

Council Meeting

**To be held on
25 January 2017
09.00 a.m. – 12.00 p.m.
CAN, Bank Room, 49-51 East Road, London,
N1 6AH
A G E N D A**

No	Item	Publication Status	Type of Paper	Lead
1	Welcome, Introductions and Apologies for Absence and Declarations of Interest		For recording	JP
2	Lord Keen of Elie QC, Minister for Ministry of Justice (9.00 a.m. – 10.00 a.m.) <ul style="list-style-type: none"> • Outline of the Government's Priorities for legal services • CLC Overview 2016 • Priorities for 2017 • Medium to long term strategic plan 	No written report for publication	No paper	
3	Minutes and Matters Arising <ol style="list-style-type: none"> a) Minutes of the meeting of the Council held on 3 November 2016 b) To note actions arising from previous meetings. 	a) For publication – subject to redaction of commercially confidential material. Minutes of workshops are not for publication – policy in development, the details of which will be published in future, if possible. b) Actions from previous meetings have not been published as these have been published within minutes of past meetings.	Approval Noting	JP
4	CEO Report	Not for publication – contains information which has been provided in confidence or which will be subject to future publication.	Noting	SK

5	Management Report a) Q4 Performance Outturn b) Interventions & Watchlist c) Principal Risk Register d) Property News Round up	a) For publication, subject to redaction of commercially confidential material b) Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action c) Not for publication – contains information, the disclosure of which would be prejudicial d) For publication	Noting	JH/SMT
6	Budget 2017	Not for publication – information which will be published in future	Approval	JH
7	Marketing and Communications Plan 2017	Not for publication – information intended for future publication	Approval	SW
8	Reviewing Regulatory Arrangements – Licensing and Notifications	Not for publication – information intended for future publication	Approval	SB
9	Narrative for Annual Report 2016	Not for publication – information intended for future publication	Approval	SW
10	Committees a) Audit and Risk Committee Chair's Annual Report and draft minutes of meeting held on 17 January 2017 b) Remuneration Committee Chair's draft Annual Report and draft minutes of meeting held on 3 November 2017	For Publication – Chairs' reports. Not for publication – Committee minutes - policy in development and information intended for future publication	Approval + Noting Approval + Noting	HF JS
11.	Council Work Plan for 2017	For publication	Approval	SK
12.	Any Other Business (Items to be advised by e-mail in advance to Head of Executive Office)			All

2. Minutes of the meetings of the Council held on 28 July 2016 and 22 September 2016.

The Council **AGREED**:

(1) that minutes of the meeting of the Council held on 28 July 2016 be approved as a correct record, subject to minor amendments:

(2) To ratify the Minutes of the formal Council Session held on 22 September 2016 (*appended to these Minutes at Annexes A & B*), in respect of Council appointments and Consumer Information;

(3) That the date for completion of the Audit and Risk Committee's *Risk Appetite Statement (July/003)* be amended to *after April 2017*.

(4) To publish minutes of the meeting of the Council held on 28 July 2016, subject to the application of any redactions in line with the CLC's Publications Policy.

Action Council/Nov/001: Audit and Risk Committee to undertake further work on the Risk Appetite Statement (*July/003*); the due date for completion of the action would be amended on the Council workplan to after April 2017.

3. Consumer Information

The Council noted an implementation plan for the roll out of secure logos for use by the regulated community and considered proposals to establish a pilot scheme to better inform consumer choice of provider, pursuant to the decision of the Council Workshop held on 22 September 2016.

The Council considered reviewed proposals to consult on the following areas:

- Price transparency
- Client feedback
- Complaints and disciplinary data.

The complexities associated with price transparency where there is little evidence of consumers shopping around prior to instructing a lawyer on conveyancing or probate work were recognised. The Competition and Markets Authority had signalled that regulators of legal services should be taking steps to ensure that information about pricing is more easily available and comprehensive given a lack of comparison websites in the legal sector.

Prior to implementing any measures to improve price transparency, the CLC will seek views on standard templates for estimates, methodology for the provision of estimates and whether greater transparency would be beneficial for consumers, also looking to practice by other regulatory bodies.

The number of complaints associated with conveyancing and probate transactions were low – it was observed that the Legal Services Ombudsman made recommendations in just 34 cases, compared to the high volume of transactions that take place. Similarly, there are few formal disciplinary hearings. Publication

of complaints and disciplinary details would be restricted to those which were upheld.

Further consultations from a wider group of stakeholders would be undertaken in order to gather more information regarding issues relating complaints and disciplinary data.

The LSB would be informed that the CLC would need to consult further on complaints and disciplinary data prior to publishing such information on complaints and disciplinary proceedings.

The Council:

- (1) **AGREED** to consult on proposals to increase the transparency of pricing information within its regulated community, the collection of client feedback on services provided to CLC firms and the use of complaints data and disciplinary information to inform consumer choice; and
- (2) **AGREED** that a summary of the proposals would be published, on the basis that the final arrangements would be subject to the outcome of consultation and were intended for publication in due course; and
- (3) **NOTED** the roll out plan for secure logos for CLC regulated entities.

Action Council/Nov/002: CLC to produce a Green Paper(s) to include complaints, disciplinary data, and quality on price transparency of conveyancing.

4. Chief Executive Officer's Report

The CEO presented her quarterly report. Feedback on the licence renewal process had been very positive, and the more automated process has run smoothly.

The Council was advised that 3 practising licenses had been held over, pending investigation of concerns and confirmation of compliance.

Verbal updates were provided on recent meetings with

- the Legal Services Board,
- the SRA
- the Legal Ombudsman
- the Society of Licensed Conveyancers
- the Conveyancing Association.

The Council was advised that a review of the CML Handbook had been announced, and that a date for the awaited consultation on regulatory independence by the MoJ was not yet known.

On education, Distance Learning manuals would be available to students in the next few days prior to distance learning provision being made generally available for students in January 2017.

The Council:

(1) **NOTED** the contents of the Chief Executive Officer's report with the summary cover page to be published.

5. Management Report

a) Q3 Performance Out-turn

In introducing the report, the Director of Finance and Operations advised that the financial performance of the CLC at the end of Q3 remains buoyant. Based on the current trend (which is showing an operating surplus of £425k), the CLC is likely to end the year with an operating surplus of in excess of £500k. This was due to higher revenue and less spending on staff arising from changes to staffing plans and time elapsed in filling vacant posts.

The Director of Finance and Operations confirmed that there had been no change to the treasury management policy and advised that cash reserves are still being held in interest bearing accounts at 3 banks (Barclays, Santander and Nationwide), and that interest rates on the accounts are nominal. All funds are immediately available except for funds at Nationwide, on 90 days-notice.

The Compensation Fund is showing a surplus, which can be attributed to compensation grant provisions having been lower than expected and practice contributions being higher than expected.

The Council:

(1) **NOTED** key issues contained in the reporting suite of papers:
(2) **AGREED** that the report would be published, subject to redaction of commercially sensitive and personal information.

Action Council/Nov/003: Management reports to be published on CLC website, subject to redaction of commercially sensitive and personal information.

b) Interventions and Watchlist

Concern was expressed at the length of time some practices had been on the Watchlist. The Council was advised that there were weekly reviews and monitoring of practices. This was to allow for adequate follow up to take place with the practices affected.

The Council:

(1) **NOTED** the contents of the Watchlist; and
(2) **AGREED** that the summary page of the paper should be published; the contents of the report were not for disclosure on the basis that it relates to ongoing investigations, proceedings and enforcement action.

c) Principal Risk Register

The Council was advised that the Principal Risk Register had been reviewed by the Audit and Risk Committee on 25 October 2016. No significant adjustments were proposed to any of the risks or controls presented.

The Council discussed publication of the report. The summary cover page is to be published, and the publication position to be reviewed in 12 months.

The Council:

(1) **NOTED** the Principal Risk Register with the summary cover page to be published.

Action Council/Nov/004: The summary cover page of the Risk Register would be published on CLC website.

d) Property News Round Up

The Council:

(1) **NOTED** the CLC's Property and Law Round Up and agreed to its publication

6. Report on 2016 Annual Regulatory Return

The Council reviewed the key findings from the Annual Regulatory Return. The summary cover page would be published and the final report would be published at the end of the month. Members were asked to forward any comments to the Director of Strategy and External Relations.

The Council expressed disappointment that the findings indicated that not more practices were taking steps to monitor equality and diversity.

The Council:

(1) **NOTED** the draft Annual Regulatory Return and the plans for publication.

Action Council/Nov/005: Council Members to forward their comments on the Annual Regulatory Return to the Director of Strategy and External Relations.

Action Council/Nov/006: Publication of the Plan

7. Business Plan

The Council reviewed the 2017 CLC's draft business plan. Council was advised that this is the last business plan of the current strategy period and that some of the activities reflected in the plan were the subjects of other papers elsewhere on the Council's agenda and would therefore depend upon agreement of those proposals.

The Council:

(1) **AGREED** the draft Business Plan, subject to the amendments agreed and any decisions on reports elsewhere on the agenda, which would need to be incorporated within the Plan.

8. Update on Handbook Changes

The Council discussed progress with its review of regulatory arrangements, in line with the commitment within CLC's 2016 Business Plan to identify deregulatory opportunities, review the burden on CLC lawyers and identify changes that could be made to foster innovation and competition in legal services, provided the interests of consumers were appropriately safeguarded. The purpose of the review is to ensure that the regulatory arrangements appropriately reflect current assessment of risks and are fit for purpose.

During the year to date changes to the CLC's regulatory arrangements had been prioritised as follows:

- Professional Indemnity Insurance arrangements
- Delivery of education
- The CLC's Fee Rules, putting effect a 20% reduction in Practice fee rates.

The current Accounts Code, would be amended to take account of the nature and practice of the probate process. A targeted engagement with a selection of Probate Practices was agreed in advance of formal consultation.

The consultation would focus on the following:

- Rationalisation of the Accounts Code;
- Self-certification for residual client balances below £50 where a client cannot be traced; and
- Replacement of current Accounts Code Guidance with a Practice Note focussed on key topics to support understanding and delivery of the regulatory requirements.

There would be a second consultation on proposed changes to the Continuing Professional Development Code to enable the CLC to improve its oversight of learning and development activities for licensees.

The Council **AGREED**:

(1) To approve the approach to the review of the remaining regulatory arrangements;

(2) The timetable for the review of the remaining regulatory arrangements

(3) The draft amendments to the Accounts Code to be sent out for consultation;

(4) The draft amendments to the Continuing Professional Development Code to be sent out for consultation)

(5) To publish the summary update of Handbook Changes (on the basis that the revised Handbook would be published when finalised), and the timetable for review of the remaining regulatory arrangements.

9. Terms of Reference and Governance Review

A review of the Corporate Governance Framework had commenced, to ensure that it remains an accurate reflection of responsibilities, structure and regulation. The outcome of the review of Committee Terms of Reference and the Internal Audit on Governance will be included.

The Council:

- (1) **NOTED** the update on the review of the Corporate Governance Framework
- (2) **NOTED** that the Chief Executive Officer would submit draft Terms of Reference for the Appointments Committee to the Council for approval;
- (3) **AGREED** the proposed changes to the Terms of Reference of the Remuneration Committee;
- (4) **AGREED** that the summary report of the governance review should be published, on the basis that the final Corporate Governance Framework is intended for future publication.

Action Council/Nov/007: An Appointments Committee to be established.

10. Skills Audit and Yearly Reviews

The Chair advised that she would undertake an annual appraisal with Council Members.

Non-executive members would also be invited to complete a Skills and Experience matrix, which would form the basis of discussions.

The Council:

- (1) **AGREED** the arrangements for appraisal and assessment of the skills and experience of Non-Executive Directors;

Action Council/Nov/008: Publication of the summary of arrangements for appraisals.

Action Council/Nov/009: Committee Secretary to circulate an appraisals appointment schedule and a skills matrix for completion.

11. Reports and Minutes of Committees

a) *Audit and Risk Committee*

Heather Foster, Chair of the Audit and Risk Committee presented a report summarising the work of the Committee since the last Council meeting.

It had previously been agreed that a workshop dealing with risk would be held in 2017. Specific penetration testing would be decided by the Executive and forwarded to the Audit and Risk Committee. This would take place after April 2017.

The tender process for external audit had concluded. The re-appointment of Scrutton Bland was recommended by ARC.

The Council

- (1) **AGREED** that Scrutton Bland be reappointed as External Auditors;
- (2) **NOTED** the Minutes of the meeting of the Audit and Risk Committee held on 25 October 2016.

Action Council/Nov/010: Publication of the summary cover page of the Audit and Risk Report and Minutes of the Audit and Risk Committee meeting held on 25 October 2016.

Action Council/Nov/011: Scrutton Bland to be reappointed.

b) **Remuneration Committee**

In the absence of the Chair of the Remuneration Committee, the Chief Executive gave a verbal update on the meeting of the Remuneration Committee held on 3 November 2016.

The Committee had reviewed benchmarking for Non-Executive remuneration. No changes to the current remuneration for Non-Executive members was proposed.

The Chair of the Remuneration Committee had declared an interest and taken no part in discussion of the remuneration of Committee Chairs. The Committee had considered that it would be appropriate to recognise the additional responsibilities of the Chairs of the Audit, Risk and Governance and Remuneration Committees, and had agreed that these posts should attract an additional payment of £1,000 per annum with immediate effect.

Further benchmarking will be undertaken prior to the next recruitment exercise for Non-Executive members and Chair.

The Council:

- (1) **NOTED** the written report of the Remuneration Committees held on 30 August 2016 and 12 October 2016 and the verbal report of the Committee held on 3 November 2016;
- (2) **NOTED** minutes of the meetings of the Remuneration Committees held on 30 August 2016 and 12 October 2016;
- (3) **AGREED** publication of the summary page of the report.

Action Council/Nov/012: Finance to apply with immediate effect the agreed additional payment to the Chairs of Audit and Risk Committee and Remuneration Committee.

12. Council Workplan

The Council:

- (1) **NOTED** the Council Workplan for 2017;
- (2) **AGREED** that the Forward Programme for full Council meetings of the Council be published;
- (3) **AGREED** the following dates of meetings during 2017:
 - 25 January 2017 – Council Meeting
 - 9 March 2017 – Council Workshop
 - 27 April 2017 – Council Meeting
 - 8 June 2017 – Council Workshop
 - 27 July 2017 – Council Meeting
 - 21 September 2017 – Council Workshop
 - 2 November 2017 – Council Meeting.

13. Adjudication Panel Update and Chair's Annual Report

Emma Boothroyd, independent Chair of the Adjudication Panel was in attendance to brief the Council on the work of the Panel over the past year.

It was agreed that the report on the draft Approach to Sentencing Guidelines which is being developed to assist best practice and consistency be withdrawn to enable further consultation and comment.

Council members were invited to submit comments on the discussion to the Chief Executive Officer by e-mail, prior to an informed debate on the content and practical implications early in 2017. The Chair of the Panel said that the Guidelines would need to explain the rationale for the CLC's approach and to clarify what outcomes it was looking for. Once the Guidelines have been produced, the Chair of the Panel would review the Guidelines to see whether they are practical.

The Chair of the Panel updated the Council on recent and potential forthcoming hearings.

The Council recognising the importance of the work of the Adjudication Panel and emphasising its support to the Panel thanked Emma Boothroyd for her report and continued important contribution to the CLC's work.

The Council **NOTED** the Annual Report of the Adjudication Panel.

14. Draft Approach to Sentencing Guidelines

It was agreed that the report on the draft Approach to Sentencing Guidelines which is being developed to assist best practice and consistency be withdrawn, to enable further consultation and comment. Council members were invited to submit comments on the discussion to the Chief Executive by e-mail, prior to an informed debate on the content and practical implications early in 2017.



Action Council/Nov/013: Council Members to submit comments on Sentencing Guidelines to the Chief Executive by e-mail.

15. Any Other Business

There were no other items of business.

16. Date of Next Meeting

Wednesday 25 January 2017.

CLC Council Meeting

CEO Report

Date: 25 January 2017

Purpose: Noting

Author: Sheila Kumar

Summary

The Chief Executive's regular report to Council on current issues

Recommendations

The Council is asked to note the contents of this paper

Risk management

Where appropriate, risk is covered in each item contained in this report.

Financial impact

No negative financial impact on 2017 budget expenditure

Diversity and inclusion impact

No diversity or inclusion impact resulting from the contents of this paper

Communications requirements

This report is an update for Council members only

Performance Pack Report – Q4 Out-turn

Date of Meeting: 25 January 2017

Purpose: Noting

Author: Jason Hinrichsen

Summary

This report comprises of the following elements:

Section 1: The out-turn figures have previously been reported to the ARC on 17 January 2016 and have been updated to include any comment or discussion items.

Section 2: Operational performance indicators.

Section 3: Human Resources indicators

Section 4: Complaints made against the CLC

Section 5: Procurement

Section 6: Projects

Section 7: Business plan – end of year summary

Recommendations

Council is asked to review and note the paper.

Risk management

This report may identify financial or operational issues which may need to be mitigated.

Financial impact

There is no direct financial impact.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

Communications requirements

There are no communication requirements

Publication

For publication

Section 1: Out-turn – Overview of financial performance to 31 December 2016

PRACTICE FUND

1 Financial Performance

The provisional full year financial position of the CLC is summarised below:

Council for Licensed Conveyancers Income Statement full year Dec 2016	January - December 16		Variance YTD	Var %
	Actual	Budget		
REVENUE	2,955,472	2,794,888	160,584	6%
TOTAL STAFF COSTS	1,282,891	1,502,832	219,941	15%
Salaries and Benefits	1,171,437	1,373,862	202,425	15%
Council Fees & Expenses	111,454	128,970	17,516	14%
TOTAL OPERATING EXPENDITURE	1,198,878	1,162,000	- 36,878	-3%
Education Costs	84,686	49,560	- 35,126	-71%
External Relations	228,310	222,784	- 5,526	-2%
Practice	135,278	120,097	- 15,181	-13%
Regulatory	342,628	361,211	18,583	5%
Office Costs	407,976	408,348	372	0%
SURPLUS on operating activities	473,703	130,057	343,646	264%
Profit on sale of properties	881,235	-	881,235	
SURPLUS	1,354,938	130,057	1,224,881	942%

The full year figures presented above are provisional unaudited results, however we do not anticipate any changes.

The CLC has achieved an operating surplus of £473,703, which is £343,646 better than the budget projection.

The full year operating surplus can be attributed to:

- 1) A positive revenue variance of £160,584 (6%). This variance is largely attributed to higher student registration and examination fees (£104,124) and increased revenues from Practice fees and individual subscriptions (£56,460).

- 2) A positive variance of £219 941 (15%) on total staff costs. This positive variance is attributed to:
- Staff vacancies as a result of resignations, change in staffing plans and elapsed time filling positions.
 - Not applying a 5% annual increase budgeted from January 2016.
 - Underspend on training budgets.
- 3) Total operating expenses are over budget and are reflecting a negative variance of £36,878 (3%) against the budget. The key contributing factors to the variances are summarised below:
- **Education costs** are 71% over budget (£35,126 negative variance). The higher costs can be attributed to more than expected assignment submissions and exam sittings. The higher than budgeted costs are offset by a positive education revenue variance. Education revenue amounting to £233,957 has been recognised year to date.
 - **External Relations & Licensing** costs are 2% over budget (£5,526 negative variance) The variance is attributed to additional spend on Experian checks compared to the prior year on which the budget was based. The additional spend is offset by additional revenue as the cost of Experian checks is passed on to applicants.
 - **Practice** costs are 13% over budget (£15,181 negative variance). The key components of the variance are:
 - Storage costs – due to additional boxes being taken into storage, and higher than anticipated costs associated with the consolidation, scheduling and destruction of boxes.
 - 3rd party inspection costs are £1,594 over budget due to additional targeted inspections and additional use of 3rd party inspectors as a result of an RSM having resigned in the 1st quarter of the year.
 - Unbudgeted consulting cost incurred to change functionality on the student MIS system (£2,805).
 - **Regulatory** costs are 5% under budget (£18,583 positive variance) this is driven by a lower than budgeted Legal and consulting fees. This is partially offset by higher than budgeted OLC cost (over which we have no control).

- **Office costs** are in line with the budget higher than budgeted costs associated with the sale of the properties that were carried for longer than anticipated (Council tax, cleaning and other sale related costs) have been offset by savings on office consumables.

2 Cash reserves

As at 31 December 2017 the cash position of the Practice Fund can be summarised as follows:

Practice Fund			Increase / (Decrease)
Cash Reserves as at December 2016	YE Dec 15	Dec-16	
Minimum Reserves	1,000,000	1,000,000	-
Free Cash Reserves	1,126,748	1,538,307	411,559
Property sale proceeds	-	1,187,079	1,187,079
Total Cash in Hand	2,126,748	3,725,386	1,598,638

Free cash is all cash not allocated to any reserve or specific purpose or source, and is thus surplus to minimum requirements.

The increase in free cash reserves is lower than the surplus reflected in the accounts. This is due to a transfer of funds between the Practice fund and Compensation fund in January 2016 to settle accumulated loan funds. The cashflow is also impacted by non-cashflow items (depreciation), Capitalised costs and prepayments of License fees received in November 2016.

COMPENSATION FUND

1 Financial Performance

Council for Licensed Conveyancers Income Statement full year Dec 2016	January - December 16		Variance YTD	Var %
	Actual	Budget		
Practice contribution revenues	571,640	508,498	63,142	12%
Aged Balances & Intervention balances	1,451,787	-	1,451,787	
TOTAL REVENUE	2,023,427	508,498	1,514,650	298%
TOTAL EXPENDITURE	569,947	301,593	-268,354	32%
Compensation Grants	472,066	240,000	-232,066	-54%
Legal Fees Re. Comp Fund Claims	57,475	-	-57,475	
Intervention Consultancy	29,930	46,000	16,070	35%
LC's Run Off Cover (Future)	6,156	11,109	4,953	45%
Corporation Tax charge	4,320	4,484	164	4%
SURPLUS	1,453,480	206,905	1,133,775	548%

The compensation fund shows a provisional full year surplus of £1,453,480. £1,451,787 of this variance can be attributed to the take on of aged balances and Intervention funds (pursuant to the Council decision taken in April 2016). Normal operating activities are recording a surplus of £1,693. The positive budget variance is below budget expectations (£268,354 negative variance) this is attributed to:

- Practice contributions being 8% higher than budget expectations. This is largely driven by rate variances and new entrants to CLC regulation.
- Compensation grant provisions have been higher than budgeted. This is driven by a provision for interest on the RFS claim being raised (see section 3 for further detail)
- Intervention consultancy has been lower than budgeted as the historic intervention related work winds down.
- 

2 Cash Reserves

The cash reserves of the compensation fund can be summarised as follows:

Compensation Fund			Increase / (Decrease)
Cash Reserves as at December 2016	YE Dec 15	Dec-16	
Minimum Reserves	2,000,000	2,000,000	-
Free Cash Reserves	2,282,550	2,768,236	485,686
Aged Balances Reserves	654,529	724,931	70,402
Intervention Funds	721,563	726,856	5,293
Total Cash in Hand	5,658,642	6,220,023	561,381

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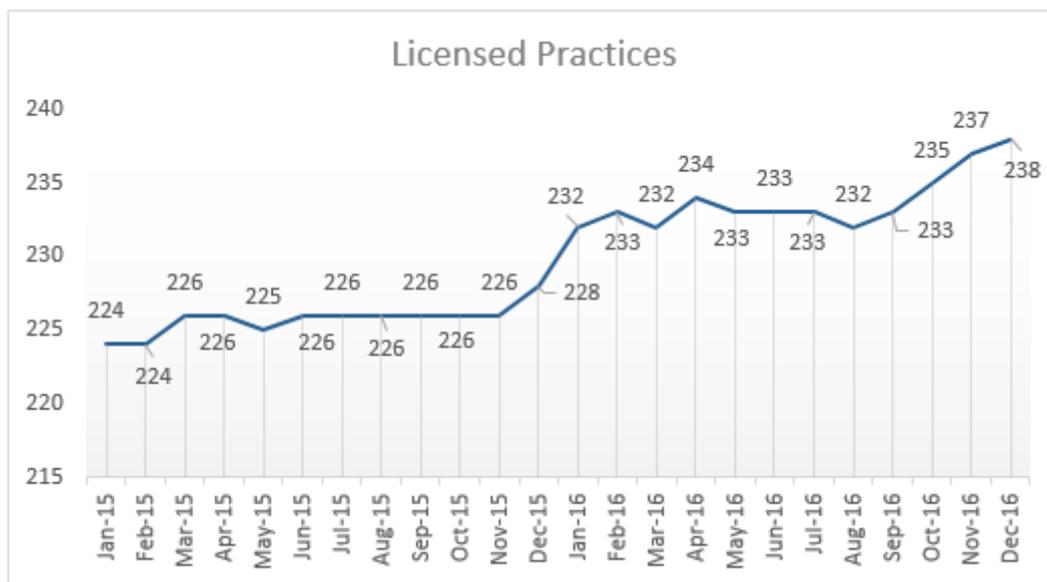
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Section 2: Operational performance indicators

Section 2.1 – Practices & Licensing



- The number of practices under CLC regulation has increased by 10 to 238 practices under regulation (a 4% growth) at 31 December 2016.

The practices regulated by the CLC at December 2016 is summarised by entity type below:

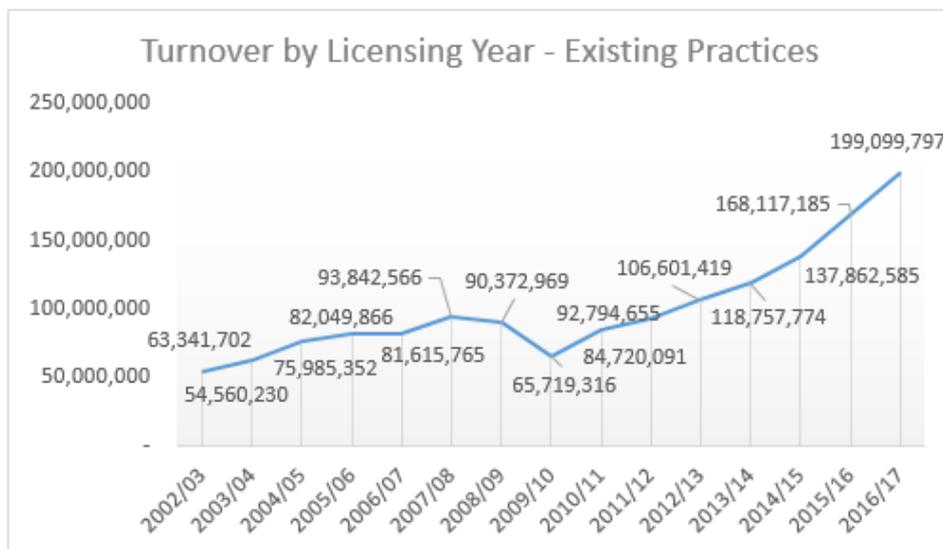
Practices by Entity Type		ABS
Limited Company	148	55
Limited Liability Partnership	14	4
Partnership	19	
Sole Practitioner	57	
Total	238	59

There are currently 59 regulated practices that are registered as Alternative Business Structures.

The table below summarises movement in the number of practices and declared turnover from the beginning of the last renewal period starting 1 November 2016. Over the period 3 new practices have been licensed and turnover under regulation has grown by £1,795,000.

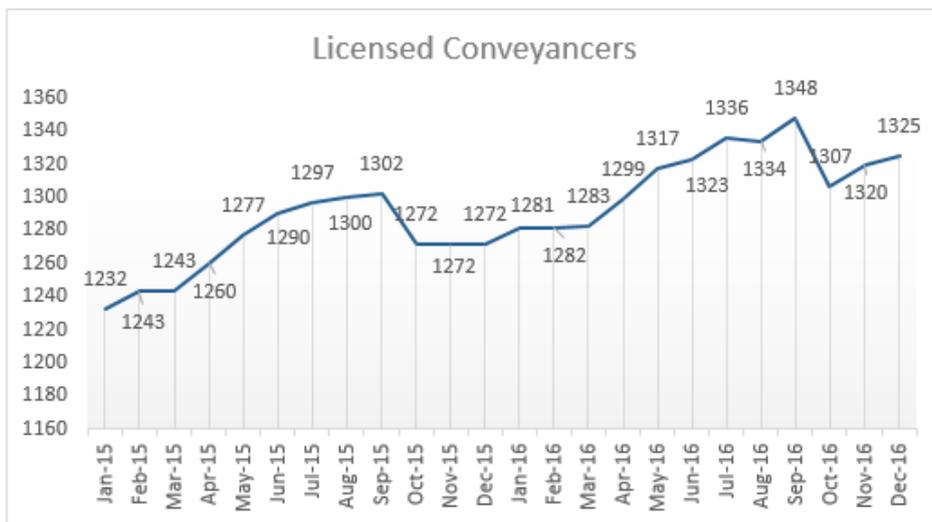
Practices by Entity Turnover	Nov - Dec 16	
	No. of Entity	Turnover
Exsiting Practices	235	199,099,797
New Businesses	3	1,795,000
Closed Businesses		
Merger		
Total	238	200,894,797

The table below summarises the declared turnover at license renewal point since 2002.



- The number of license holders has increased by 18 over the last quarter and 44 to the year ended 31 December 2016. The individual license base is composed as follows:

Individual License Holders	Employed	Manager	Total
Probate		2	2
Conveyancing	928	326	1254
Probate & Conveyancing	18	51	69
Total	946	379	1325

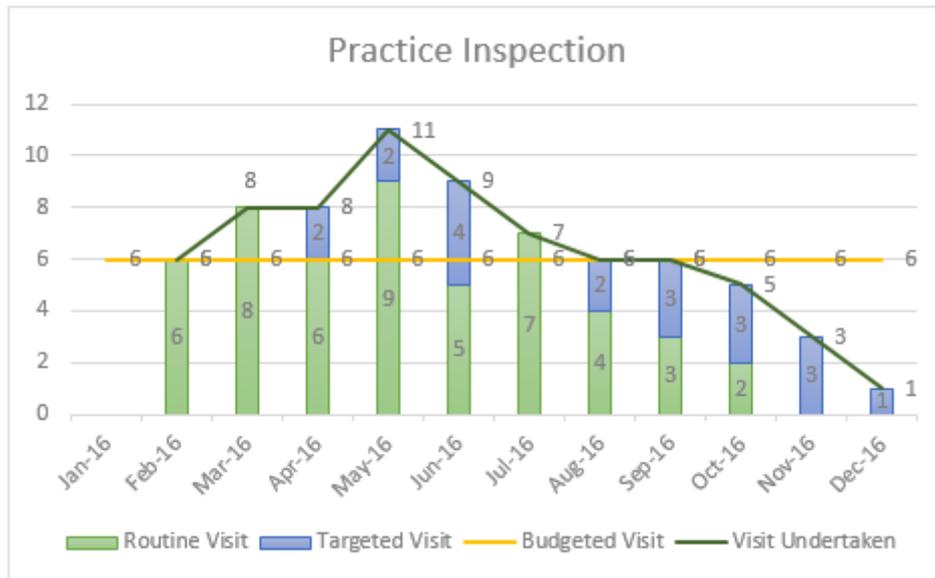


Section 2.2 – Inspections & Monitoring



- There has been greater movement in the Watchlist consequent on new resources being in place.
- Over the last 12 months the number of practices on the watchlist have steadily declined due to active management of cases.

The number of routine inspections conducted during 2016 are summarised below:



In addition to the routine inspections, a further 19 targeted inspections have been conducted year to date. Contrary to the budgeted plan reflected above it is our practice to conduct more visits in the first half of the year.

The status of accountant's reports received for the 2015 and 2016 financial years are summarised below:

Accountants Report	FYE 2015	FYE 2016
Received	223	140
Submitted Late	55	24
Not yet Submitted	1	4
Qualified	64	46
Qualified rate (received)	29%	33%

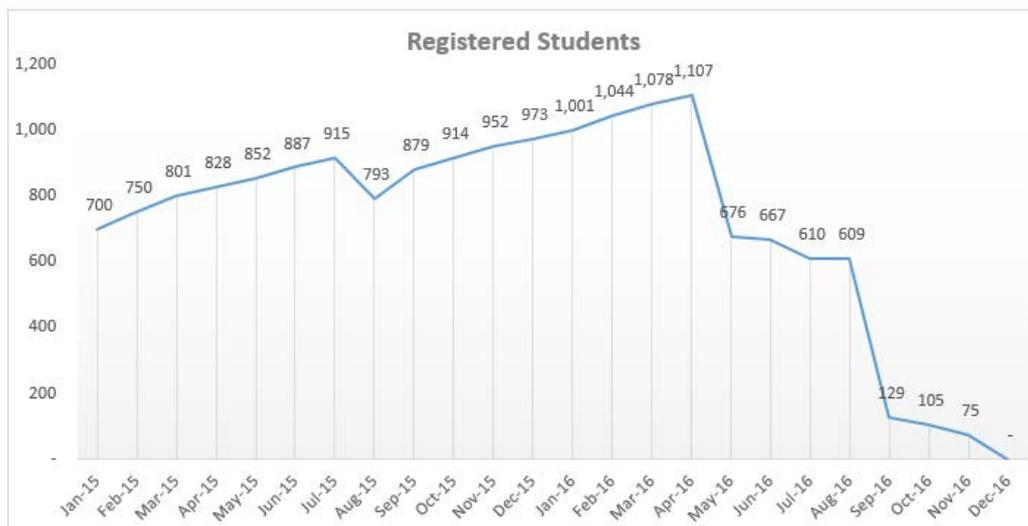
Although the rate of qualifications has increased year on year, we cannot yet conclude that there is an upward trend in qualification as we have only received 58% of the FYE2016 reports. All qualified reports are reviewed and logged immediately to determine what action needs to be taken. Action is dependent on the type of breach (significant or trivial), whether it was accidental or negligent and whether it has been resolved. Action would include asking for further details or scheduling a targeted inspection.

The most common reasons for qualifications include

- Bank reconciliations prepared late or incorrectly (47)
- Bookkeeping errors (30)

- Receipt and payment made from client account in contravention of the accounts code (30)
- Issues with the office side of the client account (6)
- Issues with the sample of reconciliation statements selected (19)

Section 2.3 – Students & education



- From May 16, onwards, the number reflect active students, students who paid registration fees but had not started any courses were removed.
- Deadline for purchase of new study material was 12 July 2016, after this date no further purchase of study material or student registrations were allowed to facilitate the transition.
- There is a significant drop in the number of active students in September, as Students not eligible for the October 2016 exam was deregistered from CLC as transitional arrangements commence.
- At the end of 2016 all students had been transitioned to the new arrangement.
- 86 Students sat the final exam session during October 2016. Results are summarised below:

Oct-16					
Subject	No. of Candidates	Passed	Failed	Absent	Pass Rate
Foundation Land Law	12	11	-	1	92%
Foundation Law of Contract	13	12	-	1	92%
Final Accounts	17	15	2	-	88%
Final Conveyancing Law & Practice	11	9	2	-	82%
Final Landlord & Tenant	33	21	10	2	64%
Total	86	68	14	4	79%

- The October 2016 exam results are broadly consistent with previous exam sittings.

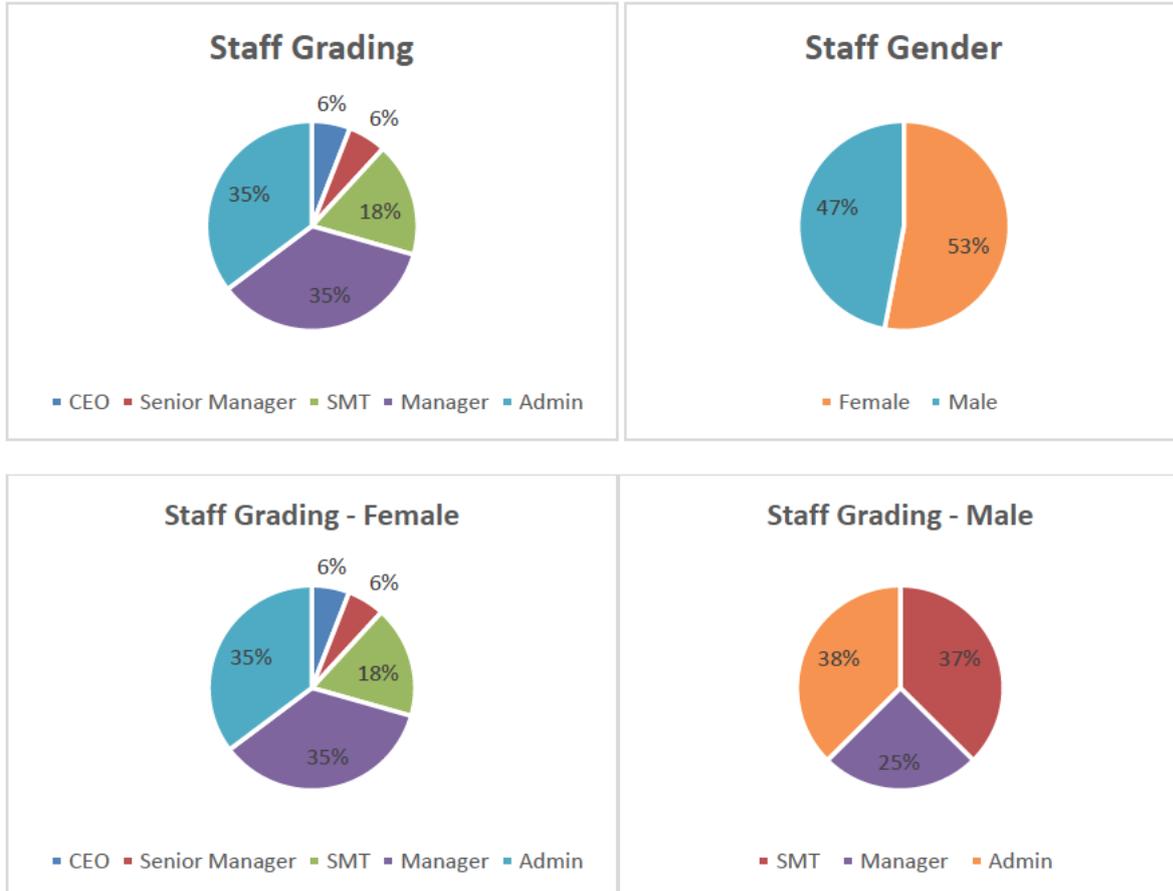
Section 3 – Human Resources

Sickness and Absence Statistics	Q1	Q2	Q3	Q4	Full Year
Equivalent Employees	17.66	16.00	16.33	17.00	16.75
Total work days	1,077	1,008	1,061	1,071	4,218
Sick days taken	10	13	2	44.5	69.5
% of work days absent	1%	1%	0%	4%	2%

Type	Q1	Q2	Q3	Q4
Employee	16	15	16	17
Contractor	2	2	2	2
Council member	9	9	8	10
Resignations	2	1	2	0

[REDACTED]

[REDACTED]



Section 4 - Complaints against the CLC

5 complaints were raised against the CLC during 2016 and all have been resolved.

No instances of whistleblowing were reported.

Section 5 - Procurement

We have not procured any significant goods or services in the last quarter of 2016.

Section 6 - Projects

All projects ongoing during 2016 were completed during the year. Project expenditure was not split out from normal operating expenses nor accounted for from reserves.



For publication – commercially sensitive, personal information and information intended for future publication has been redacted

Council
25 January 2017
Item 5 (a)

Section 7: Business Plan: Redacted - information intended for future publication

CLC Watchlist

Date of Meeting: 25 January 2017

Purpose: Noting

Author: Jason Hinrichsen

Summary

This is a regular Council paper which provides an update on the Practices that have been assigned to the watchlist.

The CLC's aim is to ensure that it raises regulatory issues with a practice as early as possible to avoid the risk of a practice failing to meet its regulatory responsibilities. Where it concludes that issues with a practice are or may become significant, that practice is placed on the watchlist and is monitored intensively to mitigate risk to the consumer; risk of claims on that practice's professional indemnity insurance; and ultimately on the CLC's Compensation Fund. SMT review the watchlist on a weekly basis.

There have been no interventions in 2016 or in 2017 to date.

Recommendations

Council is asked to review and note the paper.

Risk management

Active management and monitoring of practices placed on the watchlist enable the CLC to mitigate the risk of losses to consumers, claims against PII insurance policies and ultimately the compensation fund,

Financial impact

Failure of any practice may have a significant adverse impact on the consumer, the CLC and the profession.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

Communications requirements

There are no communication requirements

Publication

Not for publication

Principal Risk Register

Date of Meeting: 25 January 2017

Purpose: Review & Noting

Author: Jason Hinrichsen

Summary

The Principal Risk Register as adopted by the ARC and Council in November 2016 is attached for review and noting.

No adjustments to the risks, controls or rankings have been made or proposed since the previous Council meeting held on 3 November 2016.

The SMT have discussed and reviewed the Principal Risk Register in December 2016 and agreed that:

- 1) The existing risks are still valid and still adequately summarise the principal risks of the organisation.
- 2) Controls in place remain effective and adequately mitigate the risks.
- 3) Our assessment of the likelihood and consequences of risks before and after controls have not changed since the meeting on 3 November 2016.

Brexit Considerations

The SMT continue to scan the environment for potential Brexit impact on the organisation itself and regulated entities. We are still of the opinion that there not will be an immediate impact on the CLC as:

- 1) Fees for 2016-2017 have been set and are at this stage reasonably certain.
- 2) No clear downward trend in turnover of practices under management have been identified which is likely to have a short term impact on the funding of the CLC.
- 3) The most significant short term risk would be from significant sized practices closing. At this time there is no indication that this is likely to happen.
- 4) Although there seems to be downward pressure on property pricing, this doesn't seem to have impacted the volume of transactions, which means that practices have not seen significant impacts on revenues. Further the price of the conveyancing transaction appears stable and it is this that drives practice revenue and CLC fees.

Recommendations

Following review and ratification by the ARC on 17 January 2017, Council are asked to review and note SMT's assessment of the status of the Principal Risks.

Risk management

The report is for information only.

Financial impact

There is no financial impact in relation to this paper.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

Communications requirements

This paper is for Council and has been previously reported to ARC.

Background

This is a regular report to the Council communicating the ARC review and management's assessment of the principal risks.

Annexes

Annex A – Risk Register

Publication

Summary sheet only – as agreed at council meeting Nov 2016



January 2017 Property News Round Up

Date: 25 January 2017
Purpose: For noting
Authors: Simon Thomson and Stephen Ward

Summary

This report provides a review of current property news for the Council's information.

Recommendations

The Council is invited to note the current property news round up.

Risk management

Insight and intelligence gathering is of assistance with the identification and mitigation of risks to consumers, the market and regulation.

Financial impact

None arising from this paper.

Diversity and inclusion impact

Insight and intelligence gathering assists with the identification of diversity and inclusion impacts and opportunities for change.

Communications requirements

The Property News Round up is published on the CLC's website.

Appendix A

January 2017 Property News Round Up

The Effect of Brexit on the Housing Market

At this early stage, forecasts about the likely performance of the residential property market in 2017 that were made towards the end of last year remain unchanged. But there have been some attempts to explain why the fall in house prices that many predicted would follow a Brexit has not as yet materialised.

On the positive side, a month before the referendum the investment analysts Moody's released a report saying Brexit would be a huge boost for first-time buyers, putting previously unaffordable properties in reach, especially in London. Meanwhile, many more warned that a vote to leave Europe would crash the property market. The then Chancellor George Osborne predicted it would experience a "severe shock", the International Monetary Fund a "sharp drop", and the Treasury a 20% fall over two years.

More than six months on, little has changed. The house price index has actually increased slightly, and the Office of Budget Responsibility now predicts that Brexit will eventually push house prices even higher. Savills says house prices will stay flat, while Royal Institution of Chartered Surveyors (RICS), Nationwide, Hometrack and Rightmove all predict small rises of between 2% and 4%.

Simon Rubinsohn, Chief Economist at RICS, has said that the impact of increasing stamp duty for second homes, in April 2016, "has been a much bigger factor in the profiles of activity over the year than the referendum."

So why hasn't Brexit caused house prices to drop? Martha Gill, political reporter from the Huffington Post, suggests four main reasons:

1. Weak demand is matched by weak supply
If the uncertainty of Brexit has made buyers cautious, it has done the same for sellers. For several months there have been falls in the number of houses coming on to the market, which keeps prices up.
2. Wages haven't been hit
Unemployment rates and wage growth remain steady, for now. As the economy holds up, so does the number of people willing to take out new mortgages.
3. Looser credit for buyers
Interest rates were slashed after the referendum, and borrowers found themselves with better conditions. The pound also weakened, which may have helped keep foreign investment.
4. Not enough houses

But the main reason house prices haven't slumped is that there's a shortage of them. House building has long been neglected in the UK, and although it has recently picked up a bit, it has a long way to go before catching up with the expanding population. With the major property services and investment firm JLL suggests that the number of housing starts could fall in 2017, there are fears that Brexit could actually make the problem worse, as construction firms face increased costs and uncertainty.

The falling value of the pound – down around 10% against the Euro and 17% against the US dollar since June 23rd – also creates opportunities for international investors, or foreign nationals, who can now snap up UK properties with what amounts to a substantial discount on their pre-Brexit prices.

Hope for First-Time Buyers?

Since Boxing Day, there has been an increase in Rightmove traffic of 5%, providing an early indicator that housing demand seems robust, but there may still be a window of opportunity for first-time buyers to enter the market while the number of buy-to-let purchasers remain lower than last year as a result of last April's stamp duty increases.

For the usual first time buyer home, availability is 1.9% higher in comparison to last year, giving this demographic greater choice in their property search. However, the kind of property favoured by those looking to step onto the housing ladder has seen the largest monthly and yearly increase in price. The 2.6% monthly growth and the 6.4% yearly growth in homes with two bedrooms or fewer has restrained first-time buyer activity.

That said, the Help to Buy mortgage guarantee scheme has now ended. It has provided mortgages with just 5% deposits for 86,000 first time buyers since its launch in 2013. Some had hoped it would be extended beyond the 2016 end date, but the Chancellor has made clear that it will not. 95% mortgage products are now more widely available and so the need for an extension does not seem so clear.

Rising Materials Costs Likely to Impact New-Builds

The building industry puts its prices up in January and this year there are indications that prices for building materials will rise more than usual, because of the fall in the value of the pound and a shortage of some products, as a consequence of increased demand from developing economies, such as China and India.

Peter Gibson, director of the Macclesfield branch of MKM, the UK's largest independent builders' merchant, said around 80% of the products they stock are produced domestically, but imported products, such as timber and sheet materials, have become more expensive since the Brexit vote. Giving the example of Spanish slate, he noted that it has become about 15% more expensive, and builders may well choose to pass such costs on to their customers. Discussing the new year's price increases, he said that cement and plaster board were up 6% and plaster was up 3.8%, all 1-2 percentage points higher than he would have expected from previous years. MKM sells 90% of its products to trade, and it is up to the builders how much of the price increase they pass on to end users.

The Federation of Master Builders (FMB), the industry body representing local builders and construction industry SMEs, surveyed more than 200 building firms, and asked about increasing prices. Their chief executive, Brian Berry, said that 65% of their members predicted rising costs in materials in 2017, with prices rising by as much as 22%, and some members saying that they could go up by as much as 30% this year, which he characterised as substantial increases in the costs of raw materials. Meanwhile, he said that another survey, freshly released, showed that materials costs were at their highest level in five and a half years. There are shortages of timber, Spanish slate, and zinc, so the effects are widespread across the full range of materials that are needed for builders.

The FMB carries out a quarterly survey of its members, which show that although the rising cost of materials has been an issue of concern for some years, the fall in the value of the pound has exacerbated the problem.

This is bad news for large builders, but worse for SME, who are likely to experience cashflow problems, and that will increase both the cost and the difficulty of producing new homes in a time when there is a recognised housing crisis and the government is trying to encourage first time buyers to buy new-build homes. According to Robert Gardner, Nationwide's Chief Economist, the number of homes on the market is now "close to all-time lows". The average rate of building is 12% lower than it was before the financial crisis, and 37% below what it should be to keep up with increases in the population.

View My Chain: 2016 Market Analysis, Residential Property

A new report by the online property transfer facilitating business View My Chain drawn attention to ways in which the property market that could speed up the process and reduce fall-through rates, tracking transactions from sale agreed to completion, capturing data on timescales, fall throughs and the relisting of property.

The report shows that 2016 was a better year for sales than 2015, with 109,000 fall throughs, compared to 149,705 in 2015. Approximately 20% of these properties were eventually withdrawn from the market, which translates to 40,205 properties withdrawn from the market in 2015 and 23,088 in 2016.

The estimated loss of £33,129,583 in failed sales transactions each year was calculated assuming a loss of 1% commission, based on the average property sale price in each region multiplied by the number of listings that fell through and were then sold by another agent that year. It does not include the additional monies that could have been earned from conveyancing and other services that benefit agents, so the real cost figure could be higher.

View My Chain says some of this lost commission could be saved immediately if the original agent was able to retain the seller by identifying a problem early in the process and providing them with an excellent and transparent sales progression service from the start.

In addition to providing accurate information on the number of sale fall throughs, the report also details the number of days it takes for a sale to progress from SSTC to completion. It takes an average of 30 days to secure searches, while order-to-delivery times from the search industry state that it takes an average of just 10 working days, with some regional variances.

You can read the full report here: <https://viewmychain.com/home/research/market-analysis-residential-property/>

Referral Fees Least Important Factor When Choosing Conveyancer

Most estate agents choose a conveyancing partner based on their quality of work and reputation, rather than the referral fee.

New research by Landmark Estate Agency Services shows that just 5% of the more than 90 smaller independent agents in their sample had no relationship with any conveyancer. 70% had a relationship with more than one conveyancing partner, and 25% only referred customers to one legal practice.

The most important reason cited by the agents for choosing a particular conveyancer is quality of work, followed by reputation, locality and price, with the referral fee coming last.

Agents also achieve high conversion rates, with just under 80% converting around a third of sellers to their preferred conveyancing partner. According to Landmark, this high conversion rate should be a “massive carrot” for conveyancing suppliers to work more closely with agents.

Communication Problems?

Landmark Estate Agency Services’ survey of independent estate agents with three offices or fewer, also invited respondents to identify problems with conveyancers, and a number were critical about communications, especially the use of outdated methods such as post and fax.

This is in agreement with a survey by the Conveyancing Association which found poor communication was blamed in 47% of failed transactions. However, the findings of Landmark and the Conveyancing Association contrast with complaints data from the Legal Ombudsman (LeO).

In 2015/16, LeO resolved 1,394 conveyancing complaints, making residential conveyancing the largest category of LeO complaints. There, the most common grievance was a failure to advise (24%), followed by issues around delay and failing to progress (20%). Failing to communicate came in third place, accounting for 16% of complaints.

The diverging results of the surveys versus the complaints data may reflect a difference between those things that people find frustrating, and those things which they think are grounds for formal complaints.



Not for publication – information intended for future publication

Council
25 January 2017
Item 6

Proposed 2017 Budget

Date of Meeting: 25 January 2017

Purpose: Noting

Author: Jason Hinrichsen

Summary

This document presents a summary of the proposed CLC budget for 2017. This budget is largely a continuation of budget developed during 2016 and incorporates much of the same principles and assumptions.

The key difference in the 2017 budget is that education related income and expenditure has been removed following the transition of education services to SQA.

In light of the current strategy development in progress, it was felt that the business plan and budget should be a continuation and bedding in of the work started during 2016. As such the expenditure proposed is largely the same as 2016.

Recommendations

Council is asked to review and approve the paper.

Risk management

The budget is a key tool in ensuring the prudent management of the CLC's limited financial resources and that the activities of the organisation are aligned with the business plan.

Financial impact

Excessive expenditure, not in line with practice contributions would result on the reliance on reserves to fund operations. Conversely under expenditure would indicate practices are being charged excessive and unnecessary practice fees.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

Communications requirements

There are no communication requirements

Publication

Elements to be published as support to the business plan

CLC Council Meeting

Marketing and Communications Plan 2017

Date: 25 January 2017

Purpose: Noting

Author: Stephen Ward

Summary

An evaluation of marketing and communications activity in 2016 and outline of plans in 2017.

Recommendations

Council is asked to note the report.

Risk management

Marketing the CLC helps to address the risks that would arise from a reduction in the regulated community.

Financial impact

The plans set out in this paper are to be delivered within the budget set for 2017.

Diversity and inclusion impact

The CLC's marketing and communications aim to reach all parts of the regulated community, potential CLC lawyers and firms and consumers of CLC firms' services.

Communications requirements

No further communication of this report is required.



CLC Practice Licensing Framework

Date: 25 January 2017

Purpose: For Approval

Author: Dominique Conteh

Approver: Simon Blandy

Summary

The CLC's proposal is to align the process of authorisation requirements for Licensed Bodies¹ (ABS) with the requirements for Recognised Bodies² (RBs) and amalgamate the two into a single CLC Practice Licensing Framework.

Recommendations

Council is asked to approve the proposals to align and amalgamate the CLC authorisation requirements for CLC Practices.

Risk Management

The purpose of the review is to ensure that the CLC's authorisation requirements appropriately reflect current assessments of risks and are fit for purpose.

Diversity and Inclusion Impact

The CLC's initial assessment is that the changes are likely to have a generally positive impact on all practices applying for CLC authorisation. No obvious and significant adverse diversity impacts have been identified. If any negative equality impacts are identified during or as part of consultation process, the CLC's focus will be on how best to mitigate these.

Regulatory Objectives

The objectives of the proposals are to:

¹ The Legal Services Act 2007 provided for Approved Regulators (such as the CLC) to be authorised to license Licensed Bodies (ABS), practices providing legal services with non-lawyer ownership or management

² The CLC is permitted by the Administration of Justice Act 1985 to license Recognised Bodies, practised wholly owned and managed by regulated lawyers, including on CLC Lawyer manager.

- Remove unnecessary burdens and costs on regulated practices whilst at the same time maintaining a consistent standard of client/consumer protection;
- Maximise the consistency between the regulatory regimes of non-ABS practices (RBs) and ABS practices;
- Operate a more cost-effective authorisation process;
- Be more in line with the better regulation principles (i.e. imposing the minimum burden necessary to achieve the CLC's objective, minimising any undesirable side-effects).

Communication Requirements

Subject to the agreement of Council, an 8 week, rather than 12 week, consultation period is proposed, since the changes proposed relate more to simplification of process than to substantive regulatory amendments. Following consideration of the consultation responses and provided no substantive issues are raised, an application will be made to the Legal Services Board in late June or July 2017 to approve the changes.

Draft Annual Report 2016

Date: 25 January 2017

Purpose: Approval

Author: Stephen Ward

Summary

The initial draft report on the CLC's activities in 2016 for publication alongside the Financial Statements following their approval by Council.

Recommendations

The Council is asked comment on the draft and agree that the Chair and Chief Executive to should approve a final version, amended in the light of Council's comments and their own additions and amendments.

Risk management

Not arising in relation to this paper.

Financial impact

No financial consideration.

Diversity and inclusion impact

No diversity or inclusion impact resulting from the contents of this paper

Communications requirements

The Annual Report will be circulated, with the Financial Statements, to the Secretary of State for Justice and Chief of the Legal Services Board as well as to stakeholders and the profession. It will be posted on the CLC website.

Publication

This paper will not be published because the Annual Report itself will be published in due course.

Audit and Risk Committee
Chair's Report to Council for the year ended
31 December 2016 and
Draft Minutes of the Audit and Risk Committee held on
17 January 2017

Date: 25 January 2017

Purpose: To present the Chair's report of the Audit and Risk Committee to the Council.

Author: Heather Foster, Chair, Audit and Risk Committee

Summary

In line with the Terms of Reference approved by the Council, the Chair of the Audit and Risk Committee will present an annual report on the work of the ARC to coincide with the finalisation of the Financial Statements and the Statement of Internal Control. The annual report set out at Appendix A summarises the conclusions of the work carried out by the Committee during 2016, with particular reference to the CLC's risk governance and internal control framework.

Draft minutes of the Committee's meeting held on 17 January 2017 are set out at Appendix B.

Recommendations

The Council is invited to receive the Annual Report of the Chair of the Audit and Risk Committee (Appendix A) and to note the draft Minutes of the meeting of the Audit and Risk Committee held on 17 January 2017 (Appendix B).

Risk management

The Terms of Reference of the Audit and Risk Committee include strategic oversight of the CLC's processes for risk, control and governance, which are reviewed and scrutinised at each meeting in order to provide an opinion on the discharge of the CLC's functions.

Financial impact

The Terms of Reference of the Audit and Risk Committee include review of accounting policies and practice, compliance with laws and accounting standards and the process for review of the annual accounts prior to their submission for external audit.



For publication – Appendix A
Not for publication – Appendix B (policy in
development intended for future publication)

Council
25 January 2017
Item 10 (a)

Diversity and inclusion impact

There are no specific diversity and inclusion considerations, however as a regulator the CLC has an objective to support an independent, strong diverse and effective legal profession as well as to act in the best interest of clients and to promote ease of access to services. These factors are incorporated within the accountability for risk and governance.

Communication requirements

The activity of the Audit and Risk Committee will be included within the CLC's Annual Report.

Appendix A

**AUDIT AND RISK COMMITTEE
ANNUAL REPORT
2016**

Introduction

1. The Council has established an Audit and Risk Committee to support its responsibilities in the area of risk, control and governance and associated assurance.
2. The Committee's remit includes:
 - Review of the comprehensiveness of assurances in meeting the Council and Chief Executive's objectives
 - Review of the reliability and integrity of assurance
 - Providing an opinion on how well the Council and Chief Executive are supported in decision making and in discharging their accountability obligations, with particular regard to financial reporting and risk management

Committee Membership and Meetings

The Committee met five times in 2016 and each meeting was quorate, with members attending either in person or via teleconference. The Committee was chaired throughout the year by myself, Heather Foster. The Chief Executive and Director of Finance were present at each meeting, and the Director of External Relations attended one meeting. Our appointed internal auditors, RSM attended four of the meetings, and our appointed external auditors, Scrutton Bland attended two meetings.

Table of Member attendance

Member	Committee(s) attended (out of 5 possible meetings)
Heather Foster (<i>Chair</i>)	5
Alex Clark	5
John Jones	5
Richard Cryer (<i>Independent member</i>)	3
Teresa Perchard	4

In addition, two recently appointed members of the Council, Alan Cogbill and Quinton Quayle, attended a meeting of the Audit and Risk Committee as observers as part of their induction and training.

There are private sessions of the Committee at each meeting to allow for discussion with auditors, followed by member only discussions. Where appropriate, separate meetings took place with the Chief Executive to provide feedback.

Terms of Reference

The Committee undertook an annual review of its Terms of Reference at its meeting on 19 July 2016.

The Terms of Reference include advising the Council on the operation of the CLC’s Code of Conduct; the Committee has agreed that this will be reviewed only when changes have been proposed by Council.

Statement on Internal Control, Governance, Risk and Internal Control Framework

The Chief Executive’s quarterly Governance Statement and Statement on Internal Control provides the Committee with a clear view of the current issues facing the CLC at the time and the actions being taken to address or mitigate risks where identified.

We have reviewed progress with important business objectives, including the journey to the Scottish Qualification Authority, and the potential impact of political and economic developments.

The identification of risk and action taken to mitigate against risk represents an ongoing process of continual improvement and the Committee reviews the principal risk register at every meeting.

Work Programme

Internal Audit Reports

The internal audit plan 2015/16 was developed in discussion with senior staff, Audit and Risk Committee and was linked to the CLC’s assurance framework, strategy and business plan.

The following internal audit reports and advisory reports were issued and reviewed by the Audit and Risk Committee during 2016. I am pleased to report that internal audit opinion has confirmed that all of the 17 management actions which were followed up were either implemented (15) or superseded (2). Furthermore, internal audit has identified no common weaknesses within their reports relating to 2016 inspections so far. Neither have any negative assurance opinions been issued. Medium or high priority recommendations identified during the audit inspections has been included below. Low priority recommendations have not been included, but details can, of course, be provided on request.

This represents a significant improvement on the previous year (during which the CLC was undergoing significant change), where 12 of 21 management actions were implemented, three were superseded and six were in progress.

Audit	Assurance	Date received	Medium/High Priority Recommendations (if any)
Licensing	Substantial assurance	11 April 2016	None

Audit	Assurance	Date received	The following management actions were identified: Medium/High Priority Recommendations (if any)
Review of Cyber Controls (Advisory)		11 April 2016	<ul style="list-style-type: none"> • Ensure vendors have a physical negotiated contract where possible and to review contracts periodically • Introduce an incident response policy to cover any issues that may arise,
Review of Cyber Controls (Advisory) Cont.			<ul style="list-style-type: none"> • for example: malware infection; loss or theft of devices; data breach • Implement information security policies
Governance	Reasonable assurance	7 July 2016	None
Risk Management (Advisory)		Reported in January 2016.	<p>The following management actions were identified:</p> <ul style="list-style-type: none"> • Operational risk register to specify where fields have not been completed as the detail is non applicable • Operational risk register to include fuller details of appropriate control mechanisms and a control for data protection training to be developed • Operational risk register to specify responsible officer(s), in addition to actions and controls • Evidence of review of the operational risk register to be recorded
Management Information	Substantial Assurance	7 October 2016	None
Inspections	Reasonable Assurance	12 October 2016	<p>1 Medium priority action as follows:</p> <ul style="list-style-type: none"> • Whilst it is not possible to standardise the number of files that should be inspected, but guidance based on the type and size of practice will be included within the SOP. • This has now be implemented
Education - New Qualification Project	Substantial Assurance	11 July 2016	None

CRM Phase II			This report is being finalised and will be issued in January 2017
Internal Audit Follow Up report 16/17 – Sickness Absence Management	Good progress has been made with implementation of the management actions previously identified.	5 January 2017	1 new management action as follows: <ul style="list-style-type: none"> Sickness absence management policy to be updated to reflect a new process in relation to return to work interviews.

Internal Audit Recommendations – Implementation Report

At each meeting of the Committee it reviews the progress of the recommendations made by RSM. The Committee wishes Council to note that the CEO and SMT have been proactive in ensuring that the recommendations have been implemented, as appropriate and in a timely manner. The Committee is pleased with this progress.

Draft Annual Internal Audit Opinion by RSM

RSM presented their draft Internal Audit Opinion at the Committee Meeting on 17 January 2017. Based on their work over the last twelve months, they consider that CLC has an adequate and effective framework for risk management, governance and internal control.

There is one internal audit report to be issued by RSM in the next week, however RSM consider that their draft opinion will not be changed and they will be issuing their formal opinion by the end of January 2017.

Business Continuity

The Business Continuity Plan was tested during the year as planned, both during a simulated exercise and a live incident, both of which provided assurance that the Plan is robust and that the communication mechanisms are satisfactory, with staff being contactable, responsive and able to work remotely if needed.

The Committee reviewed the Business Plan in advance of its submission to Council. We suggested that a SWOT analysis would be beneficial, and this has been taken forward.

Whistleblowing policy - during review we identified that the current policy focusses on staff and that the scope should be expanded to include whistleblowing within industry and employees within conveyancing practices. We have therefore recommended that consideration is given to having separate policies for raising concerns at work and whistleblowing within industry.

Review of the Committee’s Effectiveness

In line with Financial Reporting Council best practice, the Committee conducted its second review of its Effectiveness in August 2016. We reviewed 34 questions ranging from the role and remit of the Committee, independence and training, contribution to internal control, financial reporting and regulatory matters, to engagement with external auditors and challenge of internal audit activities.

Out of those 34, we identified a few areas to look at in more detail, including: the evidence underpinning the Annual Governance Statement; New Financial Reporting Council Guidance on audit committees; and also considered how we may best use the knowledge and information available via those at the Audit and Risk Committee and what other training may be necessary.

We have satisfied ourselves with regard to these matters in general, and have just started to operationalise the knowledge sharing between the Audit and Risk Committee, which is being facilitated through the committee secretariat. After the Council appraisal round we will consider again what other training may be appropriate.

Retendering of Contract for External Auditors

Scrutton Bland have been the External Auditors for the CLC for 7 years. At our meeting in July we agreed that it would be best practice to put the audit out to tender.

During the retendering process, our independent member, Richard Cryer, the Chief Executive and Director of Finance and Operations and myself met with three organisations who submitted tenders. The Audit and Risk Committee agreed with the recommendation that Scrutton Bland should be reappointed as the organisation's external auditors, and I am pleased that our recommendation was endorsed by the Council at its meeting in November.

Internal and External Audit Fees

The Internal and External Audit Fees for the year ending 31 December 2016 were as follows:

Internal Audit :	£17,550
External Audit:	£12,345

Review of Annual Financial Statements

External Auditors, Scrutton Bland provided their annual opinion in relation to the 2015/16 year at the meeting on 16 March 2016. The annual financial statements were prepared in accordance with FRS 102.

The Auditors confirmed that the system of internal control that is in place at the CLC is appropriate for an organisation of its size and identified no procedural recommendations during their audit of the financial statements and we commended the accounts to Council for approval.



For publication – Appendix A
Not for publication – Appendix B (policy in
development intended for future publication)

Council
25 January 2017
Item 10 (a)

Conclusion

During 2015, the Council for Licensed Conveyancers underwent significant organisational change, which included a reorganisation and a move from offices in Chelmsford to central London. There was a further change in 2016, when the CLC transferred the development and application of its professional qualification for Licensed Conveyancers to the Scottish Qualification Authority. As you will see from the above, the arrangements for implementation of the new qualification received substantial assurance in the report produced by RSM.

There has been demonstrable progress made by the Chief Executive and her team this year, which is reflected in the level of assurance with management processes and reporting arrangements over the past year.

Heather Foster
Chair, Audit and Risk Committee

Remuneration Committee
Chair's Annual Report to Council for the year ended
31 December 2016 and
Draft Minutes of the Remuneration Committee held on
3 November 2017

Date: 25 January 2017

Purpose: To present the Remuneration Committee Chair's Annual Report to Council.

Author: Jan Smith, Chair, Remuneration Committee

Summary

In line with the terms of Reference approved by the Council, the Chair of the Remuneration Committee presents an annual report to coincide with the finalisation of the Financial Statements and the Statement of Internal Control. The Committee has a remit which includes the remuneration policy for CLC staff, Council and Committee members and to ensure that the associated legal obligations of the organisation are met. The draft annual report set out at Appendix A summarises the conclusions of the work carried out by the Committee during 2016.

Draft Minutes of the Committee's meeting held on 3 November 2017 are set out at Appendix B.

Recommendations

This Council is invited to note the Chair's Annual Report (Appendix A) which is in draft form and subject to finalisation by the Remuneration Committee and to note the draft Minutes of the meeting of the Committee held on 3 November 2016 (Appendix B).

Risk management

The Committee has a remit to ensure that the Council implements and maintains remuneration policies, procedures and practices that promote sound effective management and take full account of risks.

Financial impact

The Terms of Reference of the Remuneration Committee include determinations on non-executive membership and staffing obligations which carry a budgetary impact:

- Remuneration framework which reflects the employment market benchmarks and the CLC's ability to attract, recruit, retain and motivate staff
- Annual pay and bonus reviews for staff
- Arrangements for termination of employment and contractual terms of Executive Directors
- Remuneration and expenses policy for Council and Committee members
- NED and Adjudication Panel member fees subject to external benchmarks.



For publication – Appendix A
Not for publication – Appendix B (policy in
development)

Council
25 January 2017
Item 10 (b)

Diversity and inclusion impact

As a regulator, the CLC has an objective to support an independent, strong, diverse and effective legal profession. All considerations and decisions of the Committee adhere to Equalities legislation and legal and diversity issues.

Communication requirements

A report on the activity of the Remuneration Committee will be included within the CLC's Annual Report without breaching confidentiality considerations.

Appendix A

**REMUNERATION COMMITTEE
CHAIR'S DRAFT ANNUAL REPORT
2016**

Introduction

1. The Council has established a Remuneration Committee to support its responsibilities in the area of remuneration, recruitment and retention of staff, Council and Committee members.
2. The Committee's remit includes:
 - Review of the remuneration policy
 - Provision of benchmarked remuneration packages that support the recruitment, motivation and retention of staff
 - Determination of salary increases and bonuses appropriate to the budgetary position
 - NED and Adjudication Panel member fees subject to benchmarks
 - Review of all policies within the staff handbook.

Committee Membership and Meetings

The Committee met 5 times in 2016 and each meeting was quorate. The Committee was chaired throughout the year by myself, Jan Smith. The Chief Executive was present at each meeting.

The standing membership of the Committee is: Chair, Alex Clark and Rob Gurney. For the salary benchmarking exercise George Kidd was co-opted on to the Committee for a term that concluded with his resignation from Council in August 2016.

Table of Member attendance

Member	Committee(s) attended (out of 5 possible meetings)
Jan Smith, Chair	5
Alex Clark	4
Rob Gurney	5
George Kidd (<i>Co-opted member</i>)	3

Effectiveness Review and Terms of Reference

The Committee undertook an annual review of its Terms of Reference, taking account of a self-assessment of its effectiveness and some changes were suggested as follows:

- Policies which fall within the remit of the Committee will be reviewed within 12 months of their introduction and on a rolling annual basis
- Provision for an entire Staff Handbook review at five yearly intervals.
- Determination of salary increases and bonuses, where applicable, will be sensitive to the Council's financial position.

The Committee has also suggested that its membership should be increased from three to four members and that the quorum be increased from two to three members. This will be reviewed when new terms of office take effect in April.

Some areas of potential overlap between the Terms of Reference of the Remuneration Committee and the Audit and Risk Committee were identified in relation to the whistleblowing and anti-bribery policies which are being reviewed with the Chairs of the Audit and Risk and Remuneration Committees and the Chief Executive to ensure clarity on the distinction between policy formulation and monitoring of the impact and delivery of policy.

Recruitment of Non-Executives

During the year, Council commenced a recruitment campaign for both lay and professional non-executive members of the Council.

In accordance with the CLC's regulations, a member of the Remuneration Committee was seconded on to the Selection Panel. Whilst this was a successful process overall, challenges clearly remain in attracting professional members to these non-executive roles.

It was also recommended that an Appointments Committee should be established. This was agreed by Council in November.

Work Programme

The following policies were reviewed by the Committee during 2016:

Sickness Policy

An external Human Resources specialist was commissioned to review the sickness policy, taking account of recommendations from an internal audit review. We have agreed a policy to bolster proactive management of sickness absence and this will complement the regular management information reports which are provided to the executive team on a weekly basis. In particular, return to work interviews are now explicitly mentioned within the policy.

Anti-bribery policy

Following review, minor amendments were made to update the policy to reflect current practice. Adherence to the policy is also included within the CLC's contracting arrangements.

Benchmarking of Remuneration and Rewards

A core function of the Committee relates to the support for the remuneration packages for staff and Non Executives. During the course of the year, the Committee has been focussing its efforts on benchmarking provision for staff, particularly in the context of the CLC's move from offices in Chelmsford to London.



It has also considered the position of the Adjudication Panel and non-executive remuneration as part of its workplan, to ensure that the CLC continues to attract and retain non-executives.

No cost of living increase for staff has been applied since the salary scales were settled in 2014. It was agreed that there should be an across the board increase of 2% for all CLC staff salaries with effect from January 2017.

Salary Sacrifice Scheme – Annual Leave

In looking at the total remuneration package for staff, it was recognised that the CLC has a flat benefits scheme, which is unremarkable in an organisation of its size, but also unusual in that there is no differential for senior staff. A salary sacrifice scheme is already in place for pension benefits, and it was agreed to extend the salary sacrifice arrangements to allow SMT staff to purchase up to 5 days' additional leave as part of its benefits package.

Forward Planning

The Committee will meet at least twice per annum, with additional meetings if required. Meetings have been scheduled for 27 April 2017 and 2 November 2017, to coincide with meetings of the Council. Key matters will include the remuneration review and any staff handbook policies which are due for a 12 month review.

Conclusion

There have been significant changes to the organisational structure and staffing following the CLC's relocation to London. These have provided the foundation for a more agile organisation. With the relocation and restructuring now completed, the Committee has been able to focus its attention on the retention of a skilled workforce and expertise.

The Committee works well together and with the Executive. It takes an open and dispassionate approach to matters of remuneration for both staff and Non Executive members and is keen to concentrate an appropriate attraction and retention package at all levels. To that end it also looks at market competition and the CLC's own business plan and delivery.

Succession planning for both staff and Non Executive members is crucial, given the critical dependence on certain key members of staff.

This has been a constructive and positive year for the Committee after the considerable workload of the previous year to ensure an organisation fit for purpose and capable of operating in a London environment. The agenda has been significantly refined and focus is now on those key areas that impact all aspects of remuneration and staff policies.

Jan Smith
Chair, Remuneration Committee

Council Work Plan 2017

Date: 25 January 2017

Purpose: Noting

Author: Sheila Kumar

Summary

To provide Council members with an “in advance” outline of business for consideration at its forthcoming meetings.

Recommendations

The Council is invited to note its forthcoming work programme.

Risk management

There are no risk management considerations specific to this report. Assessment and mitigation of risk will be included within individual reports within the Council’s work plan.

Financial impact

There are no financial considerations specific to this report. Where appropriate, assessment of the financial impact of items within the Council’s work plan will be included within individual reports.

Diversity and inclusion impact

There are no diversity and inclusion considerations specific to this report, however as a regulator, the CLC has an objective to support an independent, strong, diverse and effective legal profession, as well as to act in the best interest of clients and to promote ease of access to its services. Diversity and inclusion will therefore be reflected within individual reports within the Council’s work plan.

Communications requirements

The Council Forward Programme is for publication.

2017 COUNCIL FORWARD PROGRAMME

Annual Cycle	24 January Pre-working dinner discussion	25 January Q4 Results Council meeting	9 March Workshop	27 April Council meeting Q1 Results	8 June Workshop	27 July Council meeting Q2 Results	21 September Workshop	2 November Council meeting Q3 Results
Strategy and Planning			Strategic Planning		Consultation on Regulatory Fees			2017 Business Plan and Budget planning
Performance and Risk		Management Report <ul style="list-style-type: none"> • Q4 Budget Outturn • 2016 Business Plan: Year-end Report • Interventions and Watchlist • Compensation fund • Budget 2017 • Property News Round up • Principal Risks CEO report		Management Report <ul style="list-style-type: none"> • Q1 Budget Outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 progress • Property News Round up • Principal Risks CEO report		Management Report <ul style="list-style-type: none"> • Q2 Budget Outturn and half year outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 progress • Property News Round up • Principal Risks CEO report		Management Report <ul style="list-style-type: none"> • Q3 Budget Outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 update • Property News Round up • Principal Risks CEO report 2018 Business plan and budget
Governance		Remuneration Committee Annual Report Audit and Risk Committee Annual Report		Financial and Regulatory Delegations			Council Effectiveness Review	AP Yearly Update to Council Corporate Governance Framework and Council and committee ToR
Regulatory Activity	Disciplinary arrangements Sentencing Guidelines	Review of Regulatory Arrangements		Financial Protection Arrangements Insurance Update Review of Regulatory Arrangements CMA report update	Consultation on Regulatory Fees	Regulatory Fee setting LSB Report on CLC Self-Assessment First results of Annual Regulatory Return Policy decisions consequent on review of Regulatory Arrangements		Annual Regulatory Return: final out turn Overview of final Regulatory Arrangements and ensuing policy decisions
Ad hoc Business Plan items		Narrative for Annual Report 2016	Fees Insurance Run off	Evaluation of CRM Evaluation of Education	Risk Appetite	Regulatory Standards Action Plan – half yearly update Evaluation of Communications and Marketing	ARR results	Adjudication Panel yearly update from Chair Business plan and budget sign off for 2018