



CLC Council Meeting
Tuesday 24 July 2018
11.30 a.m. – 2.30 p.m.
Council for Licensed Conveyancers
Room LGA
131 Finsbury Pavement
London EC2A 1NT
A G E N D A

No	Item	Publication Status	Type of Paper	Lead
1.	Welcome, Introductions, Apologies for Absence and Declarations of Interest		For recording	Chair
2.	Minutes and Matters Arising a) Minutes of the meeting of the Council held on 26 April 2018 b) Action arising from previous meetings c) Ratification of decision taken outside Council meeting	a) For publication b) Actions from previous meetings have not been published on the basis that these have been published within written minutes of past meetings c) Not for publication – information intended for future publication	Approval Noting Approval	Chair
3.	Chief Executive's Report	Not for publication – contains information which is: policy in development; intended for future publication; commercially confidential	Noting	CEO
4.	Council Terms of Reference	For publication	Approval	Chair
5.	Management Report a) Q2 Performance Outturn b) Watchlist and Interventions c) Principal Risk Register d) Property and Law News Round up	a) For publication – subject to redaction of commercially confidential information b) Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action c) Not for publication – contains information which is: intended for future publication; confidential; commercial d) For publication	Noting Noting Approval Noting	DFO/SMT DFO DFO DSER
6.	Business Plan 2018 - Progress	Not for publication – contains information intended for future publication	Noting	DSER

No	Item	Publication Status	Type of Paper	Lead
7.	Council Appraisals 2017 - Overview	Not for publication – contains information which is policy in development	Noting	Chair
8.	Practice Fee and Compensation Fund Contribution November 2018 – October 2019	Not for publication – contains information intended for future publication	Approval	DFO
9.	Compensation Fund Application	Not for publication – contains information which is: legally privileged and confidential	Review and Decision	DRS
10.	Implementation of Insurance Distribution Directive - Changes to CLC Regulatory Arrangements	Not for publication – contains information which is: policy in development; intended for future publication	Approval	DRS
11.	Implementation of CMA recommendations on transparency - Changes to CLC Regulatory Arrangements	Not for publication - contains information which is intended for future publication	Approval	DRS
12.	Committees a) Appointments Committee b) Audit and Risk Committee c) Remuneration Committee – Oral report	a) Not for publication – contains information which is intended for future publication b) Not for publication – contains information which relating to policy in development c) Not for publication – oral report	Approval Noting Noting	Appointments Committee Chair Audit and Risk Committee Chair Remuneration Committee Chair
13.	Council Workplan	For publication	Noting	CEO
14.	Any Other Business (Items to be advised by email in advance to Audrey Cosens)			ALL
15.	Dates of Forthcoming Council Meetings • Thursday 20 September 2018 (<i>Council Workshop</i>) • Thursday 1 November 2018 (<i>Council</i>)		Noting	ALL

Key: CEO: Chief Executive
DFO: Director of Finance and Operations
DRS: Director of Regulatory Standards
DSER: Director of Strategy and External Relations
SMT: Senior Management Team

Council for Licensed Conveyancers
Minutes of the Council meeting held on
Thursday 26 April 2018
at
CAN Mezzanine, East Road, London, N1 6AH
11.00 a.m. – 1.00 p.m.

Council Present

Dame Janet Paraskeva (Chair)	Mr. A. Clark
Mr. A. Cogbill	Mr. R. Gurney
Mrs. H. Foster	Mr. Q. Quayle
Mr. T. Perchard	
Mr. C. Wilby	

CLC in attendance

Mr. S. Ward	Director of Strategy and External Relations
Mr. S. Blandy	Director of Regulatory Standards
Mr. J. Hinrichsen	Director of Finance and Operations
Ms. A. Cosens	Head of Executive Office – minute taker

1. Welcome, Introductions, Apologies and Declarations of Interest

The Chair welcomed members to the Council meeting.

Apologies for absence were received from Sheila Kumar, Chief Executive and Andrea Pierce.

There were no additional declarations of interest.

2. Minutes and Matters Arising

The Council **AGREED**:

- (1) That minutes of the meeting of the Council held on 25 January 2018 be approved as a correct record subject to the following amendment to the final bullet of minute 3 on page 2:

“....CLC regulated firms will be eligible on the same basis as those regulated by the SRA.”

- (2) The minutes of the meeting of the Council held on 28 March 2018;
- (3) To note progress with the actions arising from previous meetings;
- (4) To ratify the appointment of Sarah Debney as a Non Executive member of the Council for Licensed Conveyancers for a four year term commencing 1 May 2018;

- (5) To ratify the extension of the term of office of Alex Clark by one year up to 30 April 2019;
- (6) To ratify the decision to the Council of Licensed Conveyancers to conclude a 3-year licence agreement with WeWork for serviced offices at 131 Finsbury Pavement, London, EC2A 1NT.

3. Chief Executive's Report

Council reviewed the Chief Executive's report on current issues. [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

The Council **NOTED** the Chief Executive's report and current progress with current activities and forthcoming meetings.

[REDACTED]

4. Management Report

a) Q1 Performance Out-turn and progress with Business Plan

In introducing the report, the Director of Finance and Operations advised that the outturn for the first quarter had been reviewed in detail by the Audit and Risk Committee at its meeting on 17 April 2018.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

- [REDACTED]

[REDACTED]

The Director of Strategy and External Relations introduced an update on progress with delivery of the Business Plan 2018.

- [REDACTED]
- [REDACTED]
- [REDACTED]

The Council:

- (1) **NOTED** key issues contained in the reporting suite of papers;
- (2) **NOTED** progress with delivery of the Business Plan 2018
- (3) **AGREED** that the report would be published, subject to redaction of commercially sensitive information.

[REDACTED]

[REDACTED]

b) Interventions and Watchlist

The Council reviewed current watchlist and intervention activity.

[REDACTED]

The Council:

- (1) **NOTED** the Watchlist and interventions reports; and

(2) **AGREED** that the report would not be published because it is commercially sensitive.

c) *Principal Risk Register*

The Council was advised that the principal risk register had been reviewed by the Audit and Risk Committee at its meeting on 17 April 2018.



The Council:

- (1) **NOTED** the SMT's assessment of the status of the Principal Risks; and
- (2) **APPROVED** the Principal Risk Register as recommended by the Audit and Risk Committee.



d) *Property and Law News Round Up*

The Director of Strategy and External Relations introduced the current property and law digest.

The Council **NOTED** the CLC's Property and Law Round Up and agreed to its publication.

5. Review of the Potential Application of Excess Reserves

The Director of Finance and Operations introduced a report summarising options for the use of reserves that are being considered.



The Council:

- (1) **NOTED** options for the use of practice fund reserves; and
- (2) **AGREED** to review the options further at a future meeting.

[REDACTED]

6. Initial Evaluation of the SQA Managed Qualification Scheme

The Director of Regulatory Standards introduced a review of the first year of operation of external management of the qualification scheme.

It was noted that the number of current students already exceeded the number previously studying under the CLC scheme. [REDACTED]

[REDACTED]

The Council **NOTED** the report.

7. General Data Protection Regulation (GDPR) Update

The Director of Regulatory Standards introduced a report setting out progress with the CLC's preparations to ensure compliance with the General Data Protection Regulations by the implementation date of 25 May 2018.

[REDACTED]

The Council was advised that an assessment of regulated practices' compliance with the Regulations will be included within this year's Annual Regulatory Return. It was suggested that the CLC include feedback on the information that it has provided about GDPR within the survey.

The Council:

- (1) **NOTED** the report on progress with preparation for the General Data Protection Regulations;
- (2) **AGREED** to include a review whether the CLC's communications should be available in Welsh within the work programme for 2020;
- (3) **AGREED** to assess the implications of GDPR for the Legal Choices website
- (4) **AGREED** to include assessment of compliance with GDPR within the 2018 Annual Regulatory Return.

[REDACTED]

[REDACTED]

8. Implementation of CMA Recommendations set out in its Legal Services Market Study on Transparency

The Director of Regulatory Standards introduced a report setting out the actions associated with implementation of the CMA's recommendations ensuing from the Legal Services Market Study on Transparency. The Council was advised that with the exception of some discrete amendments to the rules, the CLC would rely on guidance to promote behavioural changes. Adoption of this approach, along with an implementation date of no earlier than 1 January 2019, had been agreed in principle with other entity regulators, subject to approval by their respective Boards. It was acknowledged that the implementation timescales to be adopted by the CLC would be dependent upon that of other entity regulators.

[REDACTED]

The Council:

- (1) **NOTED** that the SRA was proposing to publish a link from its entity register to data held by the Legal Ombudsman by the end of 2019, and it was suggested that the CLC should adopt a similar approach
- (2) **AGREED** that CLC practices should be encouraged through guidance to use third party feedback platforms, on the basis that consumers increasingly made choices based on published feedback.
- (3) **AGREED** that consumers should have access to Legal Ombudsman determinations, and asked that further details as to how this could be achieved be submitted to the Council's next meeting.

Subject to the implementation timetable adopted by other entity regulators, the Council **AGREED**:

- (1) That CLC practices should be required to provide indicative price information on their consumer facing websites (or within consumer publications where a practice does not have a website) based on CLC guidance on best practice disclosure, which will include:
 - (i) a statement whether the practice has referral fee arrangements with third parties;
 - (ii) a quote generator template;

- (2) To extend the CLC's Estimates and Terms of Engagement Code (13.1-13.4) to require CLC practices to publish the following on their consumer facing websites (and otherwise made available on request):
 - (i) description of services provided by the practice;
 - (ii) key (and discrete) stages of services
 - (iii) indicative timescales;
 - (iv) the mix of staff (*where practicable*);
- (3) To extend the CLC's Estimates and Terms of Engagement Code (13.5-13.6) and the Complaints Code to require CLC practices to publish the following on their consumer facing websites (and otherwise made available on request):
 - (i) Information about who to complain to; and
 - (ii) the practice's complaints process;
- (4) To consult on the proposed rule changes and guidance prior to submission to Council for adoption
- (5) To mandate use of the CLC secure badge and develop a landing site as a resource for consumers on the CLC's website;
- (6) To re-examine consultation responses in respect of third party feedback platforms in order to understand consumer expectations and to include some additional questions within the Annual Regulatory Return;
- (7) To include within the transparency guidance encouragement for practices to use third party feedback platforms;
- (8) To review whether there is consumer demand for the use of price comparison websites and whether any other quality measures should be adopted 12-18 months after the transparency rules have come into force;
- (9) To align implementation of any rule changes with the other entity regulators;
- (10) Subject to the timescale, to undertake targeted research to test remedies prior to introducing changes to CLC rules and guidance;
- (11) To investigate the risks and benefits of other quality measures 12-18 months after the transparency rules have come into force
- (12) To investigate the practicality of publishing links to Legal Ombudsman determinations from the CLC entity register.

Action April/18/09: The CLC consult on rule changes associated with implementation of the CMA transparency prior to Council approval of rule changes

Action April/18/10: so far as is practicable, to align implementation of rule changes with that of other entity regulators

Action April/18/11: to mandate the use of the CLC secure badge within the transparency rule changes

Action April/18/12: to include additional questions within the ARR relating to the use of third party feedback platforms

Action April/18/13: To review whether there is consumer demand for the use of price comparison websites and whether any other quality measures should be adopted 12-18 months after the transparency rules have come into force

Action April/18/14: Subject to the timescale, to undertake targeted research to test remedies prior to introducing changes to CLC rules and guidance

Action April/18/15: to investigate the practicality of publishing links to Legal Ombudsman determinations from the CLC entity register.

9. Improving the Home Buying and Selling Process: Engaging with the Government's Agenda

The Director of Strategy and External Relations introduced a report outlining the CLC's engagement with the Government's agenda on improving the home buying and selling process, in particular on the professionalisation of estate agents and transparency of referral fees and technology. The Ministry for Housing, Communities and Local Government will be establishing a technology working group to look at e-conveyancing and innovation, and the CLC has asked to participate in that Group when it is set up.

The Council **NOTED** the report.

10. Committees

a) Audit and Risk Committee

The Chair of the Audit and Risk Committee introduced the report.

[REDACTED]

The Council **NOTED:**

- (1) The report of the Chair of the Audit and Risk Committee of its meeting held on 17 April 2018;
- (2) The draft minutes of the Audit and Risk Committee held on 17 April 2018.

[REDACTED]

b) Adjudication Panel

The Council has previously been advised that the terms of office of four members of the Adjudication Panel are due to expire on 31 August 2018.

The Council **AGREED**:

- (1) To extend the terms of office of the following Panel Members by a further year:
 - Ian Melville
 - Richard Morris
 - Ed Percival
 - John Wilson
- (2) To review succession planning for the Chair of the Adjudication Panel, whose term of office will expire on 31 August 2019, at the Council's meeting on 24 January 2019.

Action April/18/17: to write to the Adjudication Panel members to advise of the extension to their term of office

Action April/18/18: to include succession planning for the Chair of the Adjudication Panel on the Council's forward work plan.

11. Council Workplan

The Council was advised that the Workplan represented a current snapshot of reports and activities planned for 2018.



The Council **NOTED** the forthcoming Workplan.

12. Vote of Thanks

a) *Rob Gurney*

The Chair reminded Council members that this was Rob Gurney final meeting as a Council member. On behalf of the Council she thanked Rob for his committed service as a CLC Council member since 2010 and, in particular, for being such an effective ambassador for CLC regulation.

13. Any Other Business

There were no other items of business.

14. Dates of Next Meetings

Thursday 7 June 2018 (Council Workshop)
Tuesday 24 July 2018 (Full Council)

Ratification of Decision Taken Outside of Council meetings

Purpose: For approval

Author: Audrey Cosens

Approver: Sheila Kumar

1. Summary

1.1 The Council is requested to ratify the Appointments Committee decision to offer an appointment as Professional Non Executive Member for a four year term of office commencing 1 August 2018 (*Appendix A*).

Recommendation

The Chair will request the Council to formally to ratify the following decision taken outside Council meetings:

- (1) The appointment of Sally Szarka as a Non Executive member of the Council for Licensed Conveyancers for an initial four year term commencing 1 August 2018

Risk Management, Financial, Diversity and Inclusion impact

Not applicable.

Communication requirements

This report is for Council only on the basis that it contains personal information and commercially confidential information. Decisions, when ratified will be included within the minutes of the Council.

CEO Report

Purpose: For information

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 2018 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.

Publication status

Not for publication.

Annual Review of Council Terms of Reference

Purpose: For review

Author: Audrey Cosens

Approver: Sheila Kumar

1. Summary

- 1.1 In line with best practice, The Council reviews the Terms of Reference on a regular basis. The last review of the Council's Terms of Reference was on 27 July 2017.
- 1.2 An amendment to Paragraph 14 of the Terms of Reference is recommended to ensure the smooth working of the Council and as a contingency against planned and unplanned absences. The recommended change, which is in accordance with schedule 3 of the Administration of Justice Act 1985, is intended to mean that the quorum and overall balance of lay and professional members remain. It is recommended that the existing reference to a Deputy Chair is removed, as this can be done without being within the terms of reference and is a historical legacy which is not required.
- 1.3 Terms and conditions of appointment remain the role of the Remuneration Committee.

2. Recommendations

The Council is invited to:

- 2.1 Review its Terms of Reference (Appendix A);
- 2.2 Adopt the proposed amendment to paragraph 14 of the Terms of Reference.

3. Risk management

- 3.1 The Council's responsibilities include the review of the CLC's risk management arrangements, which are reflected within its Terms of Reference.

4. Financial impact

- 4.1 There are no financial implications specific to this report.

5. Communications requirements

- 5.1 The Council's Terms of Reference are included within the Corporate Governance Framework.

Council Terms of Reference

1. The conduct of business of the Council is governed by the Code of Conduct for Members of the Council for Licensed Conveyancers.

Membership

2. The Council will make appointments of Members to the Council, including the Council Chair, for a term of up to four years.
3. The Council will consist of a non-executive Chair and 8 non-executive members.
4. The non-Licensed Conveyancer members of the Council shall exceed the number of Licensed Conveyancer Members.
5. Membership of the Council will be reviewed at the end of each Member's term of office with the possibility of re-appointment once only, for a further term of office of up to four years.

Reporting

6. The Council will report on its work to the CLC's stakeholders through an Annual Report which will be published each year.
7. As soon as is practicable minutes of each meeting will be circulated to members for noting.

Responsibilities

8. The responsibilities for the Council are set out in section 1 of the CLC's Corporate Governance Framework.

Review of Effectiveness

9. The Council will review annually its own effectiveness and terms of reference and implement any recommendations for change.
10. The Chair of the Council will review annually the performance of Members. These individual annual reviews will be used as the basis for assessment of Members at the point of re-appointment.
11. The Chair of the Council will also review annually the performance of the Chair of each Committee. A sub-committee of the Council (supported by an independent adviser) appointed by the Council will review annually the performance of the Chair of the Council. These individual annual reviews will be used as the basis for assessment of members at the point of re-appointment.

Authority

12. The Council is authorised to review or investigate any activity within its statutory powers.
13. The Council may require the Staff to carry out such additional activity as it deems appropriate within its terms of activity.

14. ~~The Council may at its discretion appoint a Deputy Chair if the Chair is adamant that such a role is required but it will be an unremunerated informal appointment. The Council may at its discretion appoint additional Council members within the limits set by the Administration of Justice Act 1985 schedule 3 on the understanding that all other provisions of the CLC Regulations are met.~~
15. The Council may delegate some of its powers as appropriate to members of Staff on the recommendation of the Chief Executive in accordance with a scheme of delegation.

Meetings

16. The Council shall meet at least twice a year. The Chair of the Council may convene additional meetings when considered necessary.
17. A minimum of four Members of the Council including the Chair must be present for the meeting to be quorate provided at least one Licensed Conveyancer and one Lay Member is present.

Performance Pack Report – Q2 Out-turn

Purpose: Noting

Author: Jason Hinrichsen

Approver: Sheila Kumar

Summary

This report comprises of the following elements:

Section 1: Out-turn figures for the 6 months to June 2016.

Section 2: Operational performance indicators.

Section 3: Human Resources indicators

Section 4: Complaints made against the CLC

Section 5: Procurement

Section 6: Projects

Recommendations

Council is asked to review and note the paper.

Risk management

There are no financial or operational issues identified in this report which 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

ARC considered this report at its meeting on 16 July 2018.

Publication

Not for publication in this form. A summary will be posted on the website.

Section 1: Out-turn – Overview of financial performance to 30 June 2018

PRACTICE FUND

1 Financial Performance

The provisional financial results for the 2018 financial half year are summarised below:

Council for Licensed Conveyancers Income Statement for the full year	January - June 18		Variance	Var
	Actual	Budget	YTD	%
REVENUE	1,353,699	1,352,862	837	0%
TOTAL STAFF COSTS	694,170	739,097	44,927	6%
Salaries and Benefits	643,352	685,557	42,205	6%
Council Fees and Expenses	50,818	53,540	2,722	5%
TOTAL OPERATING EXPENDITURE	565,950	624,238	58,288	9%
External Relations	142,934	143,766	832	1%
Practice	51,193	61,298	10,105	16%
Regulatory	208,410	212,696	4,286	2%
Office Costs	163,413	206,478	43,065	21%
SURPLUS	93,579	(10,473)	104,052	994%

At the half year mark we are recording a surplus of £93,579 which is £104,052 better than the budget expectation which anticipated a deficit at this point in the year. The positive budget variance is driven by the timing of expenditure as well as operational expenditure savings realised.

Year to date our revenues are in line with budget expectations.

[REDACTED]

[REDACTED]



Operating expenditure is 9% below the budget expectation at the half year mark. The contributing components of this variance are summarised below:

- **External Relations** costs are in line with budget.
- **Practice** costs are 16% below the budget expectation (£10,105 positive variance). This positive variance is driven by the timing of inspections, as well as rate variances. Some of this underspend will be recovered in Q3, however due to the rate variance we expect to remain underbudget.
- **Regulatory** costs are 2% below the budget expectation (£4,286 positive variance). The positive variance is attributed to underspend on legal and professional services. This is partially offset by higher than budgeted LSB/OLC fees. The 2018/19 LSB/OLC estimate was received in May and is higher than our budget expectation (£43k higher). We anticipate that we will have a full year negative budget variance for this department as a result of the increased LSB/OLC estimate.
- **Office costs** are 21% under budget (£43,065 positive variance). The key components of this variance are:
 - Internal audit costs are lower than budgeted as the internal audit timing differs from the budget expectation.
 - Professional service fees (e.g. HR consulting fees) have not yet been incurred. As these are discretionary the timing and amount is uncertain.
 - Travel expenditure is underbudget due to timing differences between the budget travel expectations and actual travel.
 - Stationery, IT expenses and utilities are all underbudget due to various cost saving initiatives. We expect that the increased rent from the new offices will offset this saving in the second half of the year.

2 Cash reserves

As at 30 June 2018 the cash position of the Practice Fund is summarised as follows:

Practice Fund			Increase / (Decrease)
Cash Reserves as at June 2018	Dec-17	Jun-18	
Minimum Reserves	1,000,000	1,000,000	-
Free Cash Reserves	2,309,521	2,210,386	(99,135)
Total Cash in Hand	3,309,521	3,210,386	(99,135)

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

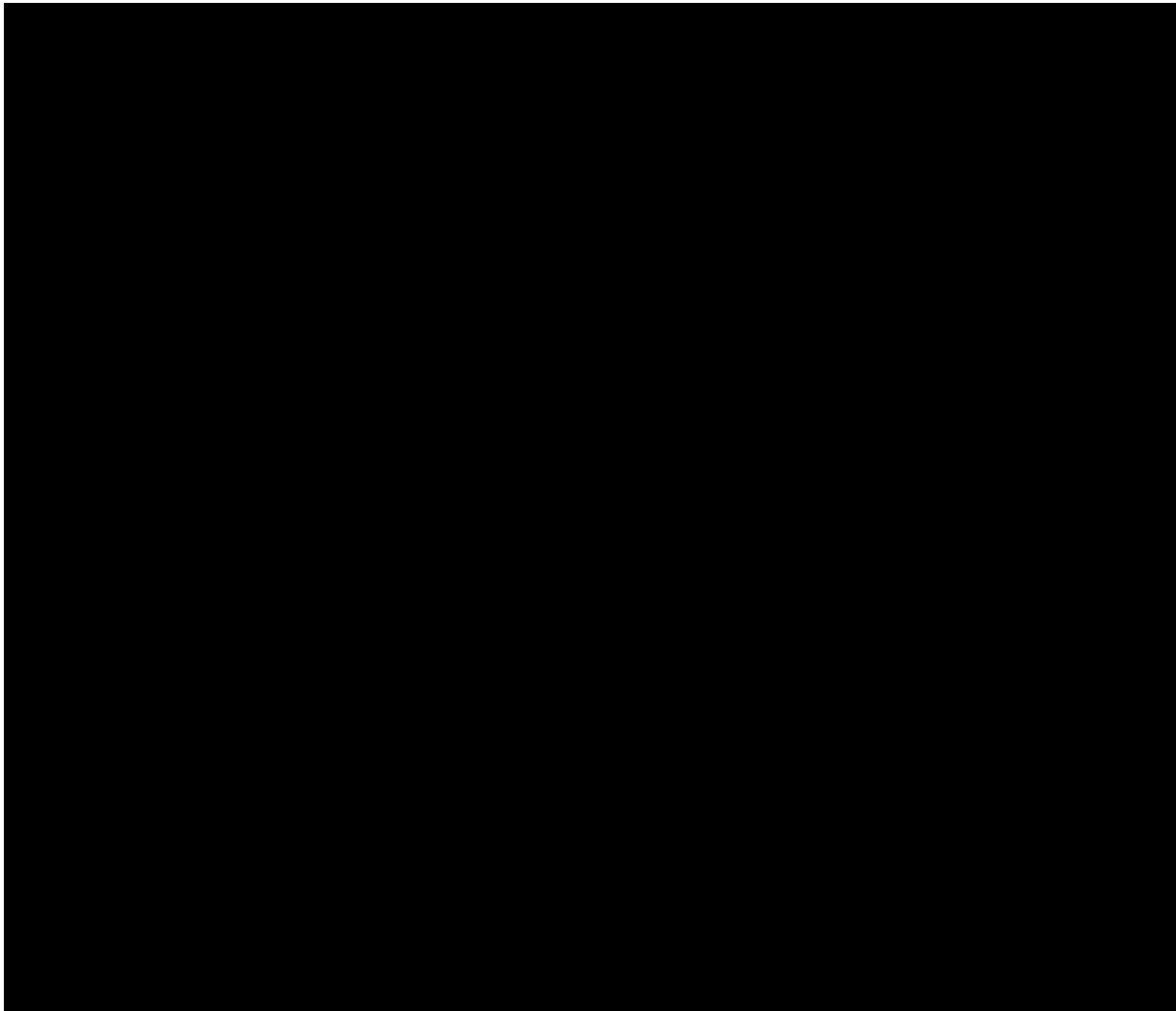
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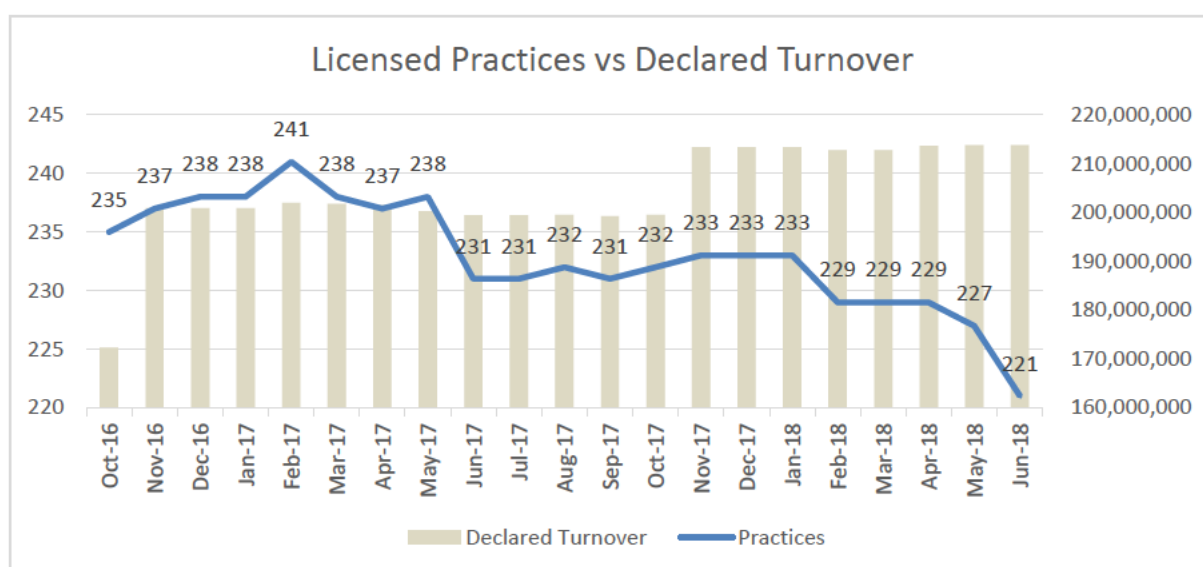
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Section 2: Operational performance indicators

Section 2.1 – Practices & Licensing



- The number of practices under CLC regulation has decreased by a net of 8 practices over the quarter.
- Declared turnover has remained largely unchanged with the reduction of practices over the year.

The practices regulated by the CLC at the end of June 2018 is summarised by entity type below:

Practices by Entity Type		ABS
Limited Company	150	62
Limited Liability Partnership	13	3
Partnership	17	
Sole Practitioner	41	
Total	221	65

There are currently 65 (61 at the end of 2017) regulated practices that are registered as Alternative Business Structures.

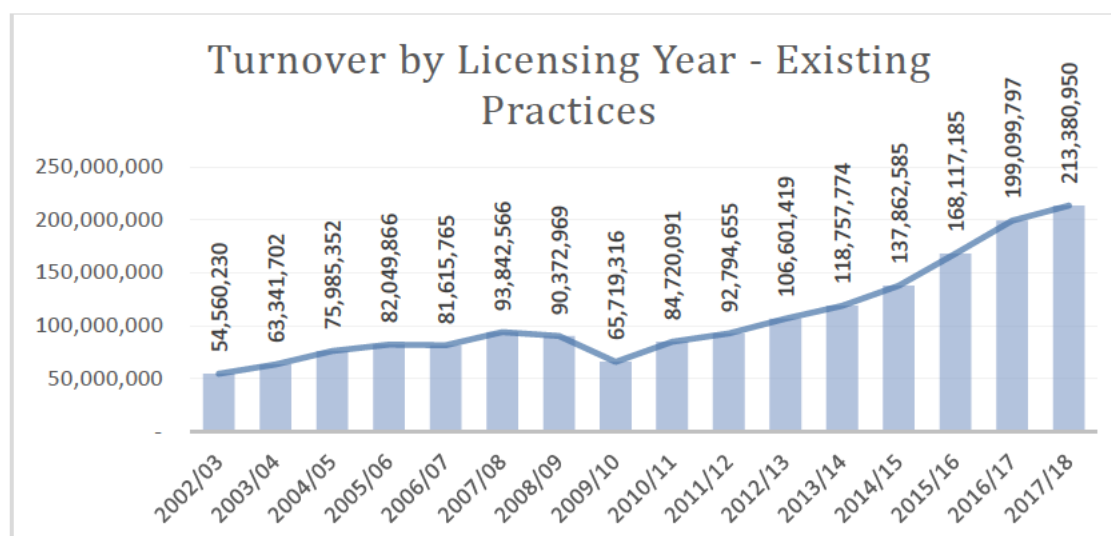
The table below summarises movement in the number of practices and declared turnover from the beginning of the last renewal period starting 1 November 2017.

Growth in turnover under CLC regulation	Nov 17 - Jun 18	
	No. of entities	Declared turnover (£)
Declared turnover at 31 October 2017	233	213,380,950
New practices added	5	2,079,845
Less: Closed practices	-15	(2,120,041)
Merged with CLC practices	-2	(405,222)
Total at 30 June 2018	221	212,935,532

The annual fee income lost from the 15 closed practices is approximately £26k.

The annual fee income gained from the 5 new practices is approximately £23k.

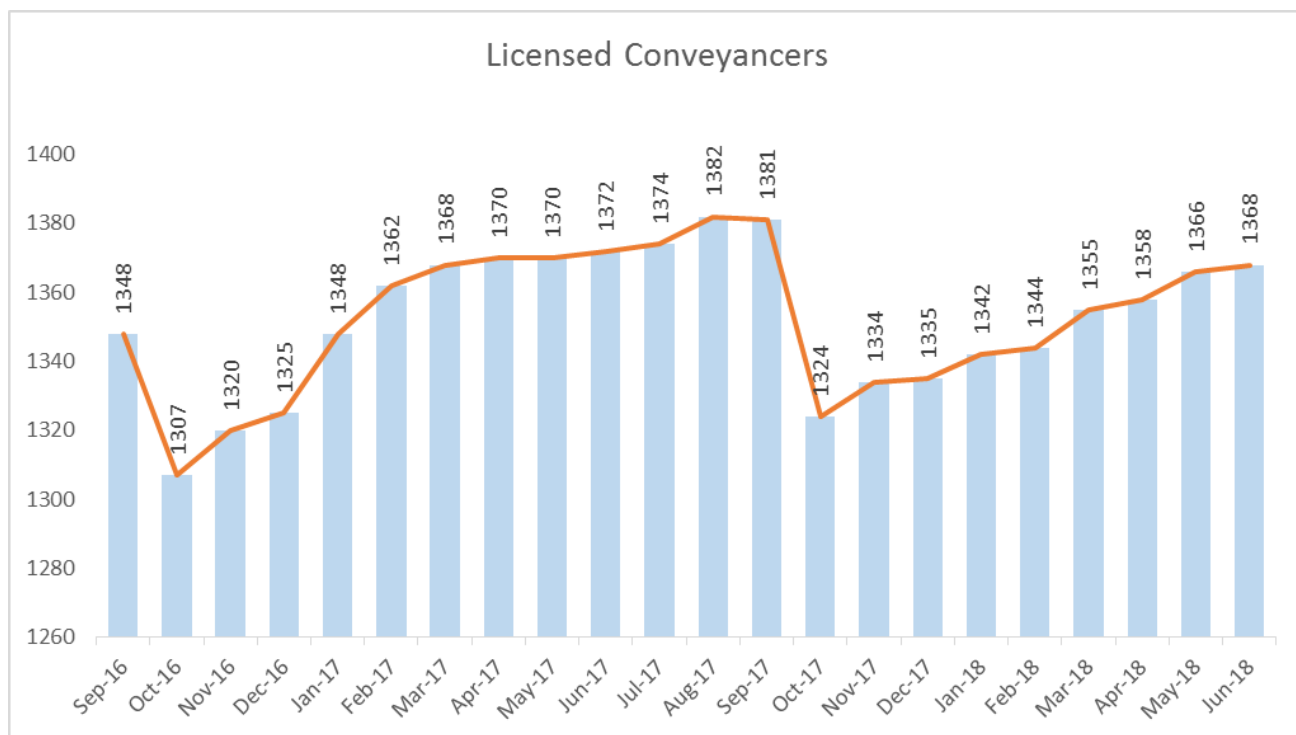
The table below summarises the declared turnover at license renewal point since 2002.



- The number of issued Individual licenses increased by 14 and Manager licenses decreased by 1 in the second quarter of 2018. The table below summarises the individual licenses issued at the end of Q2:

Individual License Holders	Employed	Manager	Total
Probate	1	3	4
Conveyancing	972	324	1296
Probate & Conveyancing	20	48	68
Total	993	375	1368

The chart below summarises the number of individual license holders:



There are 4 fewer license holders than there were 12 months ago.

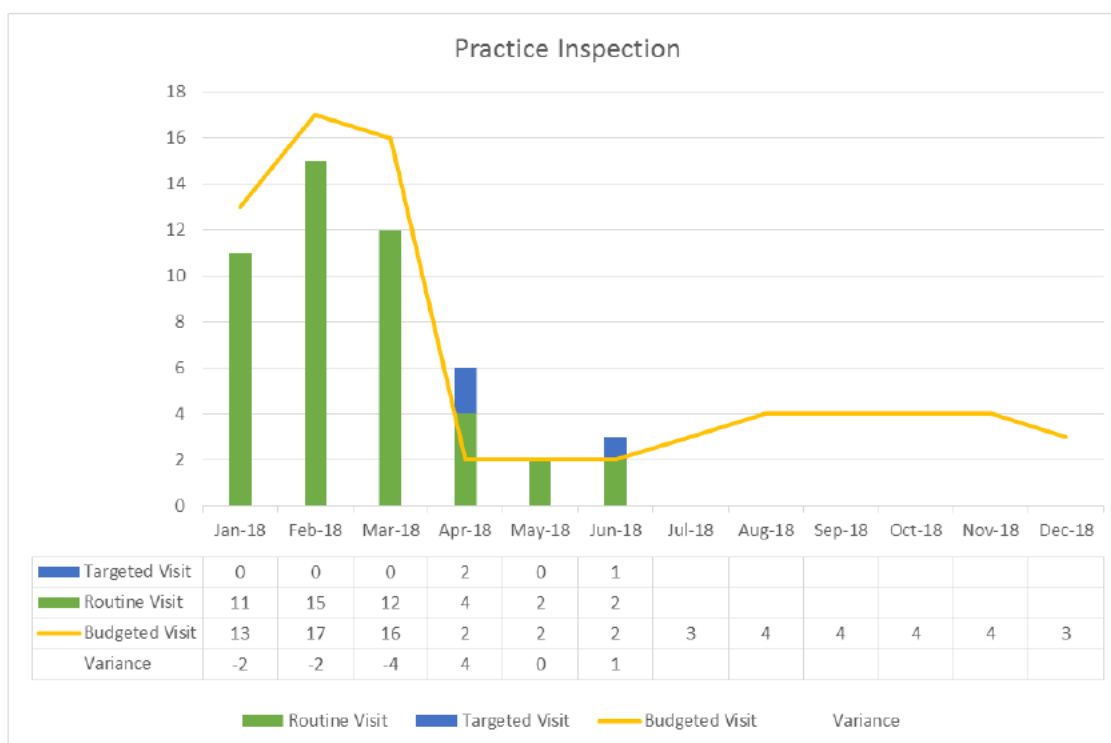
Section 2.2 – Inspections & Monitoring

Watchlist activity for the year is summarised below:



Inspections conducted year to date have been summarised below:

8 routine and 3 targeted inspection have been conducted in the second quarter of 2018. A total of 46 routine inspections have been carried out at the half year mark.



The status of accountant's reports received for the 2016, 2017 and 2018 financial years are summarised below:

Accountants Report	FYE 2016	FYE 2017	FYE 2018
Received - late	51	58	0
Received - on time	175	140	9
Not received - overdue	3	15	0
Not Yet Due	-	34	225
Total Reports Expected	229	247	234
Qualified reports	64	58	2
Qualified rate (received)	28%	29%	22%

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.
- Bookkeeping errors.

- Receipt and payment made from client account in contravention of the accounts code.
- Issues with the office side of the client account.
- Issues with the sample of reconciliation statements selected.

Interventions

Joanne Hewitt Conveyancing Services was intervened into during Q2 2018.

[REDACTED]

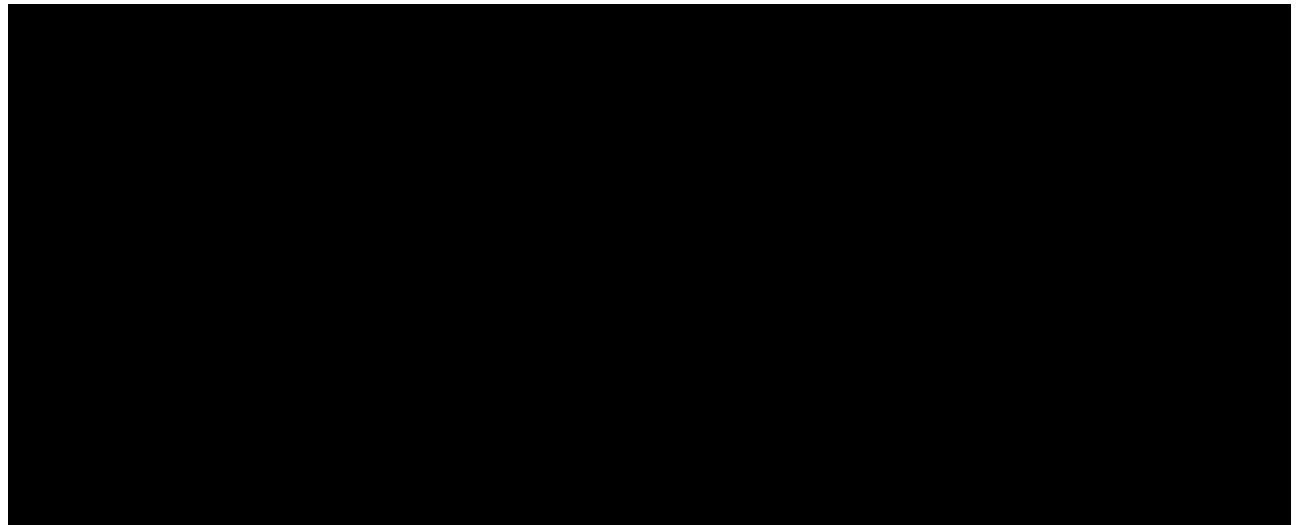
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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Section 4 - Complaints against the CLC

No complaints have been raised against the CLC in Q2 2018 (2017: 0). There are currently no unresolved complaints.

No instances of whistleblowing have been reported.

Section 5 - Procurement

The CLC has agreed a new office lease with WeWork which commences in July 2018.

Section 6 - Projects

There are currently no projects.

CLC Watchlist & Interventions

Purpose: Noting

Author: Jason Hinrichsen

Approver: Sheila Kumar

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 and by exception when necessary.

A progress update on the intervention that took place in 2018 and 3 interventions that took place in 2017 is included in this report.

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

Purpose: **Approval**

Author: Jason Hinrichsen

Approver: Sheila Kumar

Summary

The Principal Risk Register as presented to the Audit and Risk Committee on 16 July 2018 is attached for consideration and approval.

The SMT have discussed and reviewed the Principal Risk Register at a meeting in July 2018 and agreed that:

- 1) The existing risks are valid, accurate and complete and still adequately summarise the Principal Risks of the organisation.
- 2) Controls in place remain effective and adequately mitigate the risks.
- 3) One amendment is required to the register see (a) below.

The Audit and Risk Committee considered the Principal Risk Register at the 16 July 2018 and supported the following changes to the register:

- a) Risk 4 – The SMT considered the current staffing position,

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

[REDACTED]

The Audit and Risk Committee suggested that we should also add sickness levels as an indicator on this risk (note that sickness levels are currently low

and that this is not being raised because of concerns around absences). This change has been incorporated into this version of the register.

Recommendations

The SMT recommends that Council approves the Principal Risk Register as recommended by the Audit and Risk Committee.

Risk management

The report covers the Principal Risks identified by the CLC.

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 only.

Background

This is a regular report to Council updating on management's assessment of the principal risks.

PROPERTY AND LAW ROUND UP

Purpose: For information

Author: Stephen Ward

Approver: Sheila Kumar

Summary

The regular summary of information affecting the property market. This is a snapshot of recently published data and commentary.

Recommendations

This paper is for information only.

Risk Management

Insight into the property market informs management of regulatory risks across the profession and risks to the CLC itself.

Financial impact

None arising from the paper.

Diversity and Inclusion Impact

None arising from this paper.

Communication Requirements

This summary is also published on the CLC website and promoted through the newsletter.

Property and Law round up

July 2018

IMPROVING THE HOME BUYING AND SELLING PROCESS

The key front line regulators are on track to bring new requirements for information transparency into force in December 2018. Other regulators have also begun to implement their own versions of the CLC's secure badge to provide assurance to potential clients of the status of websites of regulated entities.

The CLC continues to work with government, other regulators, representative bodies and suppliers to conveyancers on the shared agenda to improve home buying. Any impact from the recent change of Housing Minister at the Ministry of Housing, Communities and Local Government has yet to be felt. The junior minister with carriage of this strand of the ministry's work is clearly committed to delivering change and has also agreed to deliver the keynote speech at our January conference.

Digital Escrow for Conveyancing

The CLC has been supporting the development of an escrow tool for conveyancing transactions that has the potential to make transactions smoother and more secure. The project was highly commended at the recent PayTech awards. We are working with the provider and with Barclays to support further pilot transactions. We are also working with Barclays to convene other lenders to explore the willingness and appetite for adoption of such tools.

ECONOMIC AND MARKET INDICATORS

Figures and opinion remain mixed, significantly influenced by continued uncertainty around the final terms on which the UK will leave the European Union in March 2019. Reflecting that uncertainty, the trend towards remortgaging and away from new purchases seems to be continuing.

As we observed at the end of Q1, the trends across the UK could reflect the beginning of a slow rebalancing of the market between London and the UK, in part as a result of policy choices on stamp duty and help to buy beginning to have their desired effect.

EY Item Club Summer Forecast

The EY Item Club has revised downwards its outlook for growth of the UK economy in 2018 from 1.6% in its spring forecast to 1.4% now. They noted that while employment continues to rise, there has been little improvement in real pay levels and that higher utility and energy prices are likely to squeeze consumer spending.

EY is also predicting growth lower than the recent trends in 2019-2021, at 1.8% which they describe as unlikely to provide a boost to corporates. That forecast is based on an assumption of a 'stable transition' out of the EU.

HM Land Registry House Price Index

UK house prices rose by 3.0% in the year to May 2018, down from 3.5% in the year to April 2018. This is the lowest UK annual rate since August 2013 when it was also 3.0%.

Looking at the regional level, the East Midlands was the fastest growing region with an annual house price growth rate of 6.3%, up from 5.1% in the previous month. London was the slowest growing region, falling by 0.4% in the year to May 2018, down from 0.3% in the previous month. This is the 4th consecutive month that London house prices have fallen over the year.

The [UK Property Transaction Statistics for May 2018](#) showed that on a seasonally adjusted basis, the number of transactions on residential properties with a value of £40,000 or greater was 99,590. This is 0.5% lower compared to a year ago. Between April and May 2018, transactions increased by 0.8%.

UK Finance – May mortgage figures

UK Finance, reporting on May 2018's lending, found a rather more encouraging picture, which it described as a 'pre-summer boost'. They also observed that the trend of growth in remortgages continued in May.

32,200 new first-time buyer mortgages completed in the month, some 8.1 per cent more than in the same month a year earlier. The £5.4bn of new lending in the month was 12.5 per cent more year-on-year.

There were 31,100 new homemover mortgages completed in the month, some 4.4 per cent more than in the same month a year earlier. The £6.6bn of new lending in the month was 4.8 per cent more year-on-year.

There were 36,000 new homeowner remortgages completed in the month, some 7.1 per cent more than in the same month a year earlier. The £6.3bn of remortgaging in the month was 6.8 per cent more year-on-year.

UK Finance published the annual mortgage lenders data as we prepared this report. We will discuss that at the Council meeting.

Bank of England Credit Conditions Survey – Q2 2018

The [survey](#), published on 12th July, found that the availability of secured credit to households was again unchanged in Q2 and lenders expected no change in the coming three months to September.

Lenders reported that household demand for secured lending for remortgaging increased in Q2, and expected demand to increase slightly in Q3. Demand for secured lending for house purchase was reported to have been unchanged in Q2, and was expected to be unchanged again in Q3.

Default rates on secured lending fell again in Q2 and were expected to remain the same in Q3.

RICS Residential Market Report – June

The report published on 12th July 'points to a broadly stable picture, at least as far as headline numbers are concerned'. RICS, in line with others, found material differences between regions, with all areas other than London, the South East and East Anglia recording house price growth, albeit generally modest. Estate agents' stock levels remain close their historic lows.

RICS respondents also report a further growth in the time it takes to complete a property sale from initial listing. That stood at 16 weeks in Spring 2017 and is now reported to be 18 weeks.

The Nationwide House Price Index for June

Nationwide's Chief Economist Robert Gardner observed: "Annual house price growth fell to its slowest pace for five years in June. However, at 2% this was only modestly below the 2.4% recorded the previous month. Indeed, annual house price growth has been confined to a fairly narrow range of c2-3% over the past 12 months, suggesting little change in the balance between demand and supply in the market over that period. There are few signs of an imminent change. Surveyors continue to report subdued levels of new buyer enquiries, while the supply of properties on the market remains more of a trickle than a torrent."

Rightmove House Price Index

This index looks at asking prices and found what it describes as the usual summer lull in July. The average fall in asking prices this month was 0.1% or £248. The greatest price falls were at the lower end of the market, with houses with two bedrooms or fewer falling in price by 3.5%.

Rightmove also found that the percentage of sellers reducing their initial asking price is at its highest since 2011, indicating perhaps over-optimism on the part of sellers or their agents.

Building Societies Association – Property Tracker

This month's report marked 10 years since the beginning of the BSA's Property Tracker survey and this prompted BSA to make some interesting comparisons with a decade ago, which reflect the very different positions on interest rates and house prices in 2008 and 2018.

<i>Barriers to property purchase</i>	<i>2008</i>	<i>2018</i>
Raising a deposit	47%	68%
Affordability of mortgage repayments	70%	44%
Access to mortgage finance	49%	49%
Concerns about fall in property prices	46%	15%
Lack of job security	12%	33%

It is notable that lack of job security is a significantly greater concern in 2018 than it was in 2008. This is despite historically high employment rates at the moment and may reflect a wider concern about the economy as well as a shift away from full-time, permanent employment.

The survey also asked about tenure in 2008, 2018 and aspirations for the future and the findings are set out on the next page.

<i>Tenure: past, present and future aspiration</i>	<i>June 2008</i>	<i>June 2018</i>	<i>June 2028</i>
Owner occupied	54%	58%	71%
Private rented	13%	16%	4%
Social rented	10%	12%	6%
Living with family who own	17%	8%	2%
Other	3%	2%	4%

So it is clear that the desire to be a homeowner remains strong in the UK. But that desire sits ill with the findings of the English Housing Survey of a consistent downward trend in owner occupation.



BUSINESS PLAN 2018 PROGRESS REPORT

Purpose: For noting
Author: Stephen Ward
Approver: Sheila Kumar

Summary

This report provides an update on progress against the 2018 business plan.

To date, the business plan is on track to be achieved for all but two activities. They are highlighted in amber in the annexed report. The timing of delivery of these is currently under review given the increased work in preparation for the OPBAS audit in particular.

Recommendations

The Council is asked to note the progress against the 2018 Business Plan.

Risk Management

The CLC business plan is designed to mitigate risks to clients, the legal sector and the CLC itself.

Financial impact

Business Plan activities will be delivered within current resources or from reserves in line with the Council's policy on the use of reserves.

Diversity and Inclusion Impact

All activities need to be delivered with the aim of improving access to the profession and to legal services.

Communication Requirements

None arising from this report.

Publication status of this paper

This paper is not for publication as its contents will be published when finalised. Delivery of the Business Plan against programmed activities will be included within the Annual Report, which will be submitted to Council with the Annual Financial Statements.



CLC Council Appraisals 2017 - Overview

Purpose: For Information

Author: Audrey Cosens

Approver: Sheila Kumar

Summary

This report provides an overview of general discussion points raised during the annual Council member appraisal process.

Recommendations

The Council is invited to note the themes arising from members' annual appraisal process.

Risk management/Financial Impact/Diversity and Inclusion Implications

There are no specific implications for this report. Appraisals are an important part of good governance.

Communication and publication requirements

This report is for Council's information only and not for publication.

**Practice Fee and
Compensation Fund contribution
November 2018 – October 2019**

Purpose: Approval

Author: Jason Hinrichsen

Approver: Sheila Kumar

Summary

This paper sets out the proposed regulatory fee rates for 2018-2019 licence year for approval.

Recommendation

Council is asked to review and approve the fee rates as set out below:

- Reduce Practice Fee rates by 10% (See Annex D for the fee rate table),
- Maintain the Compensation Fund contributions at their current level (See Annex E for the fee rate table), and
- Maintains the Individual Licence Fee at £400.

Please note that any approval would be subject to agreement of the Legal Services Board.

Risk management

The CLC's aim is to ensure that the fees are set at the correct level and to avoid volatility. They need to be set at a level which ensures the CLC has sufficient capacity and capability to carry out its regulatory obligations however we should not be setting fees at a level that generates excessive surplus.

We expect fee rates to trend downward over time, however when making fee rate adjustments, we need to act prudently as we do not want to have to reverse any cut made with an increase in fee rates in succeeding years.

Financial impact

Setting fee rates at the correct level is essential for the continued prudential management of the CLC.

Diversity and inclusion impact

There is a risk that some of the practices with lower turnover may not be able to afford the rates which are set.

Communications requirements

Once the fee rates have been approved by the LSB, the profession will need to be notified and demands for payment circulated by mid-September 2017.

We would also communicate the rate cut to the legal community, highlighting the direction of travel and our intent to continue with rate cuts when possible.

Publication

This document is not for publication. Our application to the LSB will be published on the CLC and LSB website and will be followed by communication to the regulated community.

Implementation of Insurance Distribution Directive

Changes to CLC Regulatory Arrangements

Purpose: For approval
Author: Simon Blandy
Approver: Sheila Kumar

Summary

Council is asked to approve the Acting as Ancillary Insurance Intermediaries Code (AAIIC - Annex 1) together with other consequential and subsidiary amendments proposed changes to the CLC Regulatory Arrangements so they comply with the Insurance Distribution Directive (IDD).

Risk management

The Financial Conduct Authority (FCA) has approved the approach taken by the CLC to the revision of the Acting as Insurance Intermediaries Code (now renamed AAIIC), namely that the scope of insurance distribution services which CLC practices can provide remains unaffected by the implementation of the IDD.

A CLC practice wishing to carry out a wider range of Insurance Distribution Activities may apply to do so under FCA regulation.

Financial impact

No financial impact anticipated for the CLC outside the current budget (the FCA is paid an annual levy of £11,000 to enable the CLC to regulate CLC practices in the provision of insurance intermediary activities).

Diversity and inclusion impact

No diversity and inclusion impact has been identified.

Communications requirements

The draft amended Codes have been published on the [CLC website](#). A number of CLC practices have been notified of the proposed changes. Notification of the changes will be included in the next CLC newsletter.

Publication status of this paper

This paper relates to approval of changes to the CLC Regulatory Arrangements policy development and will not be published.

Implementation of CMA recommendations on transparency

Changes to CLC Regulatory Arrangements

Purpose: For approval
Author: Helen Gracie
SMT Approver: Simon Blandy

Summary

Council is asked to approve the proposed changes to the CLC Regulatory Arrangements in order to implement the CMA recommendations on price and service transparency.

Risk management

The CLC has raised awareness about the CMA recommendations with CLC practices and held two separate consultation on the proposed changes (in [October 2017](#) and [May 2018](#)). It will be carrying out a further round of awareness raising in the autumn 2018.

The CLC has sought to minimise the additional regulatory burden on CLC practices in developing the proposals consistent with the benefits to consumers identified in the CMA Report. The requirement for practices to publish price information remains the requirement which respondents did not agree with.

The CLC has regularly updated the CMA, LSB and the Legal Services Consumer Panel with the proposals and timescales.

Financial impact

No financial impact anticipated for the CLC outside the current budget.

Diversity and inclusion impact

No diversity and inclusion impact has been identified.

Communications requirements

The CLC consultation containing the proposed rule changes was published on the CLC website with further reminders in the CLC newsletter and social media signposting to the consultation.

The [summary of responses](#) to the consultation have been published on the CLC website.

The CLC will be working with the SRA and CILEx Regulation over the summer so that similar messages are provided to consumers and legal practices in each of these sectors.

Publication status of this paper

This paper relates to policy development to comply with the CMA's recommendations regarding price and service transparency and will not be published.



CLC Council Meeting

Appointments Committee Chair's Report

Purpose: For Noting

Chair: Alex Clark

Summary

The Council has established an Appointments Committee, the remit of which includes:

- the appointment of non-executive members of the Council, independent members and the Adjudication Panel
- recommendations for the appointment of the Chief Executive Officer and other senior staff (where requested)
- where applicable, to determine extensions to the term of office of non-executive members.

This report summarises the business considered at the second meeting of the Appointments Committee on 16 July 2018, which comprised the following membership:

- Alex Clark (Chair)
- Heather Foster
- Colin Wilby

Dame Janet Paraskeva was not present at the meeting on 16 July 2018 and took no part in the proceedings as one of the items of business for consideration related to the Re-Appointment of the Chair of Council.

Recommendations

Council is invited to agree to offer Dame Janet Paraskeva re-appointment as Chair of Council for a further four year term from 1 May 2019 to 30 April 2023.

Risk management/Financial Impact/and Diversity and Inclusion are considered in all Remuneration Committee discussions and decisions.

Communication and publication requirements

For Council only. Minutes of the meetings of the Appointments Committee are confidential.



CLC Council Meeting

Audit and Risk Committee Chair's Report

Purpose: For Noting
Chair: Heather Foster

Summary

This report summarises the business considered at the Audit and Risk Committee at its meeting on 16 July 2018. (Appendix A)

Draft minutes of the Committee's meeting held on 16 July 2018 are included at Appendix B.

Recommendations

Council is invited to note the report and to put any questions to the Chair.

Risk management/Financial Impact/and Diversity and Inclusion are considered in all Audit and Risk Committee discussions and decisions.

Communication and publication requirements

For Council only.

Council Work Plan

Purpose	Noting
Author:	Audrey Cosens
Approver:	Sheila Kumar

Summary

To provide Council members with an “in advance” outline of upcoming meetings.

Black Letter Communications gave a presentation to the Council’s meeting in January and have been invited to attend the Council’s meeting on 24 January 2019. An evaluation of Communications and Marketing will be reported to the Council meeting in November, at which point a full year update can be provided.

Current regulatory standards activities, including the LSB Regulatory Performance Assessment have been included within the Chief Executive’s report elsewhere on this agenda. Preparations for this year’s Annual Regulatory Return are also included within the Chief Executive’s report. The results will be reported to the Council meeting on 1 November 2019.

Recommendations

The Council is invited to note the outline of business for consideration at its forthcoming meetings.

Risk management

None for the purposes of this report.

Financial impact

None for the purposes of this report.

Diversity and inclusion impact

None for the purposes of this report.

Communications requirements

None for the purposes of this report.

Annual Cycle	25 January 2018 Council meeting	8 March 2018 Workshop	28 March 2018	26 April 2018 Council meeting Q1 Results	7 June 2018 Workshop	24 July 2018 Council meeting Q2 Results	20 September 2018 Workshop	1 November 2018 Council meeting Q3 Results
Strategy and Planning								2018 Business Plan and Budget planning
Performance and Risk	Management Report <ul style="list-style-type: none"> Q4 Performance Outturn Interventions and Watchlist Compensation Plan Property News Round Up CEO report		External Auditor's Report and Management Letter CLC Financial Statements 2017	Management Report <ul style="list-style-type: none"> Q1 Budget Outturn Interventions and Watchlist Compensation fund Business Plan 2018 Progress Property News Round up Principal Risks CEO report		Management Report <ul style="list-style-type: none"> Q2 Budget Outturn Interventions and Watchlist Compensation fund Business Plan 2018 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 2018 update Property News Round up Principal Risks CEO report
Governance	Adjudication Panel yearly update from Chair Scheme of Delegations Annual Committee Chairs' reports		Annual Report Minutes of Audit and Risk Committee	Appointments to Council Committees Minutes of Audit and Risk Committee Decisions taken outside Council meeting – ratification Adjudication Panel Succession Planning		Audit and Risk Committee report Remuneration Committee update Appointments Committee report	Council Effectiveness Review	Minutes of Audit and Risk Committee
Regulatory Activity	Budget Sign off Sanctions Guidance for Adjudication Panel			Implementation of CMA Recommendations set out within its Legal Services Market Study	Regulation of the market place	Regulatory Fee setting LSB Report on CLC Self-assessment Insurance Distribution Directive Implementation of CMA Recommendations – changes to regulatory arrangements		ARR Results Adjudication Panel Succession Planning
Ad hoc Business Plan items	PR Briefing for Launch of Strategy	Practice Fund Reserves CMA Transparency agenda		Education Project Review Potential application of Practice Fund reserves CMA Transparency Implementation Implementation of GDPR		Regulatory Standards Action Plan – half yearly update	Risk Appetite	Business plan and budget sign off for 2019 Evaluation of Communications and Marketing