

# CILEx Regulation

## Annual Statement of Costs 2023

### About CRL

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 just over 17,600 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 to ensure transparency for the benefit of legal services providers and firms who fund these costs by paying regulatory and other fees. This also ensures transparency for the benefit of consumers and the public in general. 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 in order to ensure comparisons can be made fairly and an overall picture of legal regulator costs can be presented. In addition to 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 effectively means qualified, practising lawyers who are regulated to undertake certain types of legal work known as reserved legal activities. The Act provides that the following types of legal work can only be done by 'authorised persons':

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<sup>1</sup> Figures are actual for the twelve-month period ending 31 December 2023

- 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,
- 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 average number of ‘authorised persons’ we regulated in 2023 was 8,616 (in 2022 we regulated 8,080 authorised persons). This represents 49% of the total number of legal services providers we regulated.

Most of the ‘authorised persons’ we regulated were CILEX Fellows (8,616), 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.

We also regulated 3 Legal Accountants, and 164 Associate Prosecutors employed by the Crown Prosecution Service (in 2022 we regulated 175 Associate Prosecutors).

The total number of individual legal services professionals we regulated in 2023 was 17,428 (down from 18,306 in 2022). The 8,812 (10,226 in 2023) individuals we regulated who were not ‘authorised persons’ were members of CILEX in grades other than Fellowship, namely Student, Paralegal and Advanced Paralegal 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 organisations that we regulate, as ‘entities’. At the end of 2023 we regulated 20 firms (down from 22 in 2022). In addition, we regulated 37 ACCA Probate firms (down from 42 in 2022) The reduction is due to a number of difficulties some of our regulated firms experienced in 2023, which were:

- Issues obtaining Professional Indemnity Insurance,
- Issues obtaining adequate banking facilities, as financial service providers tightened requirements, and
- Entities leaving regulation by CILEx Regulation due to the continued uncertainty created by CILEX’s proposals on the future of regulatory arrangements.

## 3 Total income

Our total income in 2023 was £1,998,366 compared to £1,831,179 in 2022. This was made up as follows:

	<b>2023</b>	<b>2022</b>
Practising Certificate Fees including practice fees paid by individuals holding practice rights and by firms for authorisation and supervision	£1,558,592	£1,555,914
Other fees and charges	£439,774	£275,265
<b>TOTAL</b>	<b>£1,998,366</b>	<b>£1,831,179</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 experience and secondly for assessment of work-based learning. Other income came from sources such as application fees for advocacy authorisation and accreditation fees.

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

Our total operational expenditure on regulation in 2023 was £1,738,871 (up 5.96% from £1,641,016 in 2022).

We had another successful year and commenced the second year of our three year Business Strategy, published in 2021, which promotes high standards, consumer empowerment and championing Equality, Diversity and Inclusion. The organisation continued to carry out the majority of its business operations remotely with some office space to facilitate the move to hybrid working. Our operational performance was strong in 2023 with an operating surplus of £259,495 (2022: £190,163). We used some of our reserves to undertake additional activities in support of strategy implementation. The Company was also involved in considerable unplanned work following CILEX's unexpected announcement on seeking to switch regulatory responsibility to the SRA. Discussions on this continue.

The overall position after tax, including exceptional costs (which were funded from reserves) was a surplus of £166,282 (2022: deficit of £147,341). Please refer to the following link [CILEX REGULATION LIMITED filing history - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#) for further information.

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

We collect the practising certificate fees from the 'authorised persons' whom we regulate and who are not members of CILEX. In addition, we collect practising certificate fees 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 the 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 to regulate legal professionals before we receive the share of this income that funds us. These activities are:

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

In 2023 we received 60.7% (2022: 58%) of overall practising fee income, with CILEX retaining the other 39.3% (2022: 42%) (including 6.6% (2022: 6.7%) of levy charges).

## 6 Staff head count

In 2023 we employed an average of 20.35 (2022: 21.05) full-time equivalent staff (decrease of 1.3 from 2022).

## Additional information

### 7 Size of reserves

Our surplus after tax for the financial year 2023 was £166,282 (2022: deficit £147,341). When added to our cumulative working capital reserves, the balance carried forward into 2023 was £478,384 (2022: £312,102). The surplus includes £83,782 of Practising Certificate Revenue from previous years that has been rebated by CILEX following agreement between CILEX and CRL in accordance with the Undertakings agreed with the Legal Services Board.

The reserves, held by CRL, consist of the following:

Two different categories;

- Working capital – tend to be variable in nature and can be easily used/accessed
- Contingent – tend to remain fixed and are only to be used for specific purposes

Two different types;

- Committed – amount of reserves allocated/ringfenced for a specific regulatory activity
- Uncommitted – balance of available reserves that can be used to fund any other regulatory activities

This is a breakdown of CRL's reserves as at 31 December 2023:

Description	Total £	Committed £	Uncommitted £
Working Capital Reserves	464,846	75,729 <sup>2</sup>	389,117
Contingent Reserves	700,000	320,000 <sup>3</sup>	380,000
<b>Total Reserves Working &amp; Contingent</b>	<b>1,164,846</b>	<b>395,729</b>	<b>769,117</b> <sup>4</sup>

<sup>2</sup> Committed working capital reserves consist of unbudgeted legal costs

<sup>3</sup> Committed contingency reserves consist of potential for claims against the Compensation Fund and Intervention matters

<sup>4</sup> Total uncommitted reserves are 5.5 times monthly operating costs

### 8 What we paid our Chair of Board

Our Chair of Board remuneration package was £40,000 per annum in return for an expected commitment of 60 days' work. Over and above 60 days, a day rate of £667 applies.

Out of pocket expenses for travel and subsistence are paid. No bonus or pension is payable. The remuneration package for 2023 remains unchanged from 2022.

## 9 What we paid our CEO

There were 4 holders of the CEO post in 2023 with total costs for the post of £132,954, made up of £116,973 salary, £12,530 pension and other benefits totalling £3,451. The cost is inclusive of a handover period of 47 days where the acting CEO and Interim CEO were in post at the same time.

This compares to 2022 where the Interim CEO's remuneration package was based on annual salary of £120,175 and employer's pension contribution of £3,838, a total of £124,013.

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

The median salary (mid-point between the Interim CEO's annual salary of £120,175 and the minimum salary paid) was £36,274, or 30.18% of Interim CEO salary.

The median salary in 2022 was £34,546 or 28.75% of CEO salary.

Annual salary banding of the Senior Management Team (including Interim CEO) as of December 2023 is as follows;

Annual salary banding	Number of employees
£50,001-£60,000	0
£60,001-£70,000	0
£70,001-£80,000	2
£80,001-£90,000	0
£90,001-£100,000	0
£100,001-£110,000	0
£110,001-£120,000	1
£120,001-£130,000	0

## 11 Overall staff costs:

Overall, operational staff costs in 2022 were £1,207,826 including temporary staff costs, pension contributions, NI contributions, other benefits, recruitment costs and learning and development costs.

The equivalent overall staff costs total for 2023 was £1,068,115.

Total operational staff costs in 2023 were £139,711 (or 13.1%) higher than in 2022. The reason for this increase is a result of the following:

- 5% pay rise awarded to all CRL employees in April 2023 in recognition of the cost-of-living pressures, and
- Additional costs of extension to fixed-term contract roles in 2023, due to work required for the LSB investigation. Please refer to the following link [Investigations - The Legal Services Board](#) for further information.

## **12 Total Board costs:**

Total Board costs in 2023 were £77,955. This was made up of fees totalling £73,600, NI contributions of £4,499, out of pocket expenses of £385 and recruitment costs of £2,000. There were five members on our Board during the majority of 2023 including the Chair.

Total Board costs in 2023 were £5,171 (or 7%) higher than in 2022. The reason for this was because there were only four official members serving on the Board for the majority of 2022.