



2021/22 Practising Certificate Fees (PCF) and Budget November 2020

Introduction

1. The General Council of the Bar (GCB) is very conscious of the financial and personal impact the COVID pandemic is having on the profession and is making every effort to ensure that it avoids adding costs to the profession at this difficult time.
2. Because of the COVID pandemic, the GCB is forecasting a significant reduction in barristers' incomes in 2020. This will feed through into a commensurate fall in PCF income in 2021/22 assuming no change in the basis on which the PCF is levied. The 2021/22 PCF income for the Self-Employed Bar (approximately 80% of all barristers) is based on barristers' income from January 2020 to December 2020 and many at the Bar have suffered a substantial drop in earnings in 2020. The Employed Bar changes in income will be reflected in the 2022/23 PCF collection.
3. Our forecasts of a fall in PCF income in 2021/22 then imply a substantial loss in the coming year because of the nature of our costs. Approximately 50% of the GCB's costs are staff costs with the other 50% made up of office costs, pension contributions, legal costs, LSB / OLC costs, and overheads etc. These costs are not easily reduced in the short term without severely impacting the work of the Bar Council and Bar Standards Board (BSB). Since March the GCB has been cutting staff and non-staff costs and using the furlough scheme so that the scale of next year's cash flow problem is minimised.
4. The GCB has been negotiating with our bank, RBS, for a CBILS loan to mitigate the expected drop in income. The CBILS loan is available on very favourable terms and is repayable over 6 years. The CBILS loan has been provisionally approved subject to finalisation of the loan documentation. This loan will enable the GCB to smooth out the effects of the lost income over an extended period.

5. Consequently, **the GCB does not intend to increase PCF for the budget year 2021/2022** and will submit a proposal for no PCF increase to the Legal Services Board (LSB) for approval.
6. We shall continue to plan budgets and set the level of the PCF on a year-to-year basis in the light of the circumstances at the time and having regard to barristers' earnings / incomes. However, PCF may need to rise modestly in the years ahead in order to enable the GCB to cover the costs of regulatory and other 'permitted purposes'; to re-pay the loan, taken out to manage the cash flow shortfall we expect in 2021/22; and to re-build our liquid reserves. We shall, of course, consult about any such changes each year.

Summary

7. PCF bands and fees will remain the same as in 2020/21:

Band	Income Band	2021/22 Fees
1	£0 - £30,000	£100
2	£30,001 - £60,000	£246
3	£60,001- £90,000	£494
4	£90,001 - £150,000	£899
5	£150,001 - £240,000	£1,365
6	£240,001 - £500,000	£1,850
7	£500,001 - £1,000,000	£2,500
8	£1,000,001 and above	£3,000

Income Prediction for PCF and Other income (regulatory and non-regulatory)

8. Given the likely impact of the COVID crisis on earnings at the Bar, we have used all available information and data to make an income prediction (PCF income in particular). We will not know the true picture until after Authorisation to Practise 2021.

General Council of the Bar

Total Income	20/21	21/22	Change	% Change
	£000's	£000's	£000's	
PCF income	15,416	11,948	 (3,468)	-22.5%
Other income	3,891	4,110	 219	5.6%
	19,307	16,058	(3,249)	-16.8%

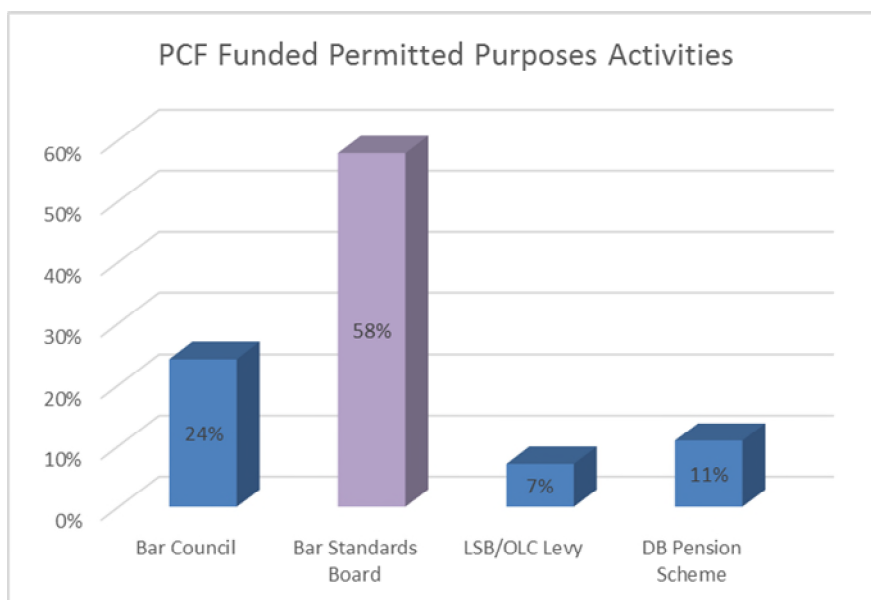
Split of PCF income:

9. We plan to set an operating budget which is as tight as possible while still being able to meet the regulatory and other permitted purposes for which PCF is raised. Any shortfall in cash will be met through reserves and the CBILS Loan. The GCB organisational overheads and those of the LSB/OLC levy and the DB Pension scheme are split between the Bar Council and BSB, based on relative size of each (see below).

£000's	PCF Funded Permitted Purpose Activities	PCF Funded LSB/OLC Levy	Legacy DB Pension Scheme	Total PCF
2021/22	2,892	253	390	3,535
	24.20%	2.12%	3.26%	29.59%
Proposed	6,912	591	910	8,413
	57.85%	4.95%	7.62%	70.41%
Total	9,804	844	1,300	11,948

* Please note %'s are of the Total PCF

10. The graph below also shows the allocation of PCF cash to Permitted Purposes activities.



Expenditure

11. The budgeting and planning process for 2021/22 took account of the predicted impact of COVID on the profession and the expected finances of the GCB. Although the revenue budget shows an increase of £595k (mainly due to non-cash depreciation charge), the capital budget for 2021/22 has been significantly reduced from £1,467k last year to £823k a 44% decrease, and a cash saving of £644k.

General Council of the Bar

Operating Expenditure	20/21	21/22	Change	% Change
	£000's	£000's		£000's
Bar Council	4,263	4,082	↓	(181) -4%
Resources Group	5,710	6,311	↑	601 11%
Bar Standards Board	6,539	6,714	↑	175 3%
	<u>16,512</u>	<u>17,107</u>	↑	<u>595</u> 4%

12. The Bar Council has made net operating cost savings of £181k (£70k staff and £111k non-staff). This is a 4% decrease in operating costs. There is a decrease in RPS capital expenditure of £31k.
13. The BSB has a net increase in operating costs of £176k (£23k staff and £153k non-staff). This is a 3% increase in operating costs although there is a decrease in capital expenditure of £613k.

14. Resources Group has a net operating cost increase of £601k (£46k increase in staff costs; non-staff cost increases in IS of £71k and depreciation of £506k (a non-cash movement) offset by facilities savings of £22k). Last year's capital programme (office refurbishment and IT improvements) were the main contributors to the increased depreciation charge. Overall, there is a 4% increase in operating costs, largely due to depreciation.
15. The proposed budgeted expenditure for 2021/22 is funded through the PCF collection and Reserves (supplemented by the CBILS loan):

Planned Permitted Purpose Spend - 2021-2022			
	Bar Council	Bar Standards Board	Total
	£000s	£000s	£000s
Funded from anticipated PCF Collection	2,892	6,912	9,804
Funded from Reserves	1,872	4,156	6,028
Total Planned Permitted Purpose Activities	4,764	11,068	15,832
Non Permitted Purpose spend	1,275		1,275
Budgeted Operating Expenditure			17,107

GCB Budget 2020/21

16. The consolidated position of the GCB is shown below:

General Council of the Bar Budget 2020-2021	Total Budget 2020-2021	Total Budget 2021-2022	Change	% Change
	£000's	£000's	£000's	
Income				
PCF	15,416	11,948	(3,468)	22%
Other Income	3,891	4,110	219	-6%
Total Income	19,307	16,058	(3,249)	17%
Expenditure				
Operating Expenditure	16,512	17,107	(595)	4%
Non Operational Expenditure				
LSB / OLC levy	838	844	(6)	
DB Pension fee	1,300	1,300	0	
Total Expenditure	18,650	19,251	(601)	
Total Operational & Non Operational Surplus / (loss)	657	(3,193)	(3,850)	

17. The GCB continue to review its cost base. It has identified a number of options for reducing its costs, although these have not all been incorporated in the budget at

this stage. The budget will be reviewed after the PCF collection next year is completed to assess what actions are needed to keep its finances aligned with its five-year forecasts.

Next steps

18. We welcome views from the profession on the proposal not to increase PCF and the budget for 2021/22 and invite you to consider the questions below. Please send your responses to: treasurer@barcouncil.org.uk
19. The consultation will close on 14th December 2020 at 17:00.

Consultation Questions

1. Do you agree with the GCB's proposal to maintain the 2020/21 PCF band and fee structure for 2021/22?
2. Do you think the PCF for 2021/22 represents value for money?
3. Do you have any other comments regarding PCF or the General Council of the Bar budget for 2021/22?

Richard Cullen

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