



**CLC Council Meeting**  
**Thursday 1 November 2018**  
**11.00 a.m. – 2.00 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.	<b>Welcome, Introductions, Apologies for Absence and Declarations of Interest</b>		For recording	<b>Chair</b>
2.	<b>Minutes and Matters Arising</b>  a) Minutes of the meeting of the Council held on 24 July 2018  b) Action arising from previous meetings	a) For publication; information which is: policy in development; legally privileged and confidential has been redacted  b) Actions arising from previous meetings have not been published on the basis that these have been published within written minutes of past meetings	Approval          Noting	<b>Chair</b>
3.	<b>Chief Executive's Report</b>	Not for publication – contains information which is: intended for future publication; policy in development	Noting	<b>CEO</b>
4.	<b>Management Report</b> a) Q3 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d) Property and Law News Round up	a) For publication – subject to redaction of commercially confidential information b) Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action c) Not for publication – contains information which is: intended for future publication; confidential; commercial d) For publication	Noting  Noting  Approval   Noting	<b>DFO/SMT</b>  <b>DFO</b>  <b>DFO</b>  <b>DSER</b>
5.	<b>Business Plan 2018 – Progress</b>	Not for publication – contains information intended for future publication	Noting	<b>DSER</b>
6.	<b>Annual Regulatory Return</b>	Not for publication – contains information intended for future publication	Noting	<b>DSER</b>

No	Item	Publication Status	Type of Paper	Lead
7.	<b>Evaluation of Communications and Marketing</b>	Not for publication – contains information which is: policy in development; commercially confidential	Noting	<b>DSER</b>
8.	<b>Professional Reference Group</b>	Not for publication – contains information which is: policy in development	Approval	<b>DRS</b>
9.	<b>Adjudication Panel Succession Planning</b>	Not for publication – contains information which is: policy in development; intended for future publication	Approval	<b>DRS</b>
10.	<b>Committees</b>  Audit and Risk Committee	Not for publication – contains information which is: policy in development; intended for future publication	Approval	<b>Audit and Risk Committee Chair</b>
11.	<b>Council Workplan</b>	For publication	Noting	<b>CEO</b>
12.	<b>Any Other Business</b> (Items to be advised by email in advance to Audrey Cosens)			<b>ALL</b>
13.	<b>Dates of Next Meetings</b>  <ul style="list-style-type: none"> <li><b>Wednesday 23 January 2019 – Annual Managers' Conference – 9.00 a.m.</b></li> <li><b>Thursday 24 January 2019 – Council 9.30 a.m. * Please note start time</b></li> </ul>		Noting	<b>ALL</b>

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



For publication – information which is: policy in development; intended for future publication; legally privileged and confidential has been redacted.

**Council**  
**1 November 2018**  
**Item 2(a)**

**Council for Licensed Conveyancers**  
**Minutes of the Council meeting held on**  
**Tuesday 24 July 2018**  
**Room LGA WeWork**  
**131 Finsbury Pavement, London EC2A 1NT**  
**11.30 a.m. – 2.40 p.m.**

**Council Present**

Dame Janet Paraskeva (Chair – items 1 – 11 and 12 (b) – 15))  
Mr. A. Cogbill  
Mrs. H. Foster  
Mr. T. Perchard  
Mr. C. Wilby

Mr. A. Clark (in the Chair for item 12 (a))

Ms. S. Debney  
Ms. A. Pierce  
Mr. Q. Quayle

**CLC in attendance** (*For items 1-12(b) & 13-15*)

Ms. S. Kumar  
Mr. S. Ward  
Mr. S. Blandy  
Mr. J. Hinrichsen  
Ms. A. Cosens

Chief Executive (*for items 1-12 (b) and 13-15*)  
Director of Strategy and External Relations  
Director of Regulatory Standards  
Director of Finance and Operations  
Head of Executive Office – minute taker

**1. Welcome, Introductions, Apologies and Declarations of Interest**

The Chair welcomed members to the Council meeting.

The Chair declared an interest in item 12 (a) on the agenda (*Appointments Committee Report, 16 July 2018*), and advised that she would absent herself from the meeting during discussion of that item.

The Chief Executive and staff declared an interest in the report of the Remuneration Committee at item 12(c) on the agenda and advised that all staff would absent themselves during discussion of that item.

**2. Minutes and Matters Arising**

Minutes of the meeting held on 26 April 2018

The Council was advised that it was proposed to adapt the format of the minutes. It was agreed to trial a shorter format, for review in 6 months' time.

The Council:

- (1) **AGREED** that minutes of the meeting of the Council held on 26 April 2018 be approved as a correct record;
- (2) To trial a shorter minute format, which would be reviewed in 6 months' time.

Actions arising from previous meetings

The Council **NOTED** progress with actions arising from previous meetings.

Ratification of decision taken outside Council meeting

The Council **AGREED** to ratify 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, on the basis detailed within the submitted report.

**Action July/18/01: to trial a shorter minute format, for review in 6 months.**

**3. Chief Executive's Report**

The Chief Executive presented her report on current issues.

In addition to the updates contained within the report, the Council was advised that the Law Commission had published its final report on its project to update the Land Registry Act 2002. The report includes recommendations for measures to combat fraud and for the conveyancing process in particular. The Government's response to the Commission's draft Bill to implement the recommendations is awaited.

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

**4. Council Terms of Reference**

The Council reviewed its terms of reference.

The Council **AGREED** to amend paragraph 14 its terms of reference as follows:  
*The Council may, at its discretion appoint additional Council members within the limits set out by the Administration of Justice Act 1985 Schedule 3 on the understanding that all other provisions of the CLC regulations are met.*

**Action July/18/02: to amend the Council's Terms of Reference within the Corporate Governance Framework as agreed above.**

**5. Management Report**

**a) Q2 Performance Out-turn**

The Director of Finance and Operations introduced the Q2 performance outturn, which had been reviewed by the Audit and Risk Committee at its meeting on 16 July 2018.



For publication – information which is: policy in development; intended for future publication; legally privileged and confidential has been redacted.

**Council**  
**1 November 2018**  
**Item 2(a)**

The Council was advised that the current positive variance on staff costs is due to differences in timing of recruitment and the vacancy level at the time of budget preparation. Recruitment to 5 posts has taken place since the budget was prepared.

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 information.

***b) Interventions and Watchlist***

The Council reviewed current watchlist and intervention activity.

Officers were requested to include details of size of practice, duration of regulation by the CLC and length of time on the watchlist on future intervention summary reports.

The Council:

- (1) **NOTED** the Watchlist and interventions reports; and
- (2) **AGREED** that the report would not be published because it is commercially sensitive.

**Action July/18/03: to include additional information (as above) on future intervention summary reports.**

***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 16 July 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.

**6. Business Plan - Progress**

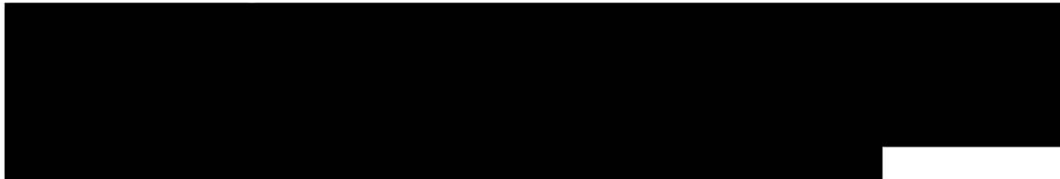
The Director of Strategy and External Relations introduced a report which advised of progress delivery of the CLC's 2018 business plan.

The Council was advised that the timing of delivery of reviews of the Accounts Code and CPD Framework and completion of a review of aspects of the regulatory arrangements is currently under consideration in the light of increased work associated with preparation for OPBAS audit and the concentration of effort to 'land' the transparency related changes.

The Council **NOTED** progress against the 2018 Business Plan.

## 7. CLC Council Appraisals 2017 - Overview

The Chair introduced themes arising from the annual member appraisal process, which forms part of the assessment of the Board's effectiveness, along with action points which had been identified during that process.



The Council **NOTED** the key themes arising from the annual appraisal process and the planned actions identified during the annual reviews



## 8. Practice Fee and Compensation Fund Contribution November 2018 – October 2019

The Council discussed the proposed regulatory fees for 2018 – 2019 license year. Following consideration, the Council's fee rate application to cut fee rates by 10% would be submitted to the LSB. This builds on the 20% fee rate cut two years ago, reducing fee rates by 30% over 3 years.

Officers were commended for their detailed work on scenarios which was of assistance in considering the options available.

The Council **AGREED** to submit application to the LSB for the following Practice Fee and Compensation Fund contribution for the year November 2018 - October 2019:

- (1) To reduce the Practice Fee rates by 10% as set out at Annex A
- (2) To maintain the Compensation Fund contributions at their current level, as set out at Annex A;
- (3) To maintain the individual Licence Fee at £400.

**Action July/18/05:** to submit application for the Practice Fee and Compensation Fund contribution to the LSB for approval as above.

**9. Application for a grant out of the CLC's Compensation Fund**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**10. Implementation of Insurance Distribution Directive to CLC Regulatory Arrangements**

The Director of Regulatory Standards introduced a report which asked the Council to approve the Acting as Ancillary Insurance Intermediaries Code and amendments to the CLC's Regulatory Arrangements in compliance with the Insurance Distribution Directive.

The Council **AGREED** the amendments to the Acting as Ancillary Insurance Intermediaries Code as detailed within the submitted report.

**Action July/18/07: to amend the Code as detailed within the submitted report and publish it on the website, with clarification.**

**11. Implementation of CMA Recommendations on Transparency – Changes to the CLC Regulatory Arrangements**

The Director of Regulatory Standards introduced a report which sought Council approval to make changes to the CLC's Regulatory Arrangements required for implementation of the CMA's recommendations on price and service transparency.

The Council was advised that the CLC had consulted on the proposed changes, and that respondents had been generally in agreement with the proposed changes. A summary of responses was included within the submitted report. A selection of CLC practices would be invited to comment on the revised guidance prior to implementation.



The Council **AGREED**:

- (1) The proposed amendments to the Regulatory Arrangements, which were set out within Annex B of the report; and
- (2) To submit an application to the LSB in August 2018 to implement the revised changes;
- (3) Subject to (2) above, to publish the amended Rules and Guidance in September 2018;
- (4) Subject to (2) above, to implement the Rules and Guidance in December 2018.

**Action July/18/08: to submit an application to the LSB to amend the Regulatory Arrangements and subject to LSB approval, to arrange for publication, comment and implementation by December 2018.**

**To invite a selection of CLC practices to comment on the revised guidance, prior to implementation.**

## **12. Committees**

### **12 (a) Appointments Committee**

At this point in the proceedings (1.40 p.m.), the Chair of Council declared an interest in item 12(a) and left the meeting. The Chief Executive and staff were asked to leave the meeting and were not present for the remainder of the meeting.

Alex Clark took the Chair for item 12 (a).

The Council:

- (1) **NOTED** the report of the Chair (Alex Clark) of the Appointments Committee held on 16 July 2018;
- (2) **APPROVED** in principle the recommendation of the Appointments Committee to re-appoint Dame Janet Paraskeva as Chair. A letter confirming the same was sent on 2 August 2018.

### **12 (b) Audit and Risk Committee Chair's Report**

At this point in the proceedings (2.30 p.m.), Dame Janet Paraskeva rejoined the meeting and took the Chair.

Heather Foster, Chair of Audit and Risk Committee, presented a summary of business considered by the Committee on 16 July 2018, including a planned biennial review of the Committee's self effectiveness and the attainment of a substantial assurance rating following audit of the CLC's Key Financial Controls.

The Committee **NOTED** the report of the Chair of the Audit and Risk Committee.

### **12 (c) Remuneration Committee Chair's Report**





For publication – information which is: policy in development; intended for future publication; legally privileged and confidential has been redacted.

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Alex Clark, Chair, Remuneration Committee presented an oral summary of business considered by the Remuneration Committee at its meeting on 24 July 2018, including an update on staffing and plans for a staff satisfaction survey once staff had settled into the new office. In reviewing its terms of reference, which include a review of the Staff Handbook on a five yearly basis, the Committee recommended an amendment to provide for its review on a two yearly basis, and no longer than 5 years, in line with current practice.

The Council:

- (1) **NOTED** the report of the Chair of the Remuneration Committee; and
- (2) **AGREED** the above amendment to the Committee's terms of reference.

### **13. 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.

### **13. Any Other Business**

There were no other items of business.

### **14. Dates of Next Meetings**

Thursday 20 September 2018 (Council Workshop)  
Thursday 1 November 2018 (Full Council)



## **CEO Report**

**Purpose:** For information

**Author:** Sheila Kumar

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### **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.

## **Performance Pack Report – Q3 Out-turn**

**Purpose:** **Noting**

**Author:** **Jason Hinrichsen**

**Approver:** **Sheila Kumar**

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### **Summary**

This report comprises of the following elements:

**Section 1:** Out-turn figures for the 9 months to September 2018.

**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 a version of this report at its meeting on 23 October 2018.

### **Publication**



## **Section 1: Out-turn – Overview of financial performance to 30 September 2018**

### **PRACTICE FUND**

#### **1 Financial Performance**

The financial results for the 9 months ended September 2018 are summarised below:

Council for Licensed Conveyancers Income Statement to 30 September 2018	January - September 18		Variance	Var
	Actual	Budget	YTD	%
<b>REVENUE</b>	<b>2,037,770</b>	<b>2,024,216</b>	<b>13,554</b>	<b>1%</b>
<b>TOTAL STAFF COSTS</b>	<b>1,058,043</b>	<b>1,173,571</b>	<b>115,528</b>	<b>10%</b>
Salaries and Benefits	980,458	1,093,511	113,053	10%
Council Fees and Expenses	77,585	80,060	2,475	3%
<b>TOTAL OPERATING EXPENDITURE</b>	<b>890,127</b>	<b>885,168</b>	<b>(4,959)</b>	<b>-1%</b>
External Relations	195,504	199,895	4,391	2%
Practice	61,671	58,864	(2,807)	-5%
Regulatory	321,240	315,089	(6,151)	-2%
Office Costs	311,712	311,320	(392)	-0%
<b>SURPLUS</b>	<b>89,600</b>	<b>(34,523)</b>	<b>124,123</b>	<b>360%</b>

At the end of the 3<sup>rd</sup> quarter we have generated a surplus of £89,600 against a projected budget deficit of £34,523 – a positive variance of £124,123. The positive budget variance can largely be attributed to underspend on the staff budget.

Year to date our revenues are £13,554 better than budget. The positive variance is attributed interest, application fees and individual license fees.

Staff costs are below the budget expectation. When the budget for 2018 was prepared it contained 7 unfilled posts. 5 of these have been filled and a temporary post has been created to assist with licensing. The variance that has arisen is attributed to:

- saving on the unfilled posts,

- rate variances for the positions filled,
- saving on the associated recruitment agency fees,
- Underspend on the training budget,

Operating expenditure is 1% over budget. The contributing components of this variance are summarised below:

- **External Relations** costs are marginally underbudget (£4,391 positive variance). Spend in the 4<sup>th</sup> quarter is expected to generate a negative budget variance.
- **Practice** costs are 5% over budget (£2,807 negative variance) due to timing of inspections.
- **Regulatory** costs are 2% over budget (£6,151 negative variance) due to 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 in line with budget, although there are variances in underlying components:
  - Internal audit costs are lower than budgeted as the internal audit timing differs from the budget expectation. This variance will be cleared by year end.
  - Professional service fees are underbudget. 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.
  - Stationary, 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.
  - Office rent is overbudget, but within projections for the project following the recent move to WeWork.



## 2 Cash reserves

At 30 September 2018 the cash position of the Practice Fund is summarised as follows:

Practice Fund			Increase / (Decrease)
Cash reserves as at Sept 2018	Dec-17	Sept-18	
Minimum Reserves	1,000,000	1,000,000	-
Free Cash Reserves	2,309,521	2,405,298	95,777
<b>Total Cash in Hand</b>	<b>3,309,521</b>	<b>3,405,298</b>	<b>95,777</b>

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]

[Redacted]

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[REDACTED]

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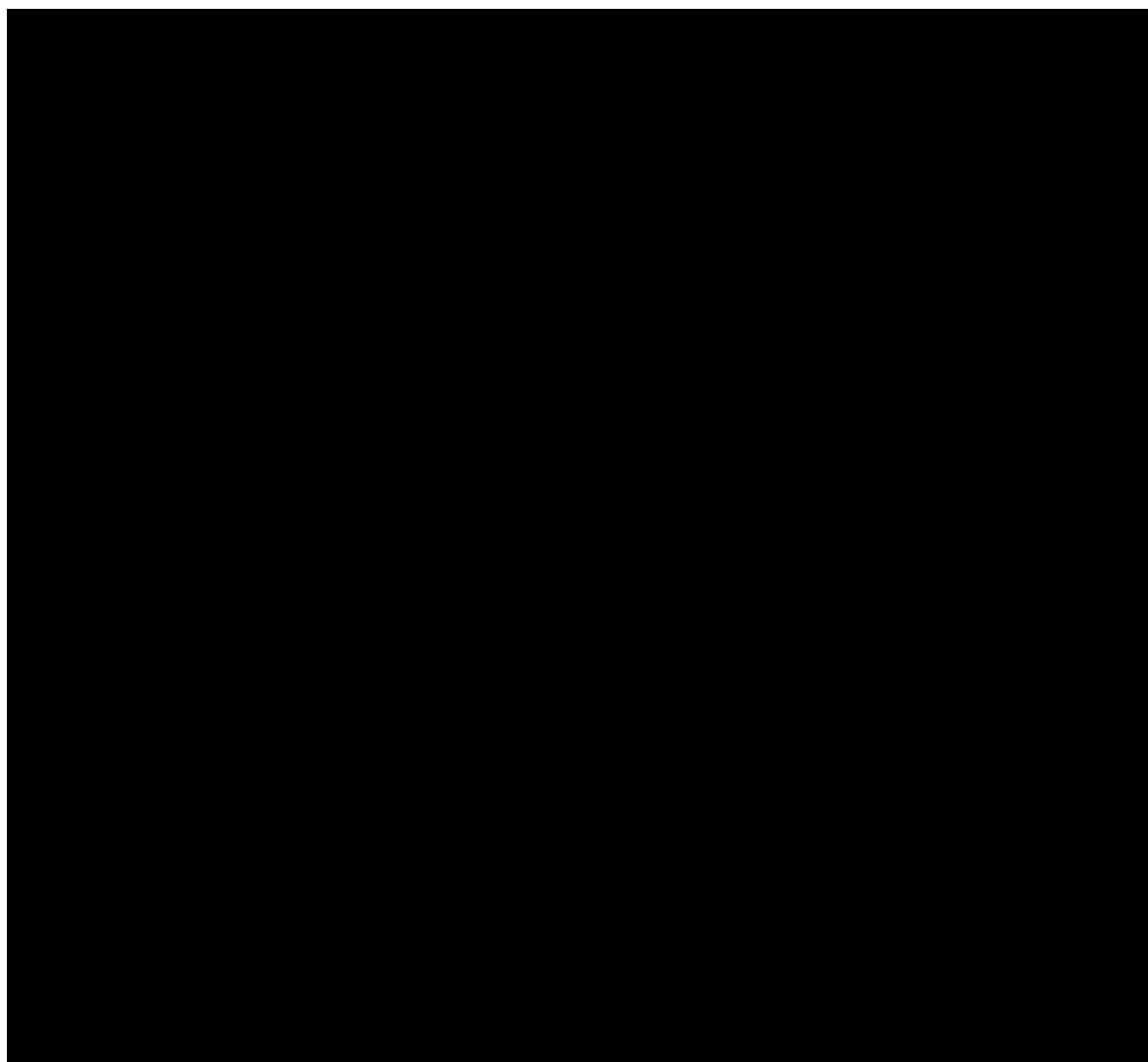
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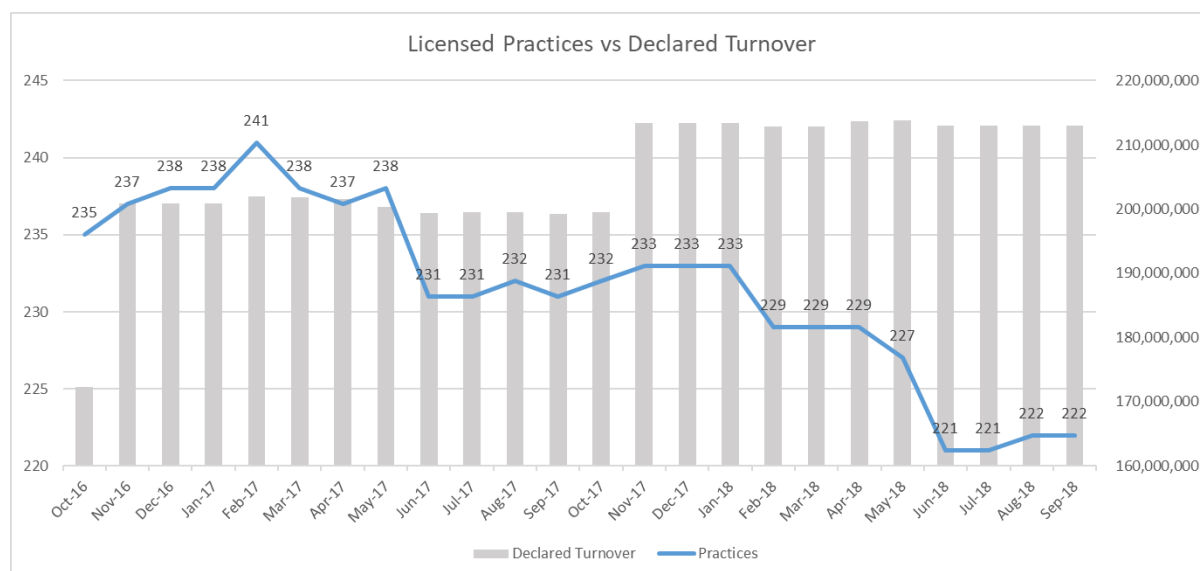
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## **Section 2: Operational performance indicators**

### **Section 2.1 – Practices & Licensing**



- The number of practices under CLC regulation has increased by 1 over the quarter.
- Declared turnover has remained largely unchanged with the reduction of practices over the year as a number of higher value turnover practices have entered CLC regulation.

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

Practices by Entity Type		ABS
Limited Company	151	63
Limited Liability Partnership	13	3
Partnership	17	
Sole Practitioner	41	
<b>Total</b>	<b>222</b>	<b>66</b>

There are currently 66 (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.

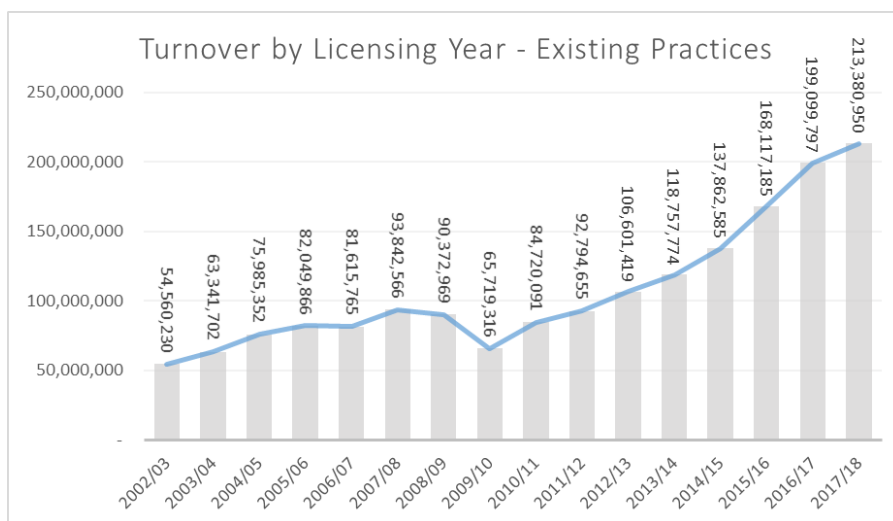
Growth in turnover under CLC regulation	Nov 17 - Sept 18	
	No. of entities	Declared turnover (£)
Declared turnover at 31 October 2017	233	213,380,950
New practices added	5	2,144,015
Less: Closed practices	-15	(2,120,041)
Merged with CLC practices	-2	(405,222)
<b>Total at 30 June 2018</b>	<b>221</b>	<b>212,999,702</b>

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 £24k.



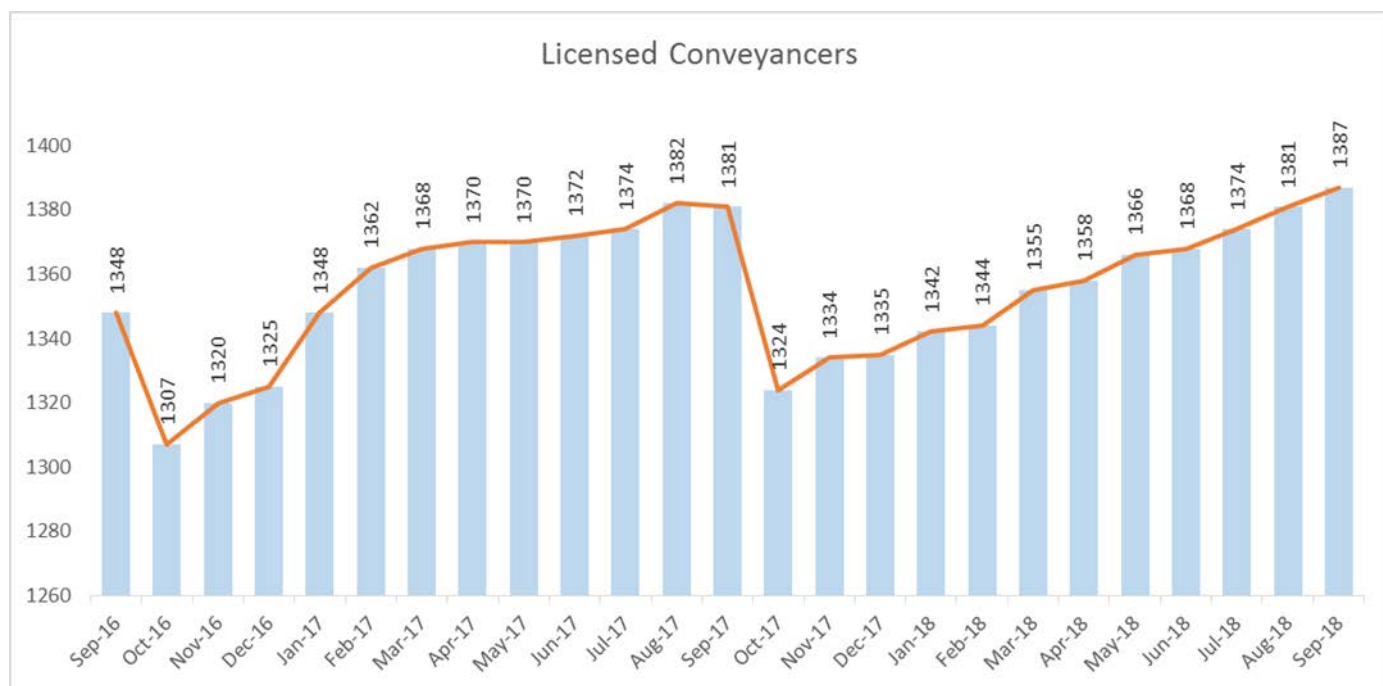
The table below summarises the declared turnover at license renewal point since 2002.



- The number of issued Individual licenses increased by 32 and Manager licenses decreased by 13 in the third 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	1,001	315	1,316
Probate & Conveyancing	23	44	67
<b>Total</b>	<b>1,025</b>	<b>362</b>	<b>1,387</b>

The chart below summarises the number of individual license holders:



There are 6 more license holders than there were 12 months ago.

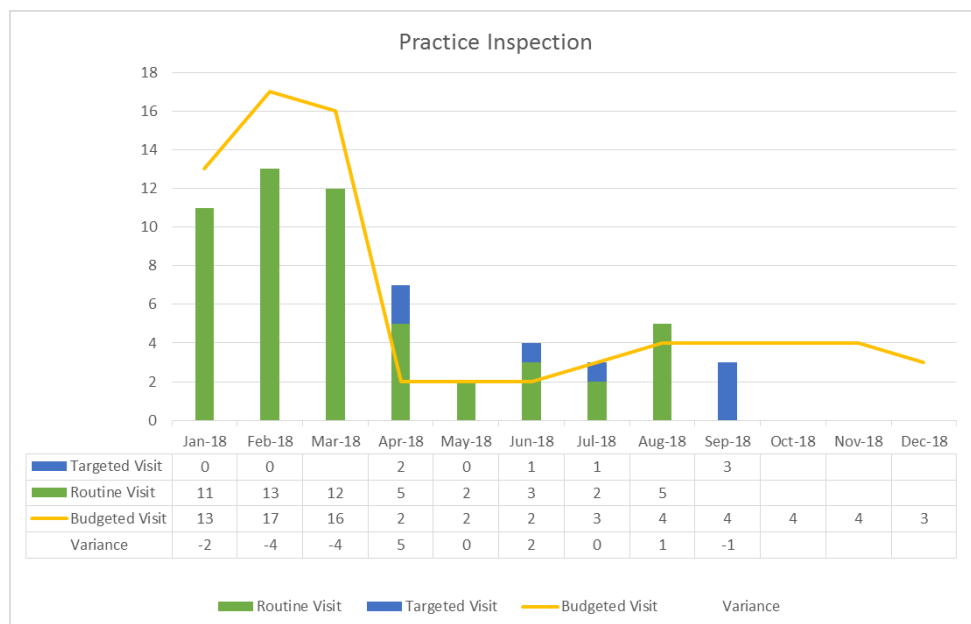
## **Section 2.2 – Inspections & Monitoring**

Watchlist activity for the year is summarised below:



Inspections conducted year to date have been summarised below:

7 routine and 4 targeted inspection have been conducted in the third quarter of 2018.  
A total of 53 routine inspections have been carried out at the end of the quarter.



Although the timing of inspections varies to the budget expectation, we expect the number of inspections to be in line with the budget at year end.

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	62	1
Received - on time	175	161	84
Not received - overdue	3	10	36
Not Yet Due	-	14	150
Total Reports Expected	<b>229</b>	<b>247</b>	<b>234</b>
Qualified reports	64	60	19
Qualified rate (received)	28%	27%	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

Laursele Property Lawyers Ltd was intervened into during Q3 2018.

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

#### **Section 4 - Complaints against the CLC**

3 complaints have been raised against the CLC in Q3 2018 (2017: 0). 1 has been resolved and 2 are being finalised.

No instances of whistleblowing have been reported.

#### **Section 5 - Procurement**

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

#### **Section 6 - Projects**

There are currently no projects.



## **CLC Watchlist & Interventions**

**Purpose:** Noting

**Author:** Jason Hinrichsen

**Approver:** Sheila Kumar

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### **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 interventions 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

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### **Summary**

The Principal Risk Register as discussed at the Audit and Risk Committee on 23 October 2018 is attached for consideration and approval.

The SMT discussed and reviewed the Principal Risk Register in October 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, [REDACTED]

Following the review of the register and consideration of developments in the sector the SMT have noted the following:

[REDACTED]

[REDACTED]

## **Recommendations**

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

## **Risk management**

The report is a key reporting document in CLC's risk management.

## **Financial impact**

There is no financial impact in relation to this paper.

## **Diversity and inclusion impact**

There is no impact on diversity or inclusion from this paper.

## **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.

## **Annexes**

Annex A –Principal Risk Register

## **Property and Law Round Up**

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

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### **Summary**

This is the regulator review of major developments and the economic outlook that will affect the conveyancing market

### **Recommendation**

Council is asked to note the contents of this round up.

### **Risk management**

The information and forecasts in this round up inform our planning and risk management.

### **Financial impact**

None arising from the paper.

### **Diversity and inclusion impact**

None arising from the paper.

### **Communications requirements**

This paper will be published on the CLC website.

### **Publication status of this paper**

This paper is for publication.

## **IMPROVING THE HOME BUYING AND SELLING PROCESS**

Activity across the sector exploring options for reform, including estate agents and lenders as well as conveyancers, continues to proliferate. A number of working groups are looking at different aspects of the current process to identify 'quick-win' improvements and the Ministry of Housing, Communities and Local Government continues to press hard. It is not yet clear how likely it is that those strands of work will result in actual change and when. It seems that HM Land Registry's work to digitise its data and processes will in fact have a much greater impact, although over a longer time frame. They have also begun to look at how ID verification by multiple agents at different points in the process might possibly be streamlined. The CLC is working closely with HM Land Registry across their wide agenda.

Change also looks likely to be driven significantly by disruptors entering the market. Third party managed accounts or escrow systems are one such group. Potential tools are developing fast and 2019 could see products brought to market that would significantly change conveyancers' processes and reduce risks inherent in the management of client account.

The CLC is leading the other front line regulators in launching its new transparency rules and guidance and supporting firms to prepare to be in compliance with them by the 6<sup>th</sup> December deadline, when the new rules come into force. If the CMA is right, better informed consumers could begin slowly to change the commercial aspects of conveyancing and especially the relationship and flow of work from estate agents to conveyancers. We will be monitoring the impact of the new approach closely alongside supporting compliance.

## **ECONOMIC AND MARKET INDICATORS**

Several commentators make the point that the current economic growth cycle has lasted for longer than usual and so we may be nearing its end. Some say that lead indicators such as the price of oil and gold are consistent with a coming downturn. However, there is so much in the world that is unprecedented – such as Brexit – or that have not been experienced for a very long time – populism, a protectionist White House – that forecasting is now very difficult.

### **EY Item Club**

With a slight downward revision to UK growth in 2018, from 1.4% in summer to 1.3% in its autumn forecast, the EY Item Club is emphasising that the risks to the UK economy remain weighted to the downside. They note that the UK's trade performance has tailed off in recent months despite the devaluation of sterling since the Brexit vote. Evidence of the uptick in real pay levels has weakened too, suggesting that consumers will be further squeezed by higher oil and commodity prices.

The Club expects a 'modest uptick' in growth to 1.5% in 2019, 1.7% in 2020 and 1.8% in 2021 but no return to the historic trend rate of growth. They also note that these forecasts are based on an assumption of a relatively smooth Brexit. They recommend that it would be prudent to stress test businesses against the scenarios of a short period of severe disruption following a no-deal Brexit followed by a recession of three or four quarters.

### **UK Finance Mortgage Trends - Q3 2018**

Data on the current situation is a little more cheerful than EY's longer term forecast. UK Finance reported in September that the overall value of new lending to home movers in August 2018 was the same year on year at £8.5bn though the number of new home mover mortgages was 2.3% down. Remortgages were fairly steady year on year at 37,100 in August. Lending to first time buyers was up 5.2% year on year at 35,500 or £6.1bn.

The average first time buyer was 30 and had a household income of £42,000.

### **HM Land Registry's House Price Index – August 2018**

Across the UK, HM Land Registry reported that in August 2018, house prices rose by 0.2% on the previous month and by 3.2% on the previous year. This of course smoothes over significant regional variation. The Index finds zero growth year on year in London, for example, around 2% growth in the East and South East and 3% growth in the North East and North West. Scotland however saw 5% price growth over the twelve-month period.

This seems to continue a trend that we have seen for some time now that might be attributed to the effects of less foreign and buy-to-let investment in the London and SE property market, as well as affordability issues, slowing growth there while wage growth – albeit modest – first time buyer incentives and possibly also limited supply of housing help other markets grow.

### **Bank of England Credit Conditions Survey - Q3 2018**

The Bank's Q3 report bears out something that we have heard anecdotally from lenders and estate agents about the tightening of secured lending to households. The Bank found it had decreased in the three months to August and is expected to decrease again in the three months to the end of November. Unsecured credit is decreasing in parallel as credit-scoring criteria have been tightened. Demand for both secured and unsecured lending had both increased.

### **RICS Residential Market Report – September 2018**

In their headlines, RICS report that:

- New buyer enquiries weaken slightly while twelve month sales expectations turn negative

- Prices remain flat nationally with regional disparity still pronounced
- Volume of fresh listings continues to fall in both the sales and lettings markets

RICS also notes that the time from listing to completing a sale has stretched out to 19 weeks. They report a flat to slightly negative sales trend across the UK. Northern Ireland and Wales did report very modest sales growth in September.

Outside London, the East and the South East, there is an expectation that price growth will continue over the next twelve months.

### **Nationwide House Price Index – September 2018**

While Nationwide finds the same mixed picture across the UK, they found a slightly lower rate of growth in September at 2% year on year than HM Land Registry found in August.

They point out that price falls in London and the SE need to be seen in a broader context: “For the fifth quarter in a row London prices fell in annual terms, though the decline remained modest at just -0.7%. Indeed, prices in the capital are only c3% below the all time high recorded in Q1 2017 and are still more than 50% above their 2007 levels.” Northern Ireland is still 39% below its 2007 peak.

### **Building Societies Association Property Tracker – September 2018**

This consumer survey found falling confidence in the housing market following the bank rate rise. It should be said though that opinion seems very divided with 28% saying now is not a good time to buy against 24% who said that they think it is.

Raising a deposit remains the most common barrier to property purchase but affordability of mortgage repayments has overtaken access to mortgage finance as the second most significant factor.

### **Rightmove House Price Index October 2018**

Helping to summarise all of this is commentary from Mile Shippside, of Rightmove: “*With the government using the tax system to try and help first-time buyers while deterring out-of-favour landlords, prices in this sector [two bedrooms or smaller] have been subdued as intended. That gives aspiring first-time buyers an autumn opportunity to negotiate a favourable deal. The story at this time of year for the last five years has been an average autumn bounce of 1.6% in the price of property coming to market. Whilst all regions have seen a monthly rise, this year has a more subdued narrative with only a 1% uplift as the script has more sub-plots to affect the mood. While the backdrop of political uncertainty and stretched buyer affordability remains the same, this month has price drops at the bottom of the market dragging down the national average.*”



## **BUSINESS PLAN 2018**

### **PROGRESS REPORT**

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

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#### **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 four activities. They are highlighted in amber in the annexed report. Additional activities that have been added to the plan during the year are recorded at the end of the annex.

#### **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.

## **ANNUAL REGULATORY RETURN**

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

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### **Summary**

The Annual Regulatory Return (ARR) exercise was carried out over the summer and the report is now in near final form. That draft report is attached as well as our draft commentary and response to the findings.

### **Recommendations**

The Council is asked to note and comment on the the findings of the ARR.

### **Risk Management**

The ARR helps identify risks in the regulated community as well as risks to the CLC. It feeds in to business planning and the CLC's monitoring and compliance work with firms.

### **Financial impact**

None arising from the paper.

### **Diversity and Inclusion Impact**

The ARR has found persistent challenges in relation to the career progression of women and BAME people in the regulated community. This will need to be picked up in our Equality, Diversity and Inclusion work for 2019.

### **Communication Requirements**

The final version of the ARR, along with the CLC's commentary and response will be published in November, as planned.

### **Publication status of this paper**

This paper is not for publication as its contents will be published when finalised.

## **Marketing and Communications Evaluation**

**Purpose:** For noting  
**Author:** Jon Sacker  
**Approver:** Stephen Ward

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### **Summary**

The paper sets out the progress that we have made in marketing and communications to support the delivery of the CLC's strategy. Our impact has increased substantially following appointment of a PR agency, digital agency and the Deputy Director of Communications.

### **Recommendation**

Council is asked to note the evaluation of the CLC's marketing and communications work over the last twelve months.

### **Risk management**

Communicating our work to protect the consumer, to ensure compliance in the regulated community and to support innovation is vital to managing a range of reputational risks to the CLC.

### **Financial impact**

None arising from the paper. The CLC's communications plan for 2019 will be driven by the business plan to deliver the next phase of the strategy.

### **Diversity and inclusion impact**

None arising from the paper but the inclusivity of our communications work will need to be considered in the business planning process.

### **Communications requirements**

None arising from this paper.

### **Publication status of this paper**

This paper is not for publication.

## **Professional Reference Group**

**Purpose:** For noting  
**Author:** Simon Blandy

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### **Summary**

At its meeting on 2 November 2017, the Council agreed that the Terms of Reference and proposals for recruitment to a Professional Reference Group.

This paper provides an update on progress.

### **Recommendations**

The Council is asked to note progress in establishment of the Professional Reference Group.

### **Risk management**

The establishment of a Professional Reference Group mitigates the risk of being inadequately aware of developments in conveyancing and probate policy and practice.

### **Financial impact**

Any costs associated with a Professional Reference Group, including meetings and expenses can be contained within existing budgets.

### **Diversity and inclusion impact**

In any recruitment campaign the CLC would aim to recruit to the Panel from a diverse community of practising professionals.

### **Communications requirements**

This report is an update for Council members only, communication about the group with the regulated community will aim to secure participation from a wide range of practitioners.

### **Publication status**

Not for publication.



## **Adjudication Panel**

**Purpose:** For determination  
**Author:** Simon Blandy  
**Approver:** Sheila Kumar

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### **Recommendation**

It is recommended that the Appointments Committee is asked to appoint five new members to the Adjudication Panel to include a Chair.

### **Summary**

The terms of office of five members of the Adjudication Panel (including the Chair) expire on 31 August 2019 and under the current provisions of the Adjudication Panel Rules 2015 can not be extended.

The CLC has had preliminary discussions with the Bar Standards Board about sharing resources. This has proved more complex than was initially understood. It is now clear that it will not be possible to bring any new arrangement into force before the current terms of office of the affected panel members expire.

### **Risk management**

The Appointments Committee will make appointments to ensure a smooth and fair process.

### **Financial impact**

Provision for the costs of appointments to the Adjudication Panel will need to be included in the CLC's 2019 Budget.

### **Diversity and inclusion impact**

Equality, diversity and inclusion considerations are taken into account in determining Adjudication Panel membership.

### **Communications requirements**

Once the process is agreed, the CLC will invite applications for appointment to the Adjudication Panel.

### **Publication status of this paper**

This paper will not be published.



## CLC Council Meeting

### Audit and Risk Committee Chair's Report

**Purpose:** For Noting  
**Chair:** Heather Foster

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#### Summary

This report summarises the business considered at the Audit and Risk Committee at its meeting on 23 October 2018. **(Appendix A)**

Draft minutes of the Committee's meeting held on 23 October 2018 are included at **Appendix B**.

#### Recommendations

Council is invited:

- (1) to note the report and to put any questions to the Chair;
- (2) To approve the amendment to the Audit and Risk Committee's Terms of Reference set out at **Appendix C** to reflect best practice identified by the Financial Reporting Council.

**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**

<b>Purpose</b>	<b>Noting</b>
<b>Author:</b>	<b>Audrey Cosens</b>
<b>Approver:</b>	<b>Sheila Kumar</b>

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### **Summary**

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

### **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.



## **Council Work Plan**

<b>Purpose</b>	<b>Noting</b>
<b>Author:</b>	<b>Audrey Cosens</b>
<b>Approver:</b>	<b>Sheila Kumar</b>

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### **Summary**

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

### **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.