

## CLC Council Meeting

**Thursday 2 November 2017**

**11.00 a.m. - 1.00 p.m.**

**CAN, Bank Room, 49-51 East Road, London,**

**N1 6AH**

### **A G E N D A**

No	Item	Publication status	Type of Paper	Lead
1.	<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 2 November 2017 b) Actions arising from previous meeting	a) For publication: information which is commercially confidential, policy in development or intended for future publication has been redacted b) Actions 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>CEO Report</b>	Not for publication – contains information which is: policy in development; intended for future publication; commercially confidential	Noting	<b>CEO</b>
4.	<b>Management Report</b>  a) Q4 Performance Outturn b) Interventions and Watchlist c) Principal Risk Register  d) Property and Law News Round up e) Business Plan 2017 Progress	a) For publication – commercially confidential information has been redacted  b) Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action  c) Not for publication – contains information the disclosure of which would be prejudicial  d) For publication  e) Not for publication – contains information intended for future publication	Noting  Noting  Approval & Noting  Noting  Noting	<b>DFO</b> <b>DFO</b> <b>DFO</b> <b>DSER</b> <b>DSER</b>
5.	<b>Governance</b>  a) Professional Reference Group – Terms of Reference  b) Proposed amendment to Council Terms of Reference and Standing Orders ( <i>to follow</i> )	a) Not for publication – information intended for future publication  b) Report withdrawn	Approval  Approval	<b>DRS</b> <b>CEO</b>
6.	<b>Committees</b>  a) <b>Audit and Risk Committee</b> Chair's Report of meeting held on 1 November 2017 ( <i>to be tabled due to timescale</i> )  b) <b>Appointments Committee – Chair's report</b> c) <b>Remuneration Committee</b> Minutes of meeting held on 27 April 2017 and Report Chair's report of meeting held on 21 September 2017	a) Not for publication – contains information which is: policy in development; intended for future publication  b) Not for publication – contains information which is intended for future publication  c) Not for publication – contains information which is: policy in development; intended for future publication	Noting  Noting  Noting	<b>Cttee Chair</b> <b>Cttee Chair</b> <b>Cttee Chair</b>

No	Item	Publication status	Type of Paper	Lead
7.	<b>Council Work Plan 2018</b>	For publication	Noting	<b>CEO</b>
8.	<b>Any Other Business</b> (Items to be advised by email in advance to Audrey Cosens)			<b>ALL</b>
9.	<b>Date of Next Meeting</b> <b>Thursday 25 January 2018</b>		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 commercially confidential, policy in development or intended for future publication has been redacted

**Council  
2 November 2017  
Agenda Item 2 (a)**

**Council for Licensed Conveyancers  
Minutes of the Council meeting held  
on  
Thursday 27 July 2017  
at  
CAN Mezzanine, East Road, London, N1 6AH  
10.00h – 12.30h**

**Council Present**

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

**CLC in attendance**

Ms S Kumar	Chief Executive
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**

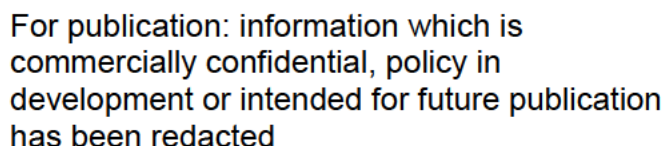
Apologies for absence were received from Quinton Quayle.

In addition to previously advised interests, Colin Wilby advised that he had been appointed as a Non-Executive Director, Taxation Disciplinary Board from 1 June 2017 and as Vice-Chair, Inns Conduct Committee, with effect from 1 August 2017.

**Action/Council/July/001: Details to be added to the Register of Interests.**

In order to facilitate the flow of items for discussion and decision, some of which would require Council and staff members to withdraw from the meeting and to take no part in the discussion, the Council **AGREED** to vary the order of published business as follows:

- Item 5 (a) (Q2 Performance Outturn – Compensation Fund) to be considered subsequent to items 3 and 4 (Chair's report and Chief Executive's report) with no staff present.
- Item 4 (Chief Executive's Report) to enable consideration of PII renewal without professional members present.



**Council**  
**2 November 2017**  
**Agenda Item 2 (a)**

The Council **AGREED:**

- ### 3. Chair's Update

The Chair advised that an update would not be a regular item on the Council agenda, however would be included on the agenda as necessary.

The diagram consists of a vertical column of eight small black squares on the left, connected by a vertical line to a large black rectangular area on the right. The large area contains several horizontal white bars of varying lengths, suggesting a list or a series of items.

- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **4. Chief Executive Officer's Report**

The CEO presented her quarterly report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Council **NOTED**:

(1) the Chief Executive Officer's report; [REDACTED]

[REDACTED]

**Action: Council/July/005: To submit an executive version of the financial and regulatory delegations to Council.**

#### **5. Management Report**

##### **a) Q2 Performance Out-turn**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 the watchlist and intervention activity during Quarter 1. The following points, in particular, were highlighted:

- [REDACTED]

[REDACTED]

The Council:

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

(2) **AGREED** that the report would not be published due to confidentiality.

***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 18 July 2017.



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.

In addition to the overview of the property market detailed within the report, Council was advised that the CLC had been seeking to open a discussion with the National Home Building Federation on the impact of ground rent escalation terms which have been applied to some new build developments, and which has been the subject of recent consumer and media interest. A statement had been prepared to remind regulated practices to provide clear advice to clients of their lease terms.

It was agreed to include information on the volume of remortgage work within the next report to Council.

The Council:

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



**Action: Council/July/007: to include remortgaging work within the next report to Council.**

## **6. Strategic and Future Planning**

### ***a) Confirming the CLC's Strategy for 2018-2022***

Following extensive development work undertaken by the staff and the Council during the first half of the year, the Council was invited to confirm its strategy for the forthcoming 5 year period.

[REDACTED]

[REDACTED]

[REDACTED]

The Council **AGREED** to confirm the articulation of the CLC's strategy for 2018 to 2022.

**Action: Council/July/008: to publish and communicate the CLC's 5 year strategy in September 2017.**

### ***b) Business Plan 2017 Update and Forward Look to 2018***

The Director of Strategy and External Relations introduced a report which updated the Council on progress against the 2017 business plan and additional activities required to deliver the CLC's new strategy and action plan in response to the CMA's recommendations.

[REDACTED]

[REDACTED]

[REDACTED]

The Council **NOTED**:

- (1) Progress against the 2017 plan and the new activities that have been added to it for the remainder of the year;
- (2) The draft business plan for 2018, subject to incorporation of the above comments.

**Action: Council/July/009 to incorporate the additional points above within the Business Plan 2018**

***c) Practice Fee and Compensation Fund Contribution***

Following approval of the objectives and principles to be applied in the determination of fees to be charged to regulated practices and licensed individuals by the Council at its meeting on 27 April 2017 and following consultation, the Council was invited to set the regulatory fee rates for the 2017-2018 licence year.

It was proposed that the practice fee rates and compensation fund contributions should remain unchanged for the period 1 November 2017 to 31 October 2018.

[REDACTED]

[REDACTED]

The Council **AGREED**, subject to the agreement of the Legal Services Board:

- (1) To maintain the licence fee at £400;
- (2) To retain the practice fee rates at their current level agreed by the Council at its meeting on 27 July 2016;
- (3) To maintain the Compensation Fund contributions at their current level;
- (4) That the income budget on which the contributions are based should be assessed in the context of the Council's strategy for growth in the future.

**Action: Council/July/010: To submit the proposed practice fee and compensation fund contributions to the LSB for decision.**

## **7. Governance**

### ***a) Professional Reference Group***

At its meeting on 27 April 2017, the Council had agreed that a professional reference group should be established which would enable the CLC to seek the opinions of practicing professionals on emerging issues and developing conveyancing and probate policy.

[REDACTED]

The Council **AGREED:**

- (1) The establishment of a Professional Reference Group; and
- (2), to consider terms of reference and recruitment at a future meeting, taking account of the comments above.

**Action: Council/July/011: To prepare draft terms of reference for a Professional Reference Group, based on the above comments.**

### ***b) Appointments Committee – Terms of Reference***

At its meeting on 27 April 2017, the Council agreed to establish an Appointments Committee for the appointment of Non-Executive members of the Council, the Adjudication Panel and the Chief Executive.

[REDACTED]

The Council **AGREED**:

- (1) The Terms of Reference of the Appointments Committee (as amended);
- (2) To appoint Colin Wilby to the Appointments Committee as the lay member representative.

**Action: Council/July/012 To incorporate the Terms of Reference of the Appointments Committee within the Corporate Governance Framework.**

***c) Proposed Amendment to Council Terms of Reference and Standing Orders***

The Council was invited to approve changes to the Council's Terms of Reference and Standing Orders to align with amendments made to the CLC's Council Appointments Regulations 2015.

Following discussion, it was agreed that the draft amendments should be reviewed and re-submitted to Council for agreement.

**Action: Council/July/013: to review and resubmit the Council Terms of Reference and Standing Orders to the Council for agreement.**

## **8. Committees**

***a) Audit and Risk Committee***

The Council **NOTED** the report of the Chair of the Audit and Risk Committee and the draft minutes of its meeting held on 18 July 2017.

***(b) Remuneration Committee***

The Council was advised the report of the Chair of the Remuneration Committee and minutes of its meeting held on 27 April 2017 would be submitted to its next meeting.

**Action: Council/July/014: To include the Chair's report and minutes on the next Council agenda**

## **9. Council Workplan**

The Council was advised that the Workplan represented a current snapshot of reports and activities planned for 2017. [REDACTED]

[REDACTED]

The Council **NOTED** the Council Workplan for 2017.

**10. COUNCIL AND COMMITTEE MEETING SCHEDULE 2018**

The Council **AGREED** dates for Council, Audit and Risk Committee and Remuneration Committee meetings in 2018.

**Action: Council/July/015: to circulate the schedule for Council meetings in 2018 to members.**

**11. ANY OTHER BUSINESS**

There were no other items of business.

**12. DATES OF NEXT MEETINGS**

Council Workshop: 21 September 2017  
Council: 2 November 2017.



## **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 2017 budget expenditure.

### **Diversity and inclusion impact**

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

### **Communications requirements**

This report is an update for Council members only.

### **Publication status**

Not for publication.

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

**Purpose:**                **Noting**

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

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### **Summary**

This report comprises of the following elements:

**Section 1:** Out-turn figures have been reported to the ARC on 1 November 2017 but have not been updated to include any comment or discussion items.

**Section 2:** Operational performance indicators.

**Section 3:** Human Resources indicators

**Section 4:** Complaints made against the CLC

**Section 5:** Procurement

**Section 6:** Projects

### **Recommendations**

Council is asked to review and note the paper.

### **Risk management**

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

### **Financial impact**

There is no direct financial impact.

### **Diversity and inclusion impact**

There is no impact on diversity or inclusion.



## **Communications requirements**

ARC considered this report at its meeting on 1 November 2017

## **Publication**

For publication.

## **Section 1: Out-turn – Overview of financial performance to 30 September 2017**

### **PRACTICE FUND**

#### **1 Financial Performance**

The Practice Fund financial results are summarised below:

Council for Licensed Conveyancers Income Statement for Q3	January - September 17		Variance YTD	Var %
	Actual	Budget		
<b>REVENUE</b>	<b>1,967,300</b>	<b>1,939,217</b>	<b>28,083</b>	<b>1%</b>
<b>TOTAL STAFF COSTS</b>	<b>952,697</b>	<b>1,117,158</b>	<b>164,461</b>	<b>15%</b>
Salaries and Benefits	858,313	1,019,665	161,353	16%
Council Fees and Expenses	94,384	97,493	3,108	3%
<b>TOTAL OPERATING EXPENDITURE</b>	<b>885,232</b>	<b>836,599</b>	<b>(48,633)</b>	<b>-6%</b>
External Relations	187,301	180,235	(7,067)	-4%
Practice	82,606	84,725	2,118	3%
Regulatory	293,017	273,073	(19,944)	-7%
Office Costs	322,307	298,567	(23,740)	-8%
<b>SURPLUS</b>	<b>129,372</b>	<b>(14,540)</b>	<b>143,911</b>	<b>990%</b>

At the end of the third quarter we have generated a year to date surplus of £129,372 and a positive variance against budget amounting to £143,911.

Year to date revenue is 1% higher than budgeted. The positive variance can be attributed to new practices coming under CLC regulation as well as growth in individual CLC license holders.

Staff costs are 16% below the budgeted expectation. The positive variance is attributed to the timing of new recruitment and associated recruitment cost as well as underspend on the training budget. Recruitment related expenditure is expected in the 4<sup>th</sup> quarter which will reduce the staff cost variance.

Operating expenditure exceeds budget by 6%. The contributing components of this variance are summarised below:

- **External Relations** costs are 4% over budget (£7,067 negative variance) The variance is attributed to underspend on consultancy costs (£28,251), which is offset by overspend on communication and marketing (-£36,653) driven by unbudgeted spend on education related events and attendance at additional unbudgeted events.
- **Practice** costs are 3% under budget (£2,118 positive variance). The variance is attributed to timing of 3<sup>rd</sup> party inspection costs, partially offset by additional storage costs linked to the recent interventions.
- **Regulatory** costs are 7% over budget (£19,944 negative variance) the negative variance is attributed to higher than expected LSB/OLC recharges this is partially offset by underspend on the general consultancy budget.
- **Office costs** are 8% over budget (£23,740 negative variance). The variance is attributed to consulting cost associated with the CLC strategy development.

## 2 Cash reserves

As at 30 September 2017 the cash position of the Practice Fund is summarised as follows:

Practice Fund			Increase / (Decrease)
Cash Reserves as at September 2017	Jun-17	Sept-17	
Minimum Reserves	1,000,000	1,000,000	-
Free Cash Reserves	2,493,684	2,447,749	(45,935)
<b>Total Cash in Hand</b>	<b>3,493,684</b>	<b>3,447,749</b>	<b>(45,935)</b>

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

The decrease in the free cash reserve is due to timing of cash receipts. We receive a good proportion of annual receipts in November, and the remaining balances in monthly instalments. Cash reserves increase during license renewal and decrease over the remainder of the year as operating expenditure exceeds monthly inflows.

## **COMPENSATION FUND**

### **1 Financial Performance**

<b>Council for Licensed Conveyancers</b>	<b>January - September 17</b>		<b>Variance YTD</b>	<b>Var %</b>
	<b>Actual</b>	<b>Budget</b>		
<b>Income Statement for Q3</b>				
Practice contribution revenues	474,122	467,440	6,682	1%
Aged Balances received	74,508	-	74,508	-
Intervention funds received/(paid)	(79,757)	-	(79,757)	-
<b>TOTAL REVENUE</b>	<b>468,874</b>	<b>467,440</b>	<b>1,434</b>	<b>0%</b>
<b>TOTAL EXPENDITURE</b>	<b>81,083</b>	<b>158,749</b>	<b>82,346</b>	<b>49%</b>
Compensation claim provision	7,727	90,000	82,273	91%
Legal Fees Re. Comp Fund Claims	5,922	41,148	35,226	86%
Direct intervention costs	4,680		(4,680)	
Intervention Consultancy	62,153	27,000	(35,153)	-130%
LC's Run Off Cover (Future)	601	601	-	-
<b>SURPLUS</b>	<b>387,790</b>	<b>308,691</b>	<b>79,100</b>	<b>26%</b>

At the end of the third quarter we have generated a year to date surplus of £387,790 and a positive variance against budget of £308,691. This positive budget variance can be attributed to:

- Higher than budgeted practice contributions driven by new practices coming into CLC regulation.
- Aged balance funds received from practices, for which we do not budget as we are unable to predict the timing or amount of inflows.
- Partially offset by a payment made from intervention funds held [REDACTED]
- Lower than budgeted Compensation Fund grant provisions have been made.
- Lower than budgeted Legal fees relating to compensation fund claims.
- This is partially offset by intervention related costs associated with the three interventions that were made earlier in the year.

## 2 Cash Reserves

The cash reserves of the Compensation Fund can be summarised as follows:

Compensation Fund			Increase / (Decrease)
Cash Reserves as at September 2017	Jun-16	Sept-17	
Minimum Reserves	2,000,000	2,000,000	-
Free Cash Reserves	1,530,874	1,641,417	110,543
Aged Balances Reserves	786,864	799,439	12,575
Intervention Funds	728,111	647,099	- 81,012
Deposit at HMRC	1,391,105	1,391,105	-
<b>Total Cash in Hand</b>	<b>6,436,954</b>	<b>6,479,060</b>	<b>42,106</b>

We are in addition to the above holding client money amounting to £142,428 that relates to the 3 interventions earlier this year.

[REDACTED]

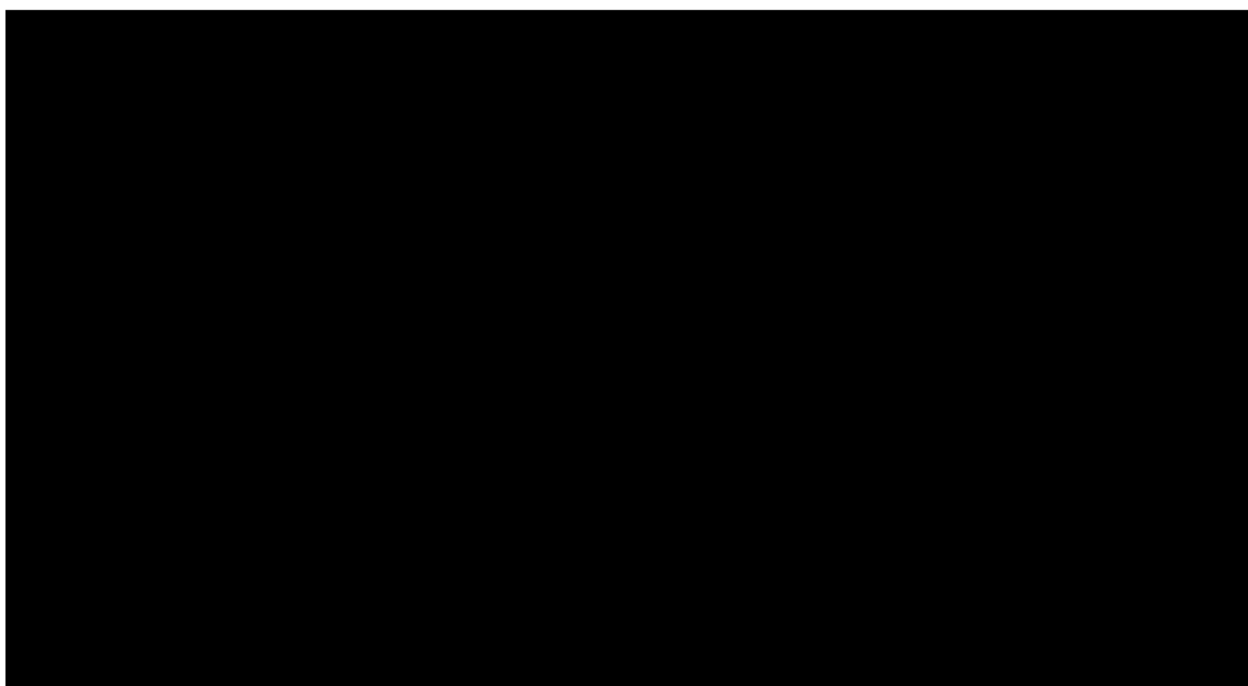
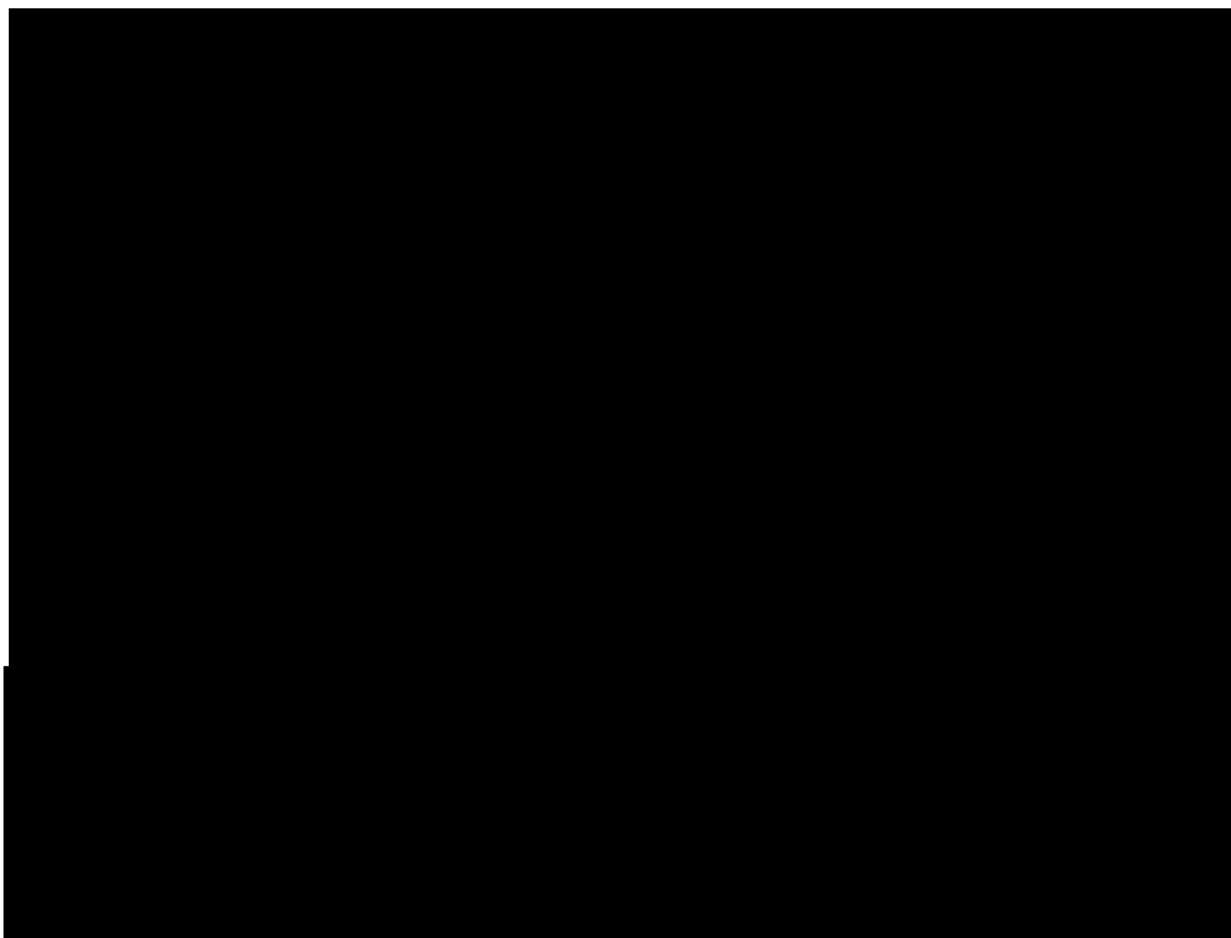
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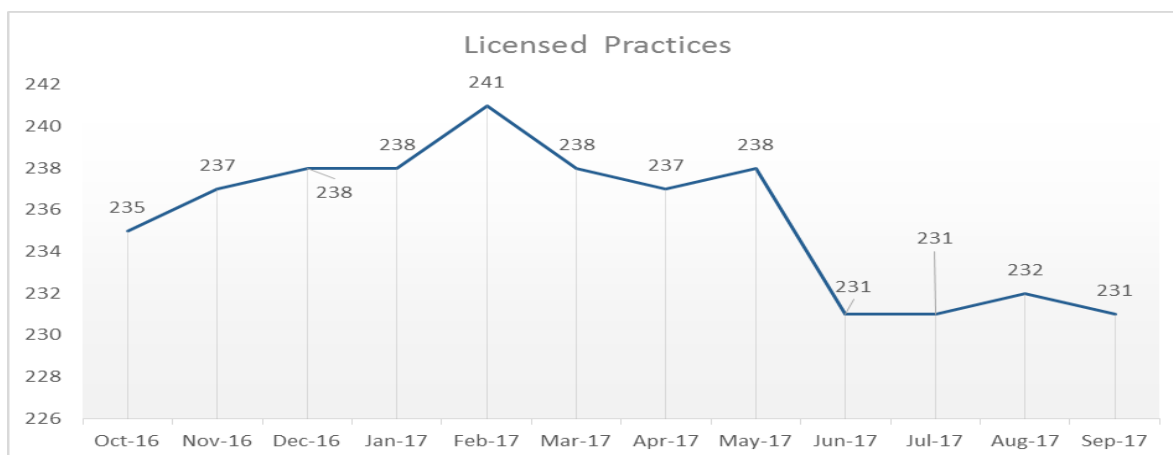
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## **Section 2: Operational performance indicators**

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



- The number of practices under CLC regulation has remained flat over the last quarter but reduced by 7 practices since January 2017.
- Closures in the current financial year are largely attributed to retirement of the practitioner.
- All the practices that closed had a turnover under £200k (with 4 of them under £100k)

The practices regulated by the CLC at the end of September 2017 is summarised by entity type below:

Practices by Entity Type		ABS
Limited Company	155	56
Limited Liability Partnership	13	3
Partnership	19	
Sole Practitioner	44	
<b>Total</b>	<b>231</b>	<b>59</b>

There are currently 59 (59 at the end of Q2 2017) regulated practices that are registered as Alternative Business Structures.

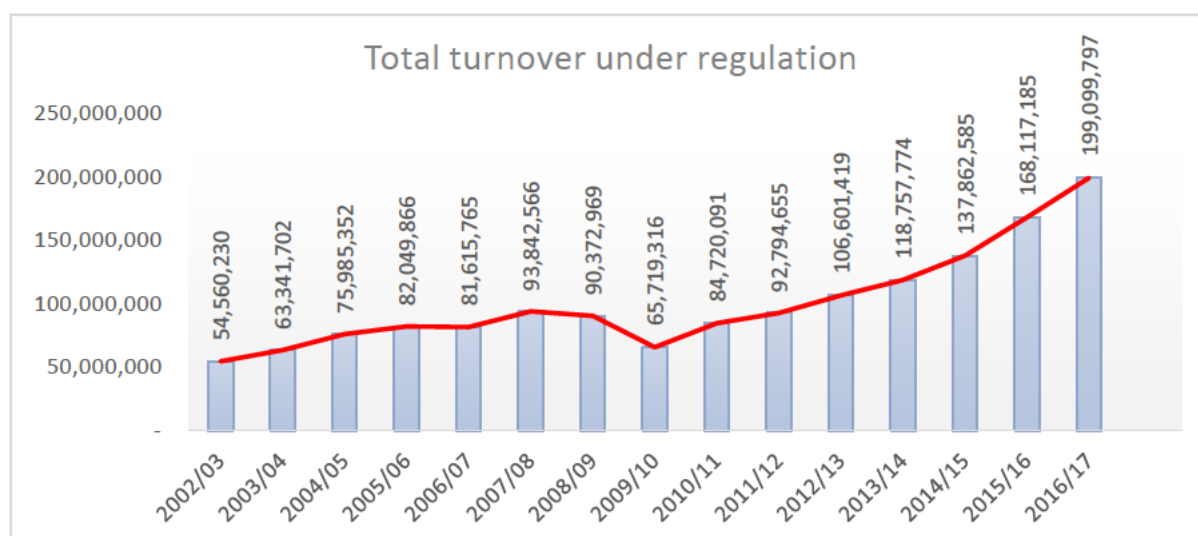


The table below summarises movement in the number of practices and declared turnover from the beginning of the last renewal period starting 1 November 2016.

Growth in turnover under CLC regulation	Nov 16 - Sept 17	
	No. of entities	Declared turnover (£)
Practices at Nov 16 renewal	235	199,099,797
New practices added	11	3,477,961
Less: Closed practices	-15	(3,381,750)
<b>Total at 30 June 2017</b>	<b>231</b>	<b>199,196,008</b>
<b>Net growth in turnover under regulation:</b>		<b>96,211</b>

During the 9 months covered by the review period, 11 new practices have come under CLC regulation adding £3.5m to the declared turnover under regulation. Over the same period a total of 15 practices closed (including 1 merger for which the turnover has not been included in the closed practices turnover) reducing declared turnover by £3.3m.

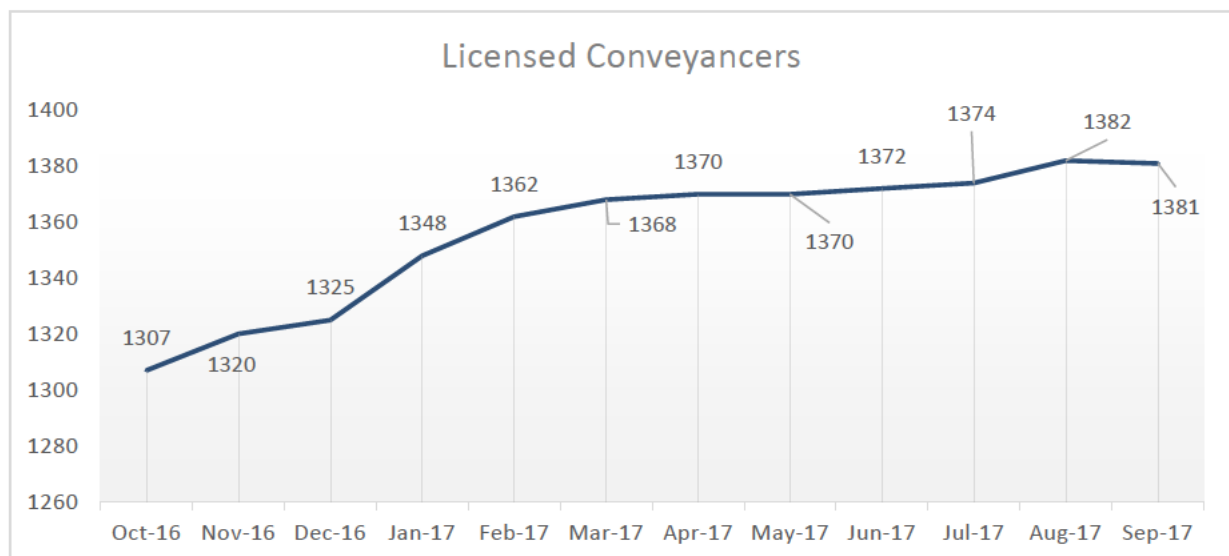
The table below summarises the declared turnover at license renewal point since 2002.



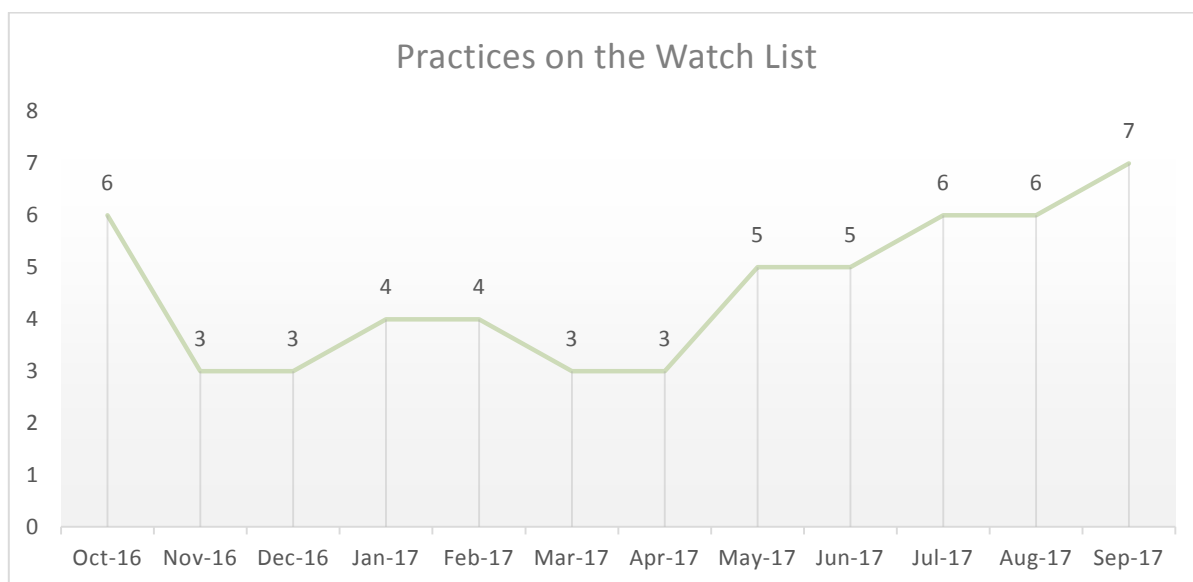
- The number of issued Individual licenses increased by 3 and Manager licences by 6 in the third quarter of 2017. The table below summarises the individual licenses issued:

Individual License Holders	Employed	Manager	Total Q3 2017	Total Q2 2017
Probate	1	3	4	4
Conveyancing	977	327	1,304	1,297
Probate & Conveyancing	21	52	73	71
	999	376	1,381	1,372

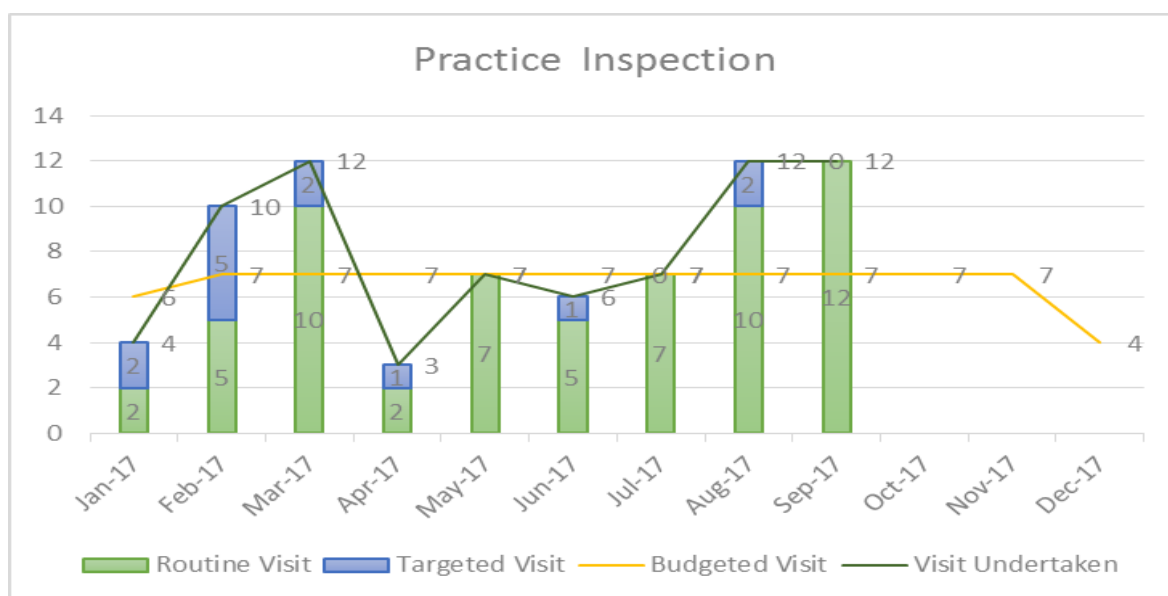
The growth in individual license over the previous 12 months is captured in the graph below:



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



Inspections conducted year to date have been summarised below:



29 routine and 2 targeted inspections have been conducted in the third quarter of 2017.

The status of accountant's reports received for the 2015, 2016 and 2017 financial years are summarised below:

Accountants Report	FYE 2015	FYE 2016	FYE 2017
Received	223	225	95
Submitted Late	55	50	15
Not yet Submitted	1	1	10
Qualified	64	63	28
Qualified rate (received)	29%	28%	29%

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

No practice interventions have taken place in Q3.

### **Section 3 – Human Resources**

<b>Sickness and Absence Statistics</b>	<b>Full Year 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>
Equivalent Employees	16.75	15.5	14	13
Total work days	4,218	961	840	744
Sick days taken	69.5	13	17	13
% of work day's absent	2%	1.35%	2.02%	1.75%

The headcount at 30 September 2017 can be summarised as follows:

<b>Type</b>	<b>2016 YE</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
<b>Employee</b>	17	13	13	12
<b>Contractor</b>	2	1	2	1
<b>Council member</b>	10	10	10	10
<b>Resignations/redundancy</b>	0	4	1	1

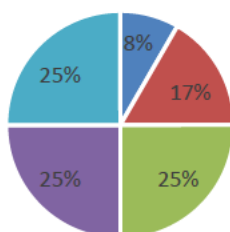
Staff movements:

- 1 staff member left in August.
- 1 contractor finished her contract in July.

The 2017 budget was based on a headcount of 20 individuals. Of these 20 heads:

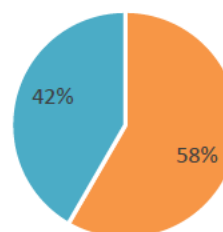
- 1 position has not been filled.
- 4 redundancies were made in February 2017.
- 2 staff members resigned (June and August).

**Staff Grading**



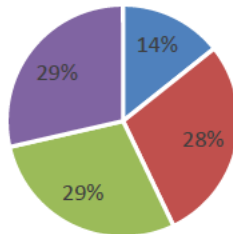
■ CEO ■ Senior Manager ■ SMT ■ Manager ■ Admin

**Staff Gender**



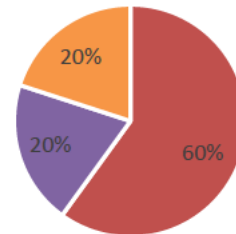
■ Female ■ Male

**Staff Grading - Female**



■ CEO ■ Senior Manager ■ Manager ■ Admin

**Staff Grading - Male**



■ SMT ■ Manager ■ Admin

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

No complaints have been raised against the CLC in Q3 2017 (2016: 5). There are currently no unresolved complaints.

No instances of whistleblowing have been reported.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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

Other than the Strategy development exercise no projects are ongoing.

## CLC Watchlist & Interventions

**Purpose:** Noting

**Author:** Jason Hinrichsen

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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.

There have been 3 interventions in 2017. Further details of the circumstances and progress are summarised 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

**Date of Meeting:** 02 November 2017

**Purpose:** Review & noting

**Author:** Jason Hinrichsen

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### Summary

The Principal Risk Register as presented to the Audit and Risk Committee on 1 November 2017 is attached for consideration

The SMT have discussed and reviewed the Principal Risk Register in October 2017 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) No amendments should be made to the Principal Risk Register as approved by Council in July 2017.

SMT have discussed and considered:

- The impact of Brexit on the CLC and the regulated community. Although we have not identified any significant implications at this stage, we are continuing to monitor the potential impact it may have on business funding and EU lawyers.
- Trends in the conveyancing market and property price information. We concluded that the risk and the rating included in the Principal Risk Register still adequately reflected our position.
- The recent call for evidence from DCLG on improving the home buying and selling process. This has an operational impact and has been factored into the Operational Risk register.
- The CMA action plan. This has an operational impact and has been factored into the Operational Risk register.

The Audit and Risk committee will review the attached Principal Risk Register at their meeting on 1 November 2017. Any comments or changes proposed at this meeting will be verbally communicated at the Council meeting on 2 November 2017.

## **Recommendations**

The SMT recommends that Council approves the Principal Risk Register as recommended by ARC.

## **Risk management**

The report is for information only.

## **Financial impact**

There is no financial impact in relation to this paper.

## **Diversity and inclusion impact**

There is no impact on diversity or inclusion.

## **Communications requirements**

This paper is for the Audit and Risk Committee 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

**Date:** 2<sup>nd</sup> November 2017

**Purpose:** For information

**Author:** Stephen Ward

**Approver:** Sheila Kumar

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### Summary

The regular summary of information affecting the property market. This is a snapshot of recently published data and commentary. Much current commentary is contradictory and uncertain and this summary reflects that.

### 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.

## **Economic outlook**

The EY Item Club issued a downbeat Autumn Forecast in October saying that the economy 'stuck in low gear over the summer, reflecting the squeeze on consumers' real incomes and uncertainty over Brexit negotiations'.

With Consumer Price Index (CPI) inflation continuing to outstrip average earnings growth (despite the lowest unemployment rates since 1975 – 4.3%) and with business confidence still low, they expect the economy to continue to struggle until early 2018. The forecast that GDP growth for 2017 will reach 1.5% and inflation to reach 3% before the end of the year.

However, the Item Club do forecast that average earnings growth will overtake inflation as it falls back over the course of 2018. They expect inflation to be at 2% by the end of 2018 as the effects of the fall in sterling in 2016 fade. 'This should bolster consumer purchasing power, while earnings growth should pick up gradually.' The bank of England has been increasingly hawkish about the prospect of an increase in interest rates in the near future. Some commentators have suggested that they will have to raise rates in November in order to maintain credibility. The minutes of the September meeting of the Monetary Policy Committee does take care to state, though, that 'All members agree that any prospective increase in Bank Rate would be expected to be at a gradual pace and to a limited extent'. The Item Club expect an raise from 0.25% to 0.50% in November with no further move until Q4 2018 once the response to the initial increase is clear.

In their September House Price Index report, Nationwide note that the impact of a small rise in interest rates is 'likely to be modest', in large part because only around 40% of mortgages are on a variable rate (down from a peak of 70% in 2001) and also because a 0.25% increase would cost the average mortgage-payer less than £200 a year. They also note, though that household budgets are already under pressure and so some households may struggle.

IHS Markit's UK Household Finance Index for October 2017 is couched more positively than the Item Club. They highlight that 'UK households saw financial pressure ease in October' although the need for unsecured credit 'continued to rise'. Overall, household sentiment reached a level better than the post-crash average and 'the uptick in financial confidence contributed to a slight recovery in ... appetite for spending on big ticket items ... from the three year low seen in February'. That is despite increased concerns around job security.

However, recent ONS and CBI statistics show a drop in retail sales in September and if this trend continues, that could affect the Bank's thinking on interest rates.

## **Property Market**

The RICS said that the results of their UK residential market survey for September 'are again symptomatic of a market lacking momentum at the national level' with 'headline indicators on demand and sale [slipping] deeper into negative territory'.

In September, estate agents reported a decline in new buyer enquiries while instructions to sell stabilised following 18 months of decline. Average stock levels on estate agents books remain new record lows. The survey found little expectation of improvement over the next year although they report that respondents in Wales, Scotland, and Northern Ireland are a little more optimistic than those in England. That might be because London and the South East are currently worst hit by decline.

Nationwide found that in September, house prices in London fell for the first time in eight years. They lost 0.6% compared with Q3 2016.

The national picture on prices is very varied. The East Midlands saw a 5.1% increase compared with Q3 2016 and London was the only region to see a year-on-year fall. Nationally, the annual percentage change was 2.2% growth.

According to IHS Markit, household sentiment towards property value improved very slightly, but future house price estimations still have not recovered to their pre-referendum levels.

#### UK monthly house price statistics, Nationwide

	Monthly % Change Seasonally Adjusted	3 Month on 3 Month % Change	Annual % Change	Average Price
Sep-15	0.6	0.8	3.8	195,585
Oct-15	0.6	1.1	3.9	196,807
Nov-15	0.2	1.4	3.7	196,305
Dec-15	0.7	1.5	4.5	196,999
Jan-16	0.4	1.4	4.4	196,829
Feb-16	0.4	1.4	4.8	196,930
Mar-16	0.7	1.3	5.7	200,251
Apr-16	0.5	1.4	4.9	202,436
May-16	0.2	1.4	4.7	204,368
Jun-16	0.2	1.2	5.1	204,968
Jul-16	0.4	1.0	5.2	205,715
Aug-16	0.7	1.0	5.6	206,145
Sep-16	0.3	1.2	5.3	206,015
Oct-16	0.0	1.3	4.6	205,904
Nov-16	0.0	0.9	4.4	204,947
Dec-16	0.7	0.7	4.5	205,898
Jan-17	0.1	0.6	4.3	205,240
Feb-17	0.6	1.0	4.5	205,846
Mar-17	-0.3	0.9	3.5	207,308
Apr-17	-0.4	0.6	2.6	207,699
May-17	-0.2	-0.2	2.1	208,711
Jun-17	1.1	-0.2	3.1	211,301
Jul-17	0.2	0.2	2.9	211,671
Aug-17	-0.1	1.0	2.1	210,495
Sep-17	0.2	0.9	2.0	210,116

#### Policy developments

The government has announced an expansion of help to buy, garnering a mixed reaction from commentators, some of whom welcome help for first time buyers while others fear the cash will simply fuel house price inflation.

The Chancellor will deliver his budget on 22<sup>nd</sup> November and is widely expected to make changes to SDLT. It is not clear whether that will be a change to the higher rate for second homes and buy to let properties, a wider change in rates or a more radical shift of the tax from the buyer to the seller.



## **BUSINESS PLAN 2017 PROGRESS REPORT**

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

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### **Summary**

This paper updates the Council on progress against the 2017 business plan and additional activities that will begin in the second half of 2017 to deliver the CLC's new strategy and its Action Plan in response to the CMA's recommendations.

### **Recommendations**

The Council is asked to note the progress against the 2017 Business Plan.

### **Risk Management**

The CLC business plans are designed to mitigate risks to clients, the legal sector and the CLC itself.

### **Financial impact**

Some activities reported here may require support from reserves in line with the Council's policy over the course of the Strategy period. Other operating costs can be met within the forecast income of the CLC for plan periods.

### **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 paper. The CLC's business plan for 2018 will be published following its approval by the Council.

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

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







## **Professional Reference Group – Draft Terms of Reference**

**Purpose:** For noting  
**Author:** Audrey Cosens

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### **Summary**

At its meeting on 27 April 2017, the Council agreed that a Professional Reference Group should be established to enable the CLC to seek insight and information from practising professionals on emerging issues to inform the development of policy.

This report sets out proposed terms of reference for the Group and an approach to recruitment.

### **Recommendations**

The Council is asked to note the proposed terms of reference and recruitment and remuneration principles for the Professional Reference Group.

### **Risk management**

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

Where appropriate, other elements of risk have been incorporated within the details of report.

### **Financial impact**

Provision for the costs associated with establishment of a Professional Reference Group, including meetings and expenses can be contained within existing budgets.

### **Diversity and inclusion impact**

The CLC will aim to recruit to the Panel from a diverse community of practising professionals.

Information about recruitment will be published on the CLC's website and across its network of stakeholders.

### **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 on the basis that the proposals will 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 1 November 2017.

Minutes of the meeting held on 1 November 2017 will be included on the Council meeting agenda Thursday 25 January 2018.

#### **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.





## **CLC Council Meeting**

### **Appointments Committee Chair's Report**

**Purpose:** For Noting

**Chair:** Dame Janet Paraskeva

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#### **Summary**

At its meeting on 27 April 2017, the Council agreed to establish an Appointments Committee for the appointment of Non-Executive members of the Council, the Adjudication Panel and the Chief Executive, the remit of which includes:

- the appointment of non-executive members of the Council and the Adjudication Panel
- 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 first meeting of the Appointments Committee on 21 September 2017, which was my first meeting as Chair of the Committee.

#### **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 Appointments Committee discussions and decisions.

#### **Communication and publication requirements**

For Council only.





## **CLC Council Meeting**

### **Remuneration Committee Chair's Report**

**Purpose:** For Noting

**Chair:** Alex Clark

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#### **Summary**

At its meeting on 27 July 2017, the Council was advised that it would receive a Chair's report following the subsequent Remuneration Committee, along with confirmed minutes of its meeting held on 27 April 2017.

Minutes of the meeting of the Remuneration Committee held on 27 April 2017 are attached.

This report summarises the business considered by the Remuneration Committee at its meeting on 21 September 2017, which was my first meeting as Chair of the Committee.

#### **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 Remuneration Committee discussions and decisions.

#### **Communication and publication requirements**

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





## Council Work Plan

**Purpose**

**Noting**

**Author:**

**Sheila Kumar**

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### Summary

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

### Recommendations

To note the report

### Risk management

None in this paper

### Financial impact

None in this paper

### Diversity and inclusion impact

None in this paper

### Communications requirements

None

Annual Cycle	2 November 2017 Council meeting Q3 Results	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
<b>Strategy and Planning</b>	2017 Business Plan								2018 Business Plan and Budget planning
<b>Performance and Risk</b>	<b>Management Report</b> <ul style="list-style-type: none"> <li>Q3 Budget Outturn</li> <li>Interventions and Watchlist</li> <li>Compensation fund</li> <li>Business Plan 2017 update</li> <li>Property News Round up</li> <li>Principal Risks</li> </ul> <b>CEO report</b>	<b>Management Report</b> <ul style="list-style-type: none"> <li>Q4 Performance Outturn</li> <li>Interventions and Watchlist</li> <li>Compensation Plan</li> <li>Property News Round Up</li> </ul> <b>CEO report</b>		External Auditor's Report and Management Letter  CLC Financial Statements 2017	<b>Management Report</b> <ul style="list-style-type: none"> <li>Q1 Budget Outturn</li> <li>Interventions and Watchlist</li> <li>Compensation fund</li> <li>Business Plan 2018 progress</li> <li>Property News Round up</li> <li>Principal Risks</li> </ul> <b>CEO report</b>		<b>Management Report</b> <ul style="list-style-type: none"> <li>Q2 Budget Outturn</li> <li>Interventions and Watchlist</li> <li>Compensation fund</li> <li>Business Plan 2018 progress</li> <li>Property News Round up</li> <li>Principal Risks</li> </ul> <b>CEO report</b>		<b>Management Report</b> <ul style="list-style-type: none"> <li>Q3 Budget Outturn</li> <li>Interventions and Watchlist</li> <li>Compensation fund</li> <li>Business Plan 2018 update</li> <li>Property News Round up</li> <li>Principal Risks</li> </ul> <b>CEO report</b>
<b>Governance</b>	Council Terms of Reference and Standing Orders Remuneration Committee Report  Audit and Risk Committee Report  Appointments Committee Report	Adjudication Panel yearly update from Chair  Corporate Governance Framework Review  Annual Report Narrative  Annual Committee Chairs' reports			<ul style="list-style-type: none"> <li>Appointments to Council Committees</li> <li>Remuneration Committee Report &amp; Minutes</li> <li>Minutes of Audit and Risk Committee</li> </ul>		Minutes of Audit and Risk Committee	Council Effectiveness Review	Minutes of Audit and Risk Committee
<b>Regulatory Activity</b>		Financial Regulatory Delegations  Business Plan and Budget Sign off	Transparency Interventions				Regulatory Fee setting  LSB Report on CLC Self-  First results of Annual Regulatory Return		ARR Results
<b>Ad hoc Business Plan items</b>					Office accommodation options		Regulatory Standards Action Plan – half yearly update Evaluation of Communications and Marketing	Risk Appetite	Business plan and budget sign off for 2019