



CLC Council Meeting
Minutes of the Council meeting held
on
Thursday 28 July 2016
at
CAN Mezzanine, East Road, London, N1 6AH
1100hrs – 1400hrs

Council Present

Dame Janet Paraskeva (JP) Chair
Mrs H Foster (HF)
Mr A Clark (AC)
Mr J Jones (JJ)
Ms T Perchard (TP)
Ms J Smith (JS)

CLC in attendance

Ms S Kumar (SK)	Chief Executive
Mr S Ward (SW)	Director of External Relations
Mr S Blandy (SB)	Director of Regulatory Standards
Mr H Hinrichsen (JH)	Interim Director of Finance
Mr J Hindmarsh(JH)	Director of Operations
Mrs S Reynolds (SR)	Head of Executive Office – minute taker

Apologies

Ms A Pearce (AP)
Mr R Gurney (RG)
Mr G Kidd (GK)

1. Welcome, Introductions, Apologies and Declarations of Interest

There were apologies from Andrea Pierce, George Kidd and Rob Gurney.

Jan Smith confirmed she had taken up her new NED role at Holmesdale Building Society on 1 May 2016. There were no other declarations of interest, excluding the standing one where trade members of the Council have a declared interest in the Compensation Fund and professional indemnity insurance discussions.

It was also noted that George Kidd had tendered his resignation, effective from 1 September 2016, to take up a permanent full time CEO position.

Decision July16/001: Council formally noted George Kidd's resignation. They also noted that the recruitment process to commence in August for a replacement lay member of the Council and as there were another 4 Council members retiring in early 2017, the recruitment process would be set up to recruit 5 members at the same time.

2. Minutes of Previous Council meetings

Minutes of previous meeting were approved, subject to a couple of minor typos. The decisions outside Council were also approved:

i) Publication of governance materials

At its workshop meeting in June, the Council considered arrangements for publication of papers prepared for its meetings. The Council is asked to formally agree the approach it set out at that meeting.

The Council is asked to **Approve** that from the next formal meeting of Council in November 2016, the CLC will publish on its website the agenda and all related papers. Publication will continue to be subject to the exemptions set out in the CLC's publication policy. Where it is not possible to publish a paper under those exemptions, the summary cover sheet will be published that sets out the substance of the paper and any decisions that the Council is being asked to take. Minutes of Council meetings will continue to be published as at present, following their approval by the Council at the following meeting.

Decision July16/002: Council agreed from November 2016 to publish Council agenda and all non-exempt papers on CLC website.

ii) CLC Strategy

There was a review of the CLC's strategy at the June workshop meeting. Council is asked to **agree** the following:

Following a review of the changed legal sector landscape and the expectations raised by government announcements of planned reviews of the framework of regulation, the Council reaffirmed its strategic objective of ensuring that the strengths of activity – based regulation were recognised and retained in any future regulatory framework, regardless of whether that included one or many regulators.

3. CEO Report

The Council noted the contents of the CEO report, the following updates were given at the meeting:

- On page 4 of the report, it was noted that Chairs of committee will continue to give comments on committee members performance to the chair on a yearly basis, to enable it to be fed into individual's appraisals carried out by the Council Chair;
- Council members noted that the update on insurance renewal was helpful.

4. Management Reporting

a) Q4 Performance Out-turn

Council noted key issues contained in the reporting suite of papers. The Director of Finance reported a surplus over budget projections at the half year, and said this was likely to continue to end of year position. The positive variance is due to revenue being higher than expected and operational expenditure being below expectation. It was anticipated that expenditure would even out by the end of the year.

There had been no movement on the Compensation Fund in the first half of the year.

It was noted that cash reserves were very healthy, due to the sale of the properties in Chelmsford. The cash was currently split over 3 banks. Council asked for a paper to return to the November Council to consider what investments could be made, both shorter and longer term, taking into account market forces and Brexit fallout.

On licence holder numbers, an additional figure to be added for those members who are LCs and probate licence holders.

It was noted that no income stream projected for 2017 budget calculations for Education income.

Action 001: amendment to management pack to include figures for those holding a LC licence and what % of the Licence holders are probate practitioners.

b) Interventions and Watchlist

Council noted the contents of the watchlist. In particular Council noted:

- RSMs were continuing to build constructive relationship with practices;
- There were robust discussions at SMT on a weekly basis of watchlist items

c) Principal Risk Register

Heather Foster informed the Council that the Audit and Risk Committee had scrutinised the risk register at their last meeting and were happy to recommend to Council for approval. ARC had asked the Executive to look again at the risk rating after controls, as members considered that some of these could have a lower risk rating after mitigations in place. Council approved the risk register after discussion of the issues.

Item 5 Redacted: Commercially Confidential

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6. Practice Fee and Compensation Fund Contributions from Nov 16 to Oct 17

The Council noted that the CLC published a consultation on the current fee structure which ended on 24 June 2016. There were two responses: one from a practice agreeing the proposals and the other from the Society of Licensed Conveyancers (SLC) making tentative proposals for changing the charging structure (such as modifying the fee bandings). A meeting is being fixed with the SLC in mid-September to discuss these proposals.

Council noted the good news story that fees were being reduced by 20% and the compensation fund contributions were to remain the same for 2016/17.

Decision: Council agreed that CLC maintains the Licence Fee at £400, the Practice Fee rates are reduced by 20% (as agreed by the Council at its meeting on 21 March 2016) and the Compensation Fund contributions are maintained at their current level. This proposal should not go forward to LSB for approval.

It was noted that LSB would turn around the application quickly.

7. Intelligence and Research half year Update (inc Quarterly Property Round up)

The Council noted the update and property round up. It was reported that on page 5 of the update, client care letters, work was being undertaken to look at improving letters, and also how to communicate with clients eg electronically, by letter etc. Results will be available in the autumn and they will feed in to the review of the CLC handbook.

Council also noted that all CLC regulated practices had reviewed their insurance and all had run off cover. The split between Howdens and Willis was an even spread this year.

The property round up would be going out to the whole of this profession in next week's newsletter.

On the ARR, it was reported that some of the repetitive questions that crop up year after year had been removed from this year's return. In future years, it was suggested we might be able to provide a template with last year's answers so that firms can amend and update the appropriate sections and leave in standard reporting information if it had not changed.

Council requested that the figures in template 7 should be shared with the insurance profession.

It was also noted that the Chair had written to the new Lord Chancellor and newly appointed ministers with introductory letters.

8. CMA Report

The Council noted that the Competition and Markets Authority (CMA) had published its interim report on the legal services market on 8th July 2016.

The CEO further reported that an email had been received from CMA after issue of the Council papers say that in parallel to the report finalisation, they will also now be looking into certain issues in greater detail and into areas of law beyond our case studies and given that residential conveyancing is a particularly well-used area of law for individual consumers, they would like to look into this area in greater detail. They also wanted to explore whether there were any barriers to expansion that licensed conveyancers face in the legal services sector. In previous correspondence with us we mentioned lender panels and the impact of the Law Society's Conveyancing Quality Scheme in this context. The CAM would like to take the opportunity to engage with the CLC and its members in particular to explore this point further and asked if we would be willing to hold meetings in the second half of August (from w/c 15th August) with approximately 3-5 CLC members to explore these issues with them.

The Council agreed that was a good opportunity for CLC to shape this issue going forward.

The chief remedy to a lack of competition in legal services identified by the CMA is the provision to consumers of more information on legal service providers. In other areas (insurance, utilities) the market has provided comparison tools that help the consumer. No such tools have yet emerged in the legal services sector with any real impact and so it seems sensible for the regulators to step in to fill the gap.

The Council agreed that the executive should explore how best to enhance the information it makes available to help consumers choose their legal services provider and bring recommendations to the November meeting of the Council.

The Chair also asked Council whether they would be willing to start discussions in the September workshop on price transparency issues within the profession and how would CLC, as the specialist regulator, help our profession to manage this issue, either by growing the market and see how this could be done, especially by joining forces with others.

Council debated whether this was in fact a job for the regulator and whether there was a market for price comparisons. For the September workshop it was agreed to explore issues, look at what research (including Select Committee reports) that exists already and debate next steps, to ensure our profession does not get left behind.

Action 002: Discussion on ways that consumers choose services of licensed conveyancers to be held at September workshop

9. Education Update and next steps

Council noted the update on education and the progress made towards transition to SQA in September.

Council had agreed at its meeting in March 2015 to establish a voluntary register for technicians which was intended primarily for apprentices, rather than current students.

It is proposed that the scope of the register is extended to include current students to enable them to evidence independent evidence of their achievement. Others who have completed the foundation units and are not yet eligible to apply to be licensed conveyancers will be able to register their qualification on the same terms as current students.

Decision 004: Council agreed:

- 1. students are permitted to register their qualification at a technician level on the voluntary register from September 2016 as an incentive for current students to complete the foundation course, subject to (2) below.**
- 2. in order to mitigate the risk that students do not progress beyond the technician qualification to a CLC lawyer licence, students who have completed the foundation course will also be required to complete the new Foundation Accounts units or, alternatively, provide satisfactory evidence (certified by their employer) of equivalent experience to apply for registration as a CLC Legal Technician (Conveyancing or Probate).**
- 3. The LC legal Technician register to note that the members on the register are “not qualified LCs”.**

The Council also noted that they were very pleased with the progress on the project and by the way the team were handling the transition.

The Council noted that marketing had not yet started by SQA on the courses offered, but that SQA would liaise with the Director of External Relations would work together to advertise. There would be links to SQA website on the CLC website.

10. Risk Appetite Statement

Following on from the Risk session at the June workshop, a risk appetite statement had been drafted for consideration.

Council considered whether the 4 categories suggested were appropriate and were asked for views on whether the risk appetite statement to accompany each was sufficient.

Council agreed the 4 categories in the statement were suitable, and added an additional one of Strategic Development. Council asked Executive to expand on the risk appetite statements that accompanied each one:

- i. Earnings Volatility
- ii. Reputation
- iii. Consumer Protection
- iv. Reserves
- v. Strategic Development

An explanation to be added to paper on what was meant by minimum/medium/maximum categories and a monetary value on financial considerations.

The revised statement should then be treated as a living document and used by Council for decision making, changes in policy etc. This should be attached to the risk register at quarterly meetings.

Action 003: The Risk Appetite Statement to be appended to the Principal Risk Register at each meeting.

11. Committee Minutes for Approval

- a) ARC minutes from 19 July
- b) Ratification of independent member of ARC
- c) Rem Com minutes from 9 June

The Council noted the contents of the last set of minutes for each Committee. The Council also approved the appointment of Richard Cryer, as Independent Member of the Audit and Risk Committee

12. Council Workplan

The Council workplan was noted.

Council noted that the 2017 CLC conference would be held on the same day as the January Council meeting, with a proposed new date of 25 January. This was the only day all 3 conference rooms were available. An awards ceremony would take place on the same day.

Committee Secretary to look at alternative days for September workshop.

13. **AoB**

None.