

Date	10 May 2023
Item	7.0
Title	Director of Operations' Report
Author	David Pope, Director of Operations
Purpose	This paper provides the Board with an update on the work of the Operations Directorate undertaken since the last meeting.
Recommendation	The Board is asked to NOTE the report.
Timing	N/A
Impact Assessment	N/A
Impact on Regulatory Objectives	<p>The work covered in this report impacts on the following:</p> <ul style="list-style-type: none"> - encouraging an independent, strong, diverse and effective legal profession; - protecting and promoting the consumer and public interest; and - promoting and maintaining adherence to the professional principles. <p>And the proposed objective:</p> <ul style="list-style-type: none"> - promoting the prevention and detection of economic crime
Implications for resources	<p>The PAS Team manager is being replaced.</p> <p>There has been no progress in relation to the impact of The Institute of Paralegals membership on the resources within the Enforcement Team in 2023.</p>
Impact on consumer empowerment	N/A
Impact on ongoing competence	Currently monitored via CPD non-compliance, this will change with adoption of the LSB requirements for assessing ongoing competence.
Publication status	For partial publication: <i>text in italics is proposed for redaction</i>
Appendices	None

Introduction

1. This paper provides the Board with an update on the work of the Operations Directorate and includes:
 - An update on the work of the Practitioner Team,
 - An update on the work of the Entity Team,
 - An update on the work relevant to the proposed new regulatory objective on Economic Crime, and
 - An update on the work of the Enforcement Team.
2. In addition to the data contained in the Operations Report, CRL publishes its KPI's on a quarterly basis. This is subject to a separate review in May.

PRACTITIONER TEAM UPDATE

Rule change applications

3. There are currently no rule changes being worked on in relation to the practitioner team.

Operations

4. The Practitioner team manager left CRL at the end of March 2023, but CRL has been able to appoint a new team manager who will commence work from the beginning of May 2023. With the future departure of the Acting Chief Executive Officer, CRL has planned the sharing of knowledge with the Director of Operations, new Practitioner team manager and the Practitioner team.

Qualifying Experience (QE)

Applications received

Qualifying Experience Applications												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	55	57	63									
2022	61	65	62	70	57	72	43	67	58	43	42	28
2021	64	64	86	80	77	76	61	50	53	74	62	79
2020	83	88	84	38	37	57	54	45	49	59	58	68

5. The average time to first assessment for QE in April 2023 was **16** working days which is good and CRL is starting to see the benefits for the changes to QE. Because it is now easier to assess experience, the number of cases being referred to the ALC is starting to reduce, which has benefits for CILEX members and CRL staff.

Work Based Learning (WBL)

Applications received

Work Based Learning Applications												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	55	57	63									
2022	42	37	71	70	62	52	48	77	65	65	60	38
2021	56	58	62	83	70	43	53	41	58	55	53	58
2020	43	49	48	53	44	46	42	52	77	50	61	42

6. The average time to first assessment of WBL applications in March 2023 was 41.1 working days. The oldest file waiting to be assessed on 20 April 2023 was 46 working days.

Practice Rights & Advocacy

Practice Rights & Advocacy Applications												
2023												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Applications received	5	9	4									
Applications authorised	2	3	11									
2022												
Applications received	4	3	5	2	3	1	2	3	3	1	2	6
Applications authorised	3	5	8	3	6	4	6	4	3	3	1	4
2021												
Applications received	4	1	5	4	3	1	4	3	3	5	4	7
Applications authorised	1	1	4	4	4	3	3	0	0	0	3	4

7. The number of practice rights holders increased to 164 in Q1 2023 following the results of the University of Law (ULaw) courses completed at the end of 2022 and the beginning of 2023.

Courses

8. As advised, Barbri Altior held a family advocacy skills course in February 2023 and the results were advised in April. CRL has arranged courses for civil advocacy in May 2023 and criminal advocacy in June 2023.
9. Whilst CRL has not yet accredited the course from Mercia College to deliver probate training for ACCA individuals seeking probate practice rights, there are interim arrangements in place for the next course which was in April 2023. Mercia provides the course for ICAEW.

ULaw training and assessment for practice rights

10. ULaw had a call with CRL on 20 April 2023 to review the administrative processes and share feedback from the first candidates. The most popular area remains conveyancing followed by civil litigation. Assessments will cover six areas, of which four are currently live. ULaw has scheduled assessments for April, July, September and December 2023.
11. ULaw remains impressed by the quality of the candidates coming forward. ULaw has received student feedback which indicates issues include IT matters often where the candidate has not engaged fully with the preparation for the assessment. These include work IT security systems meaning laptops do not work, candidates returning to learning after a long break, and not having used online learning and assessment before.
12. CRL has agreed that it would publish these issues as part of the communications on the ULaw assessments and it has agreed to provide a video to aid applicants.

CPD Non-Compliance

Compliance Year 2021/2022	30/09/2022	17/04/2023	% reduction since 1 October 2022	March 2022 (for comparison)
Associate Prosecutors	15	0	100%	-
Fellows	757*	88	88.4%	253
Advanced Paralegals (Graduates)	505	164	67.5%	463
WBL reduction	137	16	88.3%	100
Paralegals (Associates)	1410	559	60.3%	959
Total	2824	832	70.5%	1775

* this figure was reduced to 700 after any submission errors were corrected.

13. The work on addressing CPD non-compliance continues to progress well and the figures for March 2022 are provided in the table above to show the significant improvement seen.

ENTITY TEAM UPDATE

Policy

FCA / Claims Management Activities

14. CRL has been working with the Financial Conduct Authority (FCA), the Solicitors Regulation Authority (SRA) and Bar Standards Board (BSB) on the introduction of new rules related to claims management activities and fee caps.
15. The SRA has now published their consultation on proposed rules and CRL will continue to work with them and the BSB on progressing this work.

Professional Indemnity Insurance (PII)

16. Any proactive work with insurers is now on hold as they require greater certainty on CRL's long term future following CILEX's proposed changes to regulatory arrangements before they will discuss offering new facilities.

Compensation Arrangements

17. Conversations are continuing with brokers about mitigations which could be built into the PII policies as options to amend compensation arrangements at CRL.

Rule changes

Designated Professional Body (DPB) application.

18. HM Treasury has advised that it has obtained ministerial support and would commence work on the Statutory Instrument. It is not currently able to give any further update on the timescale.

Operations

ACCA Performance Update

Current ACCA applications												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2023												
CILEX Practitioners (ACCA-Probate) applications in progress	19	8	8									
CILEx Practitioners (ACCA-Probate) authorised	54	55	55									
CILEX-ACCA Probate firm applications in progress	5	5	5									
CILEX-ACCA Probate firms authorised	42	42	39									
2022												
CILEX Practitioners (ACCA-Probate) applications in progress	43	34	23	22	22	23	20	20	19	19	19	19
CILEx Practitioners (ACCA-Probate) authorised	28	37	47	49	52	54	55	55	55	55	55	55
CILEX-ACCA Probate firm applications in progress	17	9	9	9	6	5	5	5	6	5	4	5
CILEX-ACCA Probate firms authorised	21	28	37	39	42	43	43	43	43	42	42	42

19. The number of 'in progress' applications has reduced following removal of those applications that have not progressed.

20. The ACCA renewals went live in March but there have been issues with the new CRM process. A number of firms are deciding not to renew as they have not dealt with any cases and have not complied with the Transparency requirements.

Entity Performance Update

Current Entity applications												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2023												
Number of authorised firms	22	20	19									
2022												
Number at the pre-authorisation stage	5	5	4	7	7	4	3	2	2	1	1	1
Number at Provisional Authorisation stage	0	0	1	0	1	1	1	1	0	0	0	0
Number of authorised firms	24	24	24	25	25	25	25	24	23	23	22	22

21. All the CRL conveyancing firms have now closed or moved regulator.

Annual Returns

22. All Annual Returns for 2023 to date are complete.

Other matters

23. The firms regulated by CRL continue to express concern about the uncertainty regarding CILEX's future regulatory arrangements.

ECONOMIC CRIME UPDATE

Economic Crime and Corporate Transparency Bill

24. The Economic Crime and Corporate Transparency Bill is now at the committee stage in the House of Lords.

Anti-Money Laundering (AML) Supervision

25. Following publication of the LSB Investigation report, it is now expected that the Office for Professional Body Anti-money Laundering Supervision (OPBAS) will be arranging a review meeting for early May 2023.

26. On 1 March 2023 OPBAS wrote to the AML supervisors setting out their views of the annual reports published under the Regulation 46a obligations in the Money Laundering Regulations.

27. REDACTED

28. OPBAS held a further workshop on the risks related to Proliferation Financing on 28 February 2023. Proliferation financing is defined as the provision of funds or financial services used for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations. As this is not a risk that CRL has identified for its firms, CRL did not attend this additional workshop.

29. Proliferation financing risk will be covered when the 2023 update to the CRL Sectoral Risk Assessment is published by May 2023.

30. CRL attended the Intelligence Working Group on 19 April 2023 and the Legal Sector Affinity Group and AML Supervisors Forum on 21 March 2023. The next Legal Regulators AML Forum is on 17 May 2023.

Sanctions

31. The Office of Financial Sanctions Implementation (OFSI) has advised it will extend the legal fees general licence, which was due to expire on 27 April 2023. This allows firms

to be paid for specific activities to a person designated under either the Russian or Belarus regime, including funds needed to meet basic needs of the individuals and entities and payment of fees for any legal representation that they might seek. The new expiry date is 28 October 2023. No CRL firms have made use of this general licence.

32. There has been no further update from OFSI on policy development in relation to the Government announcement on 30 September 2022 that there will be a ban on the provision of certain professional services, including "transactional legal advisory services" as part of the ongoing response to Russia's war in Ukraine.
33. CRL continues to communicate all changes to the sanctions regime to our regulated firms and information is added to the Financial Sanctions page on the CRL website as required.

ENFORCEMENT TEAM UPDATE

Rules changes

34. Within the business plan is a planned enforcement rule review and a workplan for this major piece of work is now being constructed.

Other Enforcement matters

35. CRL had highlighted several enhancements to Enforcement following the LSB's Regulatory Performance Assessment (RPA), which would help in continuing to develop the service offered to our regulated community and the public. The intention was for this to be completed by the end of Q2 2023.
36. A review of information on treatment of enforcement cases for benefit of consumers and the regulated community has been completed. This is now presented in a more user-friendly way, including a new flow chart to assist complainants in understanding the process and indicative timescales, and more comprehensive FAQs. CRL has also attempted to be clearer on what complaints can be investigated.
37. Work has also commenced on a formal policy for prioritisation of complaints including use of risk matrices.
38. The KPIs related to enforcement work are being reviewed as part of the general KPI review.
39. CRL has not yet received sight of the Institute of Paralegals and Professional Paralegal Register member data which has been requested to enable early due diligence to be completed on these members.

Operational

40. The following table sets out the number of prior conduct declarations and misconduct complaints that CRL has received over the last three years, including the current year to date.

	2020	2021	2022	2023
Misconduct Complaints	65	58	73	15
Prior Conduct declarations	945	517	264	73

Prior conduct

Declarations received

Prior Conduct Declarations												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023												
Declarations received	27	22	24									
No of cases resolved	37	32	25									
No of cases live	99	89	88									
No of cases 'On hold'	23	24	26									
2022												
Declarations received	18	20	16	22	22	17	18	17	18	19	43	28
No of cases resolved	13	17	21	30	27	33	22	16	34	44	25	21
No of cases live	172	203	185	168	162	139	143	115	115	87	94	109
No of cases 'On hold'								13	14	18	14	20
2021												
Declarations received	189	93	68	30	25	41	15	12	8	3	7	26
No of cases live	416	373	350	316	289	269	231	226	178	175	174	169

41. The number of live cases continues to run at historic lows, reflecting the efforts made by the members of the Enforcement Team. Recent declarations are being determined quicker and the focus remains on addressing those historic declarations related to misconduct matters.
42. At the last report to the Board, the oldest case was 156 weeks, but this has now been dealt with. The oldest case, which requires PCP determination, is 'on hold' at 123 weeks

but this is due to an ongoing SRA investigation and CRL's parallel misconduct investigation is on hold for the same reason.

43. The oldest reported case not 'on hold' is also at 123 weeks; this was previously an 'on hold' case but is now being progressed.
44. Nine cases are listed for the PCP on 27 April 2023, including a number of the historic and oldest ones.
45. Of the 88 open cases, currently 24 can be determined by an investigator. The remaining 64 may require a PCP decision. Of the 62 open cases that are not on hold, 41 cases are pre 2023, which whilst still requires further work, is a significant improvement on the historic position. That number should reduce following the next PCP.

Misconduct

Complaints received

Misconduct Complaints												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023												
No of New Complaints	4	5	6									
No of Complaints resolved	1	1	7									
No of cases live	128	133	132									
No of cases 'On hold'	37	38	39									
2022												
No of New Complaints	3	4	5	11	5	8	3	10	8	10	3	3
No of Complaints resolved	1	4	3	13	4	4	2	1	2	13	9	2
No of cases live	112	112	114	112	113	117	118	127	133	130	124	125
No of cases 'On hold'							33	34	37	41	35	36
2021												
No of New Complaints	5	2	7	5	4	3	9	2	5	5	8	3
No of cases live	86	89	95	97	95	98	102	104	108	111	114	110

Cases that are 'On Hold' are where other investigations have priority and so cannot be progressed.

46. CRL continues to make satisfactory progress on assessing and dealing with immediate complaints. Three cases will go to the PCP on 27 April and others have been reallocated to enable them to progress more effectively.

47. The total number of live misconduct cases on 31 March 2023 was **132** which can be broken down as follows:

Authorised Entities	5 (concerning 2 firms)	3.8%
Fellows	67 (one Fellow is subject to 3 separate complaints)	50.7%
Non-Authorised grades	60 (5 members are subject to multiple complaints)	45.0%

48. The oldest live case, which is on hold, is **220 weeks**. The following table provides an analysis of live complaints by age:

	0-6 months	6-12 months	12-18 months	18-24 months	24+ months
No of live cases	19	30	18	12	52
Those 'On Hold'	6	9	8	1	15

Initial Assessment of Complaint (Target 100% by month end)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	100	100	100									
2022	93.6	82.3	86	89.4	100	100	100	100	100	100	100	66.7

49. The initial assessment procedure continues to operate well with the Manager taking full responsibility for maintaining the expected standard.

Principles breached:

Principles breached	2020	2021	2022	2023
Principle 1 – Rule of Law	7	7	3	0
Principle 2 – Professional Conduct	55	51	36	7
Principle 3 – Honesty and Integrity	36	31	17	1
Principle 4 – Legal Obligations	10	7	8	0
Principle 5 – Act Competently	12	9	7	1
Principle 6 – Treat Everyone Fairly	7	4	4	0
Principle 7 – Ensure Independence	3	1	2	0
Principle 8 – Act Effectively	2	0	1	0
Principle 9 – Protect Client Money	0	1	0	0
Total breaches	132	111	78	9

50. When a complaint is received, the Enforcement Team assesses the member's alleged misconduct against the Code of Conduct and identifies which Principles may have been breached. The above table shows how the Team has assessed which principles have been breached over the last four years. A member may have broken more than one Principle.

Disciplinary Panels

Professional Conduct Panel (PCP)

51. CRL has scheduled 10 PCP meetings for 2023. The last was on 27 April 2023.

Disciplinary Tribunal (DT)

52. These are scheduled as required.

Appeals Panel

53. The appeal hearing was held on 9 March 2023.

Recommendation

54. The Board is asked to **NOTE** the report.