



Update on CPD Regulations / approval for amendments to PBL 56

STATUS

1. Open paper but the regulations in the appendix are confidential until March
2. For information / approval

EXECUTIVE SUMMARY

3. The PSD Chief Officer reported in December on the development of revised CPD Regulations to set out the detail of the new requirements flowing from Council's approval of new cornerstones for CPD policy in July 2022.
4. This paper seeks to update IRB members on the outcome of the second review by the Education & Training Board (ETB) on 19 December 2022 and to seek the IRB's approval of the amendments being suggested to Principal Bye-law 56 which will need to form one of the resolutions put to members at the SGM in June 2023 so that the PBL syncs with the revised CPD Regulations.

RECOMMENDATION

5. The IRB is asked to:
 - a) note the approval of the CPD Regulations and the timetable for implementation
 - b) approve the amendments to PBL 56 for onward recommendation to ICAEW Board and Council

UPDATE

6. At the date of the last IRB meeting, the ETB had considered the revised CPD Regs and Schedule developed by the PSD Chief Officer, Director, Regulatory & Conduct and the Head of Regulatory Affairs and Policy but had asked for clarification in relation to certain aspects including the ambit of those being required to undertake minimum hours/the extent of the exemption. The main focus was around regulation 5. The IRB was provided just before the meeting with a revised version of regulation 5 and this formed part of CPD Regulations which were considered for a second time by the ETB on 19 December 2022 along with a revised version of the Schedule (which sets out the areas of work falling into the new CPD Categories) and the revised and expanded Guidance.

7. After considering the revised papers and hearing from the PSD Chief Officer on the rationale for the changes made since the ETB's first consideration on 16 November, the ETB unanimously approved the new CPD Regulations in principle with a view to them coming into effect ahead of the next CPD Year starting on 1 November 2023. The approved versions of the CPD Regulations (including the Schedule) and the Guidance can be found in Appendix 1.
8. The reason for seeking approval 11 months in advance of coming into effect was so that ICAEW communications teams in Belonging & Supporting, Education & Training and PSD can satisfy Council's desire for there to be a long period of communications with members in the build up to the introduction given the significance of the changes. The communication plan will gradually warm up members and firms to the new requirements rather than a one-off full communication of the new obligations. There is still some caution in going into too much details because:
 - a) while Council delegated the approval to the ETB, it will need to see the new CPD Regulations in March when it considers changes to PBL 56 and this might lead to points being raised by Council members
 - b) While the FRC had been kept in the loop up on the new principles being considered up to the first review by the ETB on 16 November, the FRC has not yet seen or considered the final version and may question the wider exemption criteria for members who are required to undertake CPD in the final version.

The criteria were widened to exempt all members who do not carry out any finance or accountancy related work and who do not hold a director position with legal or financial responsibility. While those members are currently not exempt, it is unlikely that those members are reflecting that they need to do any finance and accountancy development if their career has taken them to different roles so the change may make little difference in practice. Indeed, the ETB members were surprised and concerned that the current CPD policy obliges members to develop their skills in roles outside of finance and accountancy and that ICAEW was purporting to police their work in other areas which might be covered by other legislation and regulators and where ICAEW's CPD monitoring team would not have the skills or expertise to evaluate the relevance/quality of the ongoing training.

We will be sending the final version of the CPD Regulations to the FRC Oversight team ahead of the quarterly update meeting with them on 31 January and explain the rationale for the changes. While the FRC has no jurisdiction now in relation to CPD outside of CPD for auditors, it will be provided with a statutory role for the oversight of chartered accountants in the forthcoming legislation which might start in Spring 2024.

9. For these two reasons, communications until March will be of a more general nature with a plan to disseminate much greater detail regarding the minimum hours requirement and the areas of work falling into the CPD Categories from the start of April. This will also allow time for the development of a self-identification tool to allow members to identify which CPD Category they fall into by answering certain questions related to the detail in the Schedule. It is important that this tool is ready and available for when greater detail is given as history has shown (when the last CPD changes were made) that uncertainty on something important leads to a huge surge in members ringing the advisory helplines.

PRINCIPAL BYE-LAW 56

10. The current bye-law is worded to align with the existing CPD policy which is to reflect, identify specific training needs and satisfy them without there being any minimum requirements so needs to be amended to sync with the new CPD Regulations:

Current wording

Except as may be provided in regulations a member shall:

a. keep under review their needs for training and development having regard to the professional and other work they undertake;

b. where such a review identifies a specific need for training or development act promptly to meet such need; and

c. provide to ICAEW such evidence of compliance with these provisions as may be required upon request.

11. However, it is considered imprudent to incorporate the specific minimum hours' requirements into the wording of the PBL as this will require a lot of governance to be cleared to make any changes to the new requirements in the new CPD Regulations. As the responsibility for amendments to the CPD Regulations will fall in the future to the IRB, it is in the IRB's best interests to have the greatest amount of flexibility.

12. The proposed amendments are targeted, therefore, at removing details from the bye-law but making it clear that all members will need to comply with the CPD Regulations which are in place for each CPD Year. The gist of (a), (b) and (c) are already embedded into the new CPD Regulations, interwoven with the new minimum hours' requirements. The proposed new wording is as follows:

New proposed wording

"All members and member firms shall comply with the requirements set out in the CPD Regulations except where, in the case of members, they are deemed to be exempt by the CPD Regulations."

NEXT STEPS

13. The communications campaign has already started – from a general perspective – in January with the publication of an interview of Julia Penny, the ICAEW President and the PSD Chief Officer talking in general about the changes and the rationale for change. The interview can be read here: [Regulatory News | ICAEW](#) Further interviews will be published over the coming months including with the IRB Chair (when the responsibility moves from ETB to the IRB).
14. A meeting will be held with the FRC on 31 January to ensure that there are no objections to the final changes and updates will be sent to our other oversight regulators (all of whom have been

made aware in general of the intended changes and all of whom indicated general support).

15. ICAEW Board will be asked to consider at its February meeting any recommendation from the IRB on the amendment of PBL 56 and this should lead to ICAEW Council being asked to approve the changes to the PBL at its meeting on 29 March and approve a resolution being put to members at the SGM in June. As usual, the final approval will need to come from the Privy Council and efforts will need to be made for this to be approved and come into effect prior to 1 November.
16. If there are no objections from oversight regulators and Council on 29 March, and if the self-identification software tool is ready, greater detail about the changes and what they mean for members will be communicated to members from the start of April. A full joined-up communications plan is being drawn up.
17. Work will continue over the coming months to ensure that the introduction of the new policy is as seamless as possible and that members' concerns are assuaged and also on work which is required over a longer timeframe to ensure that PSD (QAD) will be able to carry out effective monitoring of compliance by members and member firms with the new requirements from the end of the first full CPD Year under the new CPD Regulations (November 2024) which includes continuing work with EngineB on the development of an AI tool.

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