their GDPR training.



The Board **NOTED** the report.

15 Annual Cycle of Business

The Chair introduced the Annual Cycle of Business 2023. The Board noted that because the audit had been delayed the annual financial statements would not be signed off at its May 2023 meeting. If it was not possible for them to be signed off at the July meeting, an additional Board meeting may need to be held, possibly in August 2023.

The Board **NOTED** the annual cycle of business.

16 May Strategy Session

The Chair confirmed that the May Strategy Session would go ahead on 9 and 10 May 2023, as scheduled. Members of the Board would be notified as soon as the venue had been confirmed.

17 Confirmation Papers Can Be Published

The Board agreed the proposals for papers to be published. The heat map would be reviewed again at its meeting in May 2023 before a decision for it to be published was made.

18 Any Other Business

There was no other business.

Jonathan Rees
Chair of the Board