



CLC Council Meeting
Thursday 2 May 2019
11.00 a.m. – 1.30 p.m.
Council for Licensed Conveyancers
Room LGA
131 Finsbury Pavement
London EC2A 1NT
A G E N D A

No	Item	Publication Status	Type of Paper	Lead
1.	Welcome, Introductions, Apologies for Absence and Declarations of Interest		For recording	Chair
2.	Minutes and Matters Arising			Chair
	a) Minutes of the meeting of the Council held on 24 January 2019	a) For publication b) Not for publication – contains information which is: personal; policy in development	Approval	
	b) Minutes of the meeting of the Council Workshop held on 7 March 2019		Approval	
	c) Minutes of the meeting of the Council held on 28 March 2019	c) For publication: information provided in confidence has been redacted	Approval	
	d) Ratification of decisions taken outside Council meetings	d) Not for publication: contains information which is: personal; policy in development	Approval	
	e) Action arising from previous meetings	e) Actions arising from previous meetings have not been published on the basis that these have been published within written minutes of past meetings	Noting	
3.	Chief Executive's Report	Not for publication – contains information which is: intended for future publication; personal; relates to ongoing enforcement action; policy in development	Noting	CEO/DRS
4.	Fee Setting 2019-20	Not for publication – contains information which is: policy in development; intended for future publication.	Approval	DRS/DFO

No	Item	Publication Status	Type of Paper	Lead
5.	Principal Risk Register	Not for publication – contains information which is commercially confidential.	Approval	DFO
6.	Customer Charter	Not for publication – contains information which is: policy in development; intended for future publication	Approval	DSEER
7.	Annual Evaluation SQA-managed Qualification Scheme	Not for publication – contains information which is: policy in development confidential; intended for future publication.	Approval	DRS
8.	Appointments to Council Committees	Not for publication – contains information which is intended for future publication	Approval	Chair
9.	Committee Reports a) Appointments Committee b) Audit and Risk Committee	a) Not for publication – contains information which is: intended for future publication; personal b) Not for publication – contains information which is: policy in development; intended for future publication	Noting Noting	Appointments Committee Chair Audit and Risk Committee Chair
10.	Dates of Forthcoming Council Meetings <ul style="list-style-type: none"> • Thursday 6 June , 2019, 3.00 p.m. (<i>Council Workshop</i>) • Thursday 24 July 2019, 11.00 a.m. (<i>Council</i>) 		Noting	ALL

No	Information Items – for discussion on request. Please notify the Head of Executive Office in advance	Publication status	Type of Paper	Lead
11.	Q1 Performance Outturn	For publication. Commercially confidential information/personal information has been redacted	Information	DFO
12.	Watchlist and Interventions	Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action	Information	DFO
13.	Business Plan - Progress	For publication	Information	DSER
14.	Property and Law News Round Up	For publication	Information	DSER
15.	Council Workplan	For publication	Information	CEO

There will be a presentation on the work of the Regulatory Supervision Managers in a workshop session.

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



**Council for Licensed Conveyancers
Minutes of the Council meeting held on
Thursday 24 January 2019
Room LGA WeWork
131 Finsbury Pavement, London EC2A 1NT
9.30 a.m. – 12.30 p.m.**

Council Present

Dame Janet Paraskeva (Chair)	Mr. A. Clark
Mr. A. Cogbill	Ms. S. Debney
Ms. H. Foster	Ms. T. Perchard
Mr. Q. Quayle	Ms. A. Pierce
Ms. S. Szarka	Mr. C. Wilby

CLC in attendance

Mr. S. Ward	Director of Strategy and External Relations
Mr. S. Blandy	Director of Regulatory Standards
Mr. J. Hinrichsen	Director of Finance and Operations
Ms. A. Cosens	Head of Executive Office (<i>Minutes</i>)
Mr. J. Sacker	Deputy Director of Communications (<i>for item 9</i>)

Also Present

Kerry Jack, Black Letter Law (*for item 9*)

1. Welcome, Introductions, Apologies and Declarations of Interest

Apologies for absence were received from Sheila Kumar.

The Council congratulated officers on a well-attended and successful annual conference on 23 January 2019.

2. Minutes and Matters Arising

a) Minutes of the meeting held on 1 November 2018

The Council **AGREED** that minutes of the meeting of the Council held on 1 November 2018 be approved as a correct record.

b) Actions arising from previous meetings

The Council reviewed actions arising from its previous meetings.

At its last meeting, the Council had agreed to review its Terms of Reference when work on the governance review was completed.

All other actions were either completed or were included on the forward programme of work.

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

3. Chief Executive's Report

The Director of Regulatory Standards presented a report on current issues.

In addition to the updates contained within the report, the Council was advised that:

- The CLC has responded to the LSB's consultation on Internal Governance Rules. The proposed rule change will require an amendment to the Appointments Regulations to specify that the Chair of Council must be a lay member. The LSB has indicated that it is likely to approve any rule change by exemption direction. Any required changes will similarly be reflected within the corporate governance arrangements.
- An HM Treasury/Home Office roundtable discussion on anti-money laundering has been rescheduled to 13 February 2019. The Chair or Council will be attending the discussion.
- Chair of the Legal Services Panel, Sarah Chambers had joined Council members for a working informal dinner and had observed that the pace of transparency implementation changes varies between regulators, which may impact on the CLC's implementation timetable.

The report included practices' compliance with the transparency requirements. It was agreed to include updates on compliance within the weekly newsletter to Council.

The Council:

- (1) **NOTED** the Chief Executive's report and current progress with current activities and forthcoming meetings; and
- (2) **AGREED** that updates on practices' compliance with the transparency requirements be included within weekly newsletters to Council.

Action: Jan/19/01 To include compliance information within weekly Council newsletters.

4. Management Report

a) Q4 Performance Out-turn

The Director of Finance and Operations introduced the Q4 performance outturn, which had been reviewed by the Audit and Risk Committee at its meeting on 15

January 2019, and which included a summary of probate licenses as requested at the Council meeting on 1 November 2018.

The Council **NOTED** key issues contained in the reporting suite of papers.

b) Interventions and Watchlist

The Council reviewed current watchlist and intervention activity.

The Council requested a report to review lessons learnt from a specific intervention case at a future meeting.

The Council:

- (1) **NOTED** the Watchlist and interventions report; and
- (2) **AGREED** to request officers to provide a review of lessons learnt from interventions.

Action: Jan/19/02 To review of lessons learnt from interventions at a future meeting.

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 15 January 2019, who had concurred with the amendments proposed by the Senior Management Team commended it to Council for adoption.

The Council requested officers to review the potential impact of practices switching to CLC regulation and to reflect any issues identified on the principal risk register.

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.
- (3) **AGREED** to include the potential impact of practices switching to CLC regulation on the principal risk register if appropriate.

Action: Jan/19/03 To reflect the impact of practices switching to CLC regulation on the principal risk register if appropriate.

Business Plan 2018 – End of Year Progress Report

The Director of Strategy and External Relations introduced a report which advised of progress against the 2018 business plan.

The Council noted that speaker packs to promote CLC qualifications and to link with publicising apprenticeship routes would be published this month. The packs will support presentations in schools and will also be disseminated through the Society for Licensed Conveyancers.

The Council **NOTED** the 2018 year end Business Plan report.

d) Property and Law News Round Up

The Director of Strategy and External Relations introduced the current property and law digest. The budget briefing would be appended to the news round up prior to its publication.

The Council **NOTED** the CLC's Property and Law Round Up.

5. CLC Budget and Business Plan 2019

a) Business Plan 2019

The Director of Strategy and External Relations introduced the proposed business plan for the year 2019.

It was observed that the targets were challenging, however Council members were advised that the Business Plan has been streamlined to focus on core priorities.

An additional item for inclusion on the Business Plan to continue to improve the effectiveness of AML supervision was tabled.

The Business Plan includes visits to firms to gain a better understanding of their businesses, evolution of the market and delivery models. Council members would be invited to join officers on the visits when scheduled

It was recommended that the Business Plan is aligned to the LSB's published 'Well Led' criteria, to facilitate future regulatory performance assessment.

The Council **AGREED**:

- (1) The Business Plan 2019, with the inclusion of continuing to improve AML supervision;
- (2) That the Business Plan 2019 include the LSB's Well Led criteria;
- (3) To circulate programmed visits to firms to Council members when the schedule has been fixed.

Action: Jan/19/04 To include AML supervision and Well Led criteria within the Business Plan.

Action: Jan/19/05 To invite Council members to join officers on programmed visits to practices, once arranged.

b) Budget 2019

The Director of Finance and Operations introduced the proposed 2019 Budget, which had been reviewed by the Audit and Risk Committee on 15 January 2019, who had commended it to Council for adoption.

It was agreed to review options for practice fees at the Council Workshop meeting on 7 March 2019 and to receive a report on CLC qualifications and student pipelines, at the Council's next meeting.

The Council **AGREED**:

- (1) the 2019 Budget;
- (2) to review options for practice fees at the Council Workshop on 7 March 2019;
- (3) to receive a report at its meeting on 2 May 2019 with an overview of educational provision and the student trajectory.

Action Jan/19/06 To review practice fee options at the Council Workshop meeting on 7 March 2019

Action Jan/19/07 To include a report on education provision and the student trajectory on the Council agenda 2 May 2019.

6. Compensation Fund Application

The Director of Regulatory Standards introduced a report which set out the proposed process for determining applications for compensation claims.

It was agreed to advise members on responding to any enquiries about a specific compensation claim.

It was recommended that reporting of all compensation claims would be anonymised.

It was agreed to have regard to any potential for conflicts of interest (or perceived conflicts of interest), in determining compensation claims. The Council was advised that there would be provision for members to declare interests and withdraw/take no part in consideration of cases or participation in meetings where they either have or might be perceived to have an interest.

The Council **AGREED**:

- (1) That the Council is the decision making body responsible for determination of the claims;
- (2) To establish a Working Group to review the claims and make recommendation to Council, comprising the following members:
 - Dame Janet Paraskeva (Lay Chair);
 - Andrea Pierce (Professional Member); and
 - Teresa Perchard (Lay Member);

- (3) The process for determining applications as set out at Appendix A of the submitted report;
- (4) To arrange an Extraordinary meeting of the Council in September/October to determine the claims.

Action Jan/19/08 To establish a working group to review the compensation claims with the membership above.

Action Jan/19/09 To arrange an Extraordinary Council meeting

7. Committees

a) Appointments Committee

The Council considered a summary of business undertaken by the Appointments Committee in 2018 and a report of its meeting held on 14 December 2018.

The Council was advised that the Committee is recommending an amendment of its Terms or Reference to remove the requirement for its membership to include the professional member of the Remuneration Committee.

The Council:

- (1) **NOTED** the Appointments Committee Annual Report 2018;
- (2) **NOTED** draft minutes of the meeting of the Appointments Committee held on 14 December 2018;
- (3) **AGREED** the amendment to the Appointments Committee's Terms of Reference proposed by the Committee.

Action Jan/19/10 To amend the Appointments Committee's Terms of reference

(b) Audit and Risk Committee

The Committee considered a summary of the Audit and Risk Committee's business at its meeting on 15 January 2019 and an annual report of its activities during 2018.

The Council:

- (1) **NOTED** the report of the Chair of the Audit and Risk Committee;
- (2) **NOTED** the Audit and Risk Committee Annual Report 2018;
- (3) **AGREED** the Committee's recommendation to appoint Richard Cryer as an independent member of the Audit and Risk Committee for a further 3 year term of office up to 18 January 2022.

Action January/19/11: to re-appoint Richard Cryer as independent member of the Audit and Risk Committee for a further 3 year term of office

c) Remuneration Committee

The Council considered a summary of the Remuneration Committee's activities during 2018, and a report of its meeting held on 1 November 2018.

The Council was advised that a change to the Committee's Terms of Reference was to reflect benchmarking remuneration packages was being recommended.

The Council:

- (1) **NOTED** the draft Annual Report of the Remuneration Committee 2018;
- (2) **NOTED** the draft minutes of the Remuneration Committee held on 1 November 2018;
- (3) **AGREED** the amendment to the Remuneration Committee's Terms of Reference proposed by the Committee.

Action January/19/12 To amend the Remuneration Committee's Terms of Reference

8. Council Workplan

The Council was advised that the Workplan represented a current snapshot of reports and activities planned for 2019 and that Business Plan activities, when approved, would be incorporated. As reported at Minute 2 b) above, review of the Council's Terms of Reference will be included when the governance review is completed.

The Council had discussed a new approach to handling background information and decision papers for Council meetings, which would be taken forward in liaison with the Senior Management Team.

The Council **NOTED** the forthcoming Workplan.

Action Jan/19/13 SMT to review the format of Council Agenda

9. Annual Review of PR

The Deputy Director of Communications presented an evaluation of the CLC's public relations activities over the past 12 months.

Kerry Jack of Black Letter Law provided an overview of PR activity throughout 2018 against agreed metrics.

Council was advised that the CLC would be involved with March 2019 National Apprenticeship week activities and that the CLC is a stakeholder in the Legal Choices website.

The Council **NOTED** the evaluation report.

10. Any Other Business

There were no other items of business.

11. Dates of Forthcoming Meetings

- Council Workshop – Thursday 7 March 2019, 2.30 p.m.
- Council meeting – Thursday 28 March, 2019, 11, 00 a.m.



**Council for Licensed Conveyancers
Minutes of the Council meeting held
on
Wednesday 28 March 2018
by teleconference**

Council Present

Dame Janet Paraskeva (Chair)	Mr. A. Clark
Mr. A. Cogbill	Ms. S. Debney
Mrs. H. Foster	Ms. T. Perchard
Mr. Q. Quayle	Ms. S. Szarka (<i>from item 4</i>)
Mr. C. Wilby	

CLC in attendance

Mr. S. Ward	Acting Chief Executive
Ms. A. Cosens	Head of Executive Office – minute taker
Mr. M. Smith, Scrutton Bland	(External Auditor)

Apologies

Apologies for absence were received from Ms. A Pierce and for lateness from Ms. S. Szarka

1. Welcome, Introductions, Declarations of Interest

In addition to previously declared interests, Quinton Quayle declared that he had been appointed as a Lay Public Interest Council Observer on the Chartered Institute of Taxation.

No other interests were declared.

2. Audit and Risk Committee meeting held on 20 March 2018 – Draft Minutes

The draft minutes of the meeting of the Audit and Risk Committee held on 19 March 2019, which had reviewed the Annual Financial Statements, the External Auditor's report and the draft Letter of Representation, were included for information.

The Council was advised that the Audit and Risk Committee's comments on the Annual Financial Statements had been incorporated.

The Council **NOTED** the draft minutes of the Audit and Risk Committee meeting held on 19 March 2019.

3. External Auditor's Report Presented to Audit and Risk Committee, 20 March 2018 and Letter of Representation

Mark Smith, Responsible Individual, introduced the external audit of the CLC's financial statements for the year ended 31 December 2018.

The Council was advised that the audit process had been successfully facilitated by the Xero accounting system.

- The following points from the External Auditor's report were highlighted:
 - The system of internal control that is in place at the CLC is appropriate for an organisation of its size
 - With regard to paragraph 3.2.8, provisions within the Auditor's report are based on management's best estimate of probability.

[REDACTED]

[REDACTED]

[REDACTED]

The Council:

- (1) **NOTED** The External Auditor's report;
- (2) **NOTED** that an unqualified audit report was being proposed;
- (3) **AGREED** the above amendments to the External Auditor's Report and Letter of Representation; and
- (4) **AUTHORISED** the Chair of Council and Chief Executive to make any changes required and to finalise and sign the representation letter.

4. CLC Annual Financial Statements 2018

The Director of Finance and Operations introduced the CLC's Annual Financial Statements for the year ended December 2018.

Officers were requested to update the cover.

The following amendments were agreed:

- Page 5, first paragraph – remove “effectively”
- Page 7, first bullet point – relocate apostrophe
- Page 17 – amend ‘public relations’ costs to “Regulatory and Communications”
- Page 25 – refer to 3 year premises lease agreement

The Council:

- (1) **APPROVED** the CLC's financial statements for the year ended 31 December 2018 (as amended above); and

- (2) **AUTHORISED** Janet Paraskeva as Chair and Stephen Ward as Acting Chief Executive to make any changes required to finalise and sign the annual financial statements and arrange for their publication.



CEO Report

Purpose: For information
Author: Stephen Ward
Approver: Chair

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 2019 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.



Fee Setting 2019-20

Purpose: Approval

Author: Jason Hinrichsen

Approver: Stephen Ward

Summary

This paper summarises the proposed fee ranges that will be used in the consultation as well as the various factors which are likely to affect the final fee rate proposal which will come to the July 2019 Council meeting for approval.

Recommendation

Council is asked to review and approve the range of fee cuts to be used in the fee rate consultation 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 resulting from this paper, however any decision to amend fee rates will have a financial impact.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

Communications requirements

None

Publication

Not for publication.



Principal Risk Register

Purpose: Approval

Author: Jason Hinrichsen

Approver: Stephen Ward

Summary

The Principal Risk Register as discussed at the Audit and Risk Committee on 15 April 2019 is attached for consideration and approval.

The SMT discussed and reviewed the Principal Risk Register in March 2019 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.

The following matters relating to Principal risk were discussed and considered by the SMT:

- a) While impossible to predict the impact BREXIT is having on conveyancing at this stage, the February Land Registry transaction data shows a sharp decrease in transaction volumes for the month. Transaction volumes are at their lowest level for the last 36 months and are 30% lower than the average volume for the same period last year. This may indicate consumers are holding off on transactions and taking a wait and see approach. We would expect this to change when the Brexit approach becomes clear but will continue to monitor the impact on the regulated community to inform any steps we might need to take in the event of sustained low volumes of transactions affecting firms' financial viability.
- b) 3 employees will be leaving the CLC in Q2. (Recruitment has started and we aim to minimise any disruption.
- c) The pipeline of new practices remains healthy and we continue to add new practices to CLC regulation

The SMT are not proposing any amendments to the Principal Risk Register this quarter.

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



Customer Charter Update

Purpose: For approval
Author: Jon Sacker
Approver: Stephen Ward

Summary

Over a six week period in January and February the CLC consulted on the draft Customer Charter. There were 11 responses of which 10 were from within the regulated community and 1 from the LSCP. The responses were uniformly supportive of the initiative. The revised Charter is attached and a plan to launch the Charter is appended for information.

Recommendation

Council is asked to note the outcome of the consultation on the draft Customer Charter and approve the final version set out at appendix 1.

Risk management

The primary risk is perceived to be a lack of engagement from regulated practices. This will be mitigated through the communications work with support from RSMs.

Financial impact

We will need to allocate £5,000 not planned in the 2019 budget for the production of physical assets to promote the Charter.

Diversity and inclusion impact

None arising directly from this paper.

Communications requirements

None arising directly from this paper.

Publication status of this paper

This paper will not be published.



CLC Council Meeting

Annual Evaluation of the SQA managed Qualification Scheme

Purpose: For Approval
Author: Claire Richardson
Approver: Simon Blandy

Summary

This paper provides Council with an evaluation of the qualification scheme managed by SQA after its second year of operation.

Recommendation

To increase the number of registrants on the CLC Technician Register, Council is asked to resolve that the CLC:

- (a) ceases to charge £75 fee payable for registration as a Conveyancing Technician, and
- (b) discounts by £75 the fee payable for a first licence fee to practise as a CLC Lawyer for any individual who has paid £75 fee to be registered on the Conveyancing Technician Register.

Background

A report was presented to Council at its meeting on 16 April 2018 providing an initial evaluation of the first year of operation of the new qualification scheme managed by the SQA.

A data review has been carried out to assess the second full year of operation. (The reporting period is March to February each year).

Whilst they have co-operated with the CLC in carrying out this review, neither the SQA nor the Approved Centres have been able to provide the CLC with unrestricted access to their student data. The Council accepted at the time of transition that the CLC would not have direct access to students and to student data after it ceased direct involvement in delivery of the CLC education and training programme.

Risk Management

There is no continuing delivery role for the CLC. The CLC divested itself of the delivery of education to CLC qualifications to address any perceived conflict of interest between being the licensing authority and education provider, and to hand delivery to specialist providers who would be able to improve the student experience and be better placed to increase student numbers (thereby addressing the risk of decline in the regulate community).

The CLC liaises with SQA and the Approved Centres to ensure that improvements continue to be made to the qualification scheme. It is seeking to identify other education providers to become Approved Centres to expand the provision base and increase Apprenticeship programme delivery.

Communications Requirements

None arising from this report. However, as the pipeline of newly qualified CLC lawyers grows, we will look to increase the impact of qualification ceremonies for those new lawyers.

Publication status.

This report is an update for Council members only.



Appointments to Council Committees

Purpose **Approval**

Author: **Janet Paraskeva**

Summary

This report sets out recommendations to Council to fill vacancies on the three Council Committees.

It also sets out a proposal for the approach the Appointments Committee will take to the management of filling a vacancy and potential reappointments to Council that will arise in 2020.

Recommendations

Council is asked to agree the membership of Committees as follows:

Appointments Committee

- Janet Paraskeva (Chair)
- Colin Wilby (Lay member)
- Andrea Pierce (Professional Member)

Audit and Risk Committee

- Heather Foster (Chair)
- Andrea Pierce (Professional member)
- Richard Cryer (Independent member)
- Sarah Debney (Professional member)
- Teresa Perchard (Lay member)

Remuneration Committee

- Colin Wilby (Chair)
- Alan Cogbill (Lay member)
- Sarah Debney (Professional Member)
- Quinton Quayle (Lay member)

Risk management

The Council is empowered by the Corporate Governance Framework to establish such Committees as it deems necessary for the purpose of carrying out the statutory powers and functions of the Council and to determine appointments to those Committees.

In line with best practice in governance, the Council and its committees are constituted to sustain membership of the Council, ensure appropriate representation and accountability,

Financial impact

There are no specific costs associated with the establishment of Committees, with the exception of expenses associated with attendance at meetings and facilities.

Diversity and inclusion impact

Appointment decisions are taken in line with best practice in relation to governance, representativeness, diversity and inclusion and equalities and experience.

Communications requirements

Committee membership, when agreed, will be published on the website.

Publication status of this paper

Not for publication – the report contains information which is intended for future publication.



CLC Council Meeting

Appointments Committee Chair's Report

Purpose: For Noting
Author: Nicki Smith
Approver: Chair

Summary

The Terms of Reference of the Appointments Committee include responsibility for the appointment of the Adjudication Panel members. At its meeting on 1 November 2018, the Council asked the Appointments Committee to appoint new Adjudication Panel members, since the terms of office of the Chair and some of the members will expire on 31 August 2019.

This report advises of appointments made to the Adjudication Panel by the Appointments Committee.

Recommendations

The Council is invited to note the Adjudication Panel member appointments for an initial four year term of office commencing on 1 September 2019 (appendix A)

Risk management/Financial Impact/and Diversity and Inclusion are considered in all Appointments Committee discussions and decisions. A breakdown of applications submitted and appointees will be included in the Annual Report 2019.

Communication and publication requirements

This report is not for publication. Membership of the Panel is intended for future publication.



CLC Council Meeting

Audit and Risk Committee Chair's report

Purpose: For noting
Chair: Heather Foster

Summary

This report advises of the business considered at the Audit and Risk Committee at its meeting on 15 April 2019 (Appendix A)

Draft minutes of the Committee's meeting of 15 April 2019 are attached (Appendix B).

Recommendations

The Council is invited to:

- (1) Note the draft minutes of the Audit and Risk Committee meeting held on 15 April 2019 and summary report and to put any questions to the Chair.

Risk management

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

Financial Impact

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

Diversity and Inclusion

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

Communication and publication requirements

This report is for Council only.



Performance Pack Report – Q1 Out-turn

Purpose: Noting

Author: Jason Hinrichsen

Approver: Sheila Kumar

Summary

This report comprises of the following elements:

Section 1: Out-turn figures for the first quarter of 2019.

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

The Audit and Risk Committee considered a version of this report at its meeting on 15 April 2019.

Publication

A summary will be posted on the website.

Section 1: Out-turn – Overview of financial performance to 31 March 2019

PRACTICE FUND

1 Financial Performance

The provisional financial results for the first quarter ended 31 March 2019 are summarised below:

Council for Licensed Conveyancers Income Statement to 31 March 2019	January - March 19		Variance YTD	Var %
	Actual	Budget		
REVENUE	671,128	677,944	(6,816)	-1%
TOTAL STAFF COSTS	401,716	406,639	4,923	1%
Salaries and Benefits (Existing Staff)	350,897	349,646	(1,251)	0%
Salaries and Benefits (New Staff)	22,779	27,834	5,055	18%
Council and Adjudication Fees and Expenses	28,040	29,159	1,119	4%
TOTAL OPERATING EXPENDITURE	348,248	353,511	5,263	1%
External Relations	88,556	74,513	(14,043)	-19%
Practice	22,456	22,995	539	2%
Regulatory	108,877	119,759	10,882	9%
Office Costs	128,359	136,244	7,885	6%
(DEFICIT)	(78,836)	(82,206)	3,370	4%

A deficit of £78,836 has been realised this quarter, this is £3,370 better than the budget expectation.

The first quarter revenues are £6,816 below the budget expectation. The variance has been caused by two new practices included in the budget, one of which delayed their start date and the other reduced their declared turnover. This has however been partially offset by a positive variance of £3,378 on individual license fees driven by higher than budgeted new applications over the quarter.

Staff costs are Marginally under budget for the quarter. The positive variance is attributed to:

- 1) Existing staff – underspend on training and variance on benefits paid
- 2) New staff – Temporary staff days worked varies from the budget expectation
- 3) No adjudication panel costs were incurred this quarter

Operating expenditure was 1% under budget at the end of the first quarter. The contributing components of this variance are summarised below:

- **External Relations** costs are 19% over budget (£14,043 negative variance). The negative variance is due to design and printing of the annual report and brochures as well as printing of new banners which were not budgeted for.
- **Practice** costs are 2% under budget (£539 positive variance) due to positive rate variances on inspections conducted by the outsourced inspectors during the quarter.
- **Regulatory** costs are 9% under budget (£10,822 positive variance) due to lower than budgeted LSB/OLC costs. A new estimate was received in March 2019 which came in lower than the budget estimate.
- **Office costs** are 6% under budget (£7,885 positive variance) £3,938 of this amount relates to timing of internal audit costs with the balance arising from underspend on meeting rooms and IT expenses.

2 Cash reserves

At 31 March 2019 the cash position of the Practice Fund is summarised as follows:

Practice Fund			Increase / (Decrease)
Cash reserves as at March 2019	Dec-18	Mar-19	
Minimum Reserves	1,000,000	1,000,000	-
Free Cash Reserves	3,020,333	2,572,321	(448,012)
Total Cash in Hand	4,020,333	3,572,321	(448,012)

The decrease in the cash reserves over the quarter is due to the settlement of the LSB/OLC invoice for 2018/19 during the period.

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

[Redacted]

[Redacted]

Section 2: Operational performance indicators

Section 2.1 – Practices & Licensing

- The number of practices under CLC regulation has increased by 2 (3 new less one closure) over the quarter.
- New practices coming into CLC regulation in Q1 have a combined turnover of £2,961,600.

The practices regulated by the CLC at the end of March 2019 are summarised by entity type below:

Practices by Entity Type		ABS
Limited Company	157	70
Limited Liability Partnership	16	6
Partnership	16	
Sole Practitioner	40	
Total	229	76

There are currently 76 (75 at the end of 2018) regulated practices that are registered as Alternative Business Structures.

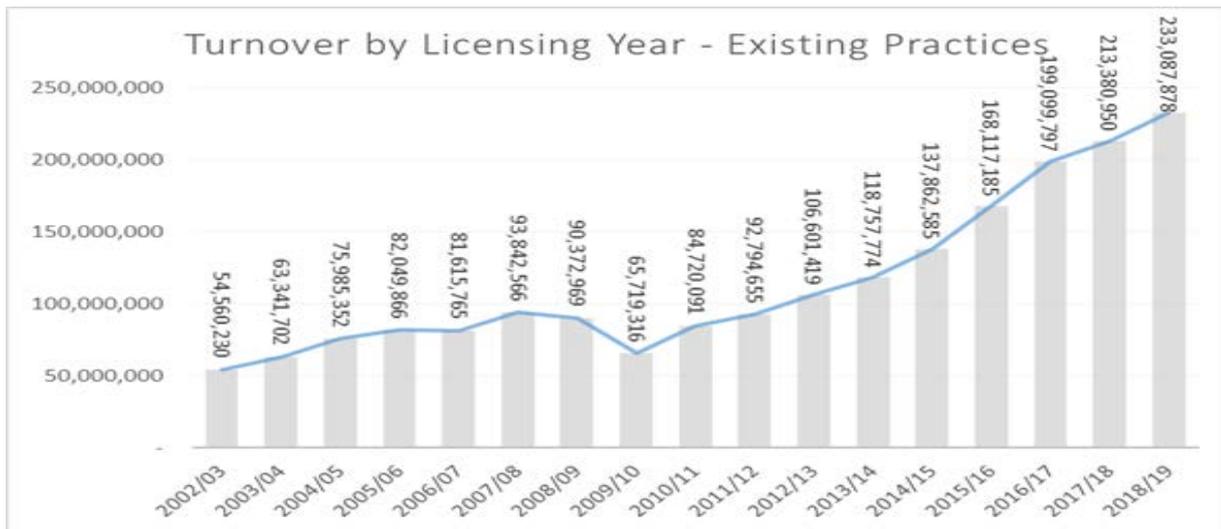
The table below summarises movement in the number of practices and declared turnover from the beginning of the last renewal period starting 1 November 2018.

Growth in turnover under CLC regulation	Nov 18 - Mar 19	
	No. of entities	Declared turnover (£)
Declared turnover at 31 October 2018	226	233,087,878
New practices added	4	3,254,100
Less: Closed practices	-1	79,554
Total at 31 March 2019	229	236,262,424

The annual fee income lost from the practice that closed in since November 2018 is £875.

The annual fee income gained from the 4 practices that came into CLC regulation is £30,941.

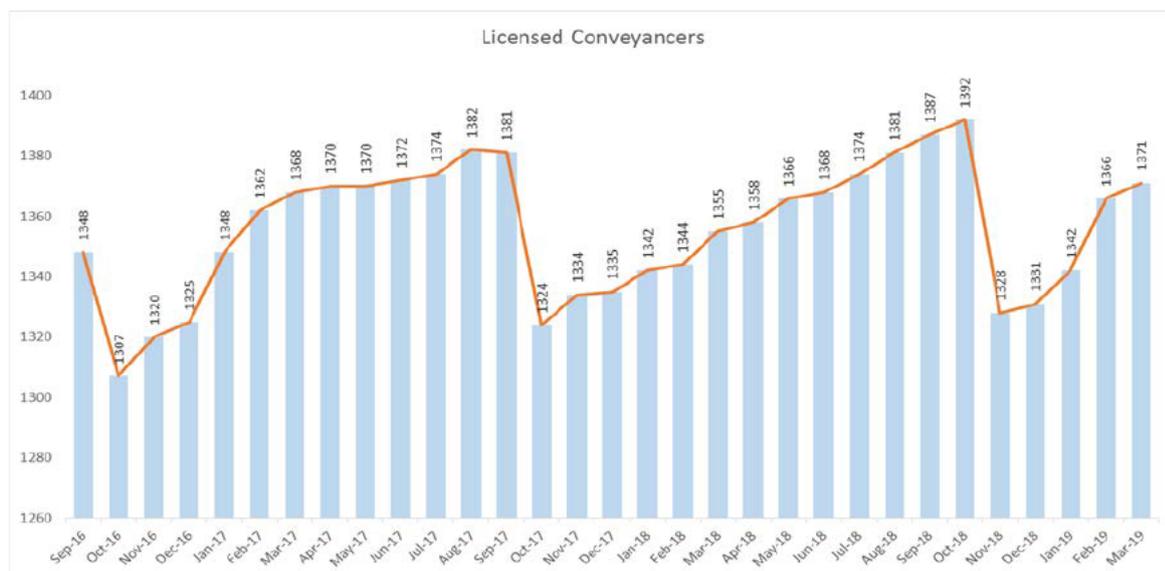
The table below summarises the declared turnover at license renewal point since 2002.



- The number of current Individual licenses increased by 26 and Manager licenses increased by 14 in the first quarter of 2019. The increase is attributed to first licenses issued and new practices coming into regulation. The table below summarises the number of current individual licenses at the end of Q1:

Individual License Holders	Employed	Manager	Total
Probate	2	3	5
Conveyancing	978	325	1,303
Probate & Conveyancing	19	44	63
Total	999	372	1,371

The chart below summarises the trend in the number of individual license holders since September 2016:



There are 16 more license holders at the end of the first quarter this year than there were this period 12 months ago.

The table below summarises movements in probate licenses:

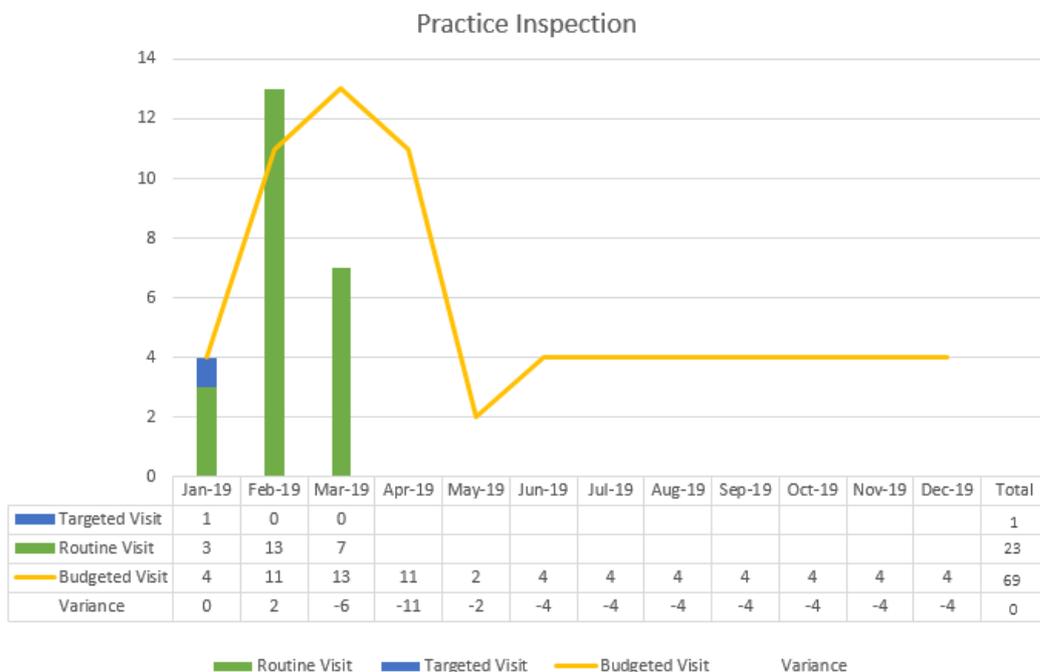
Individual License Holders	Jun-17	Dec-17	Jun-18	Dec-18
Probate Only	4	4	4	5
Probate & Conveyancing	71	68	68	62
Total	75	72	72	67

Section 2.2 – Inspections & Monitoring

Watchlist activity for the year is summarised below:



Inspections conducted year to date are summarised below:



23 routine and 1 targeted inspection has been conducted in the first quarter of 2019.

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	72	43
Received - on time	175	158	125
Not received - overdue	0	0	5
Not Received/Closed	3	16	12
Not Yet Due	-	-	52
Total Reports Expected	229	247	237
Qualified reports	64	61	43
Qualified rate (received)	28%	27%	26%

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.

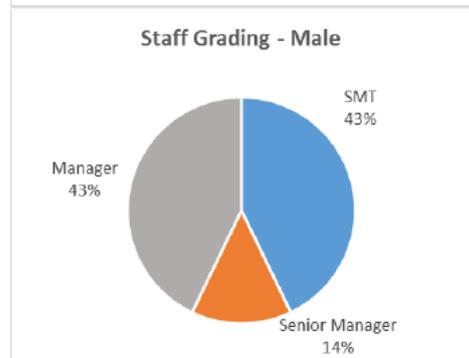
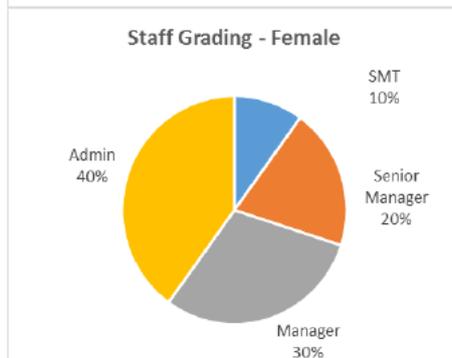
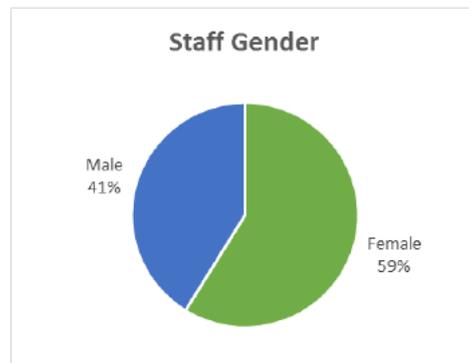
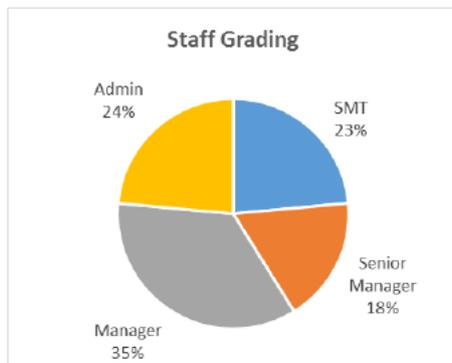
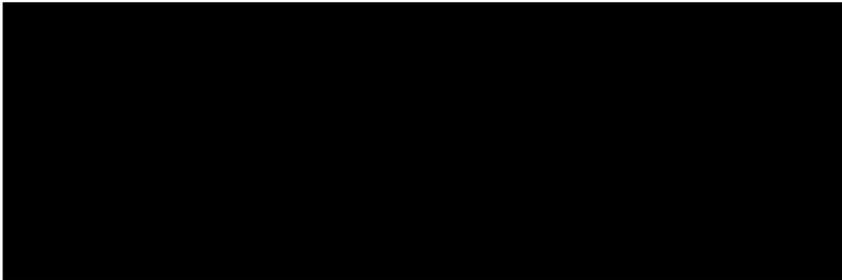
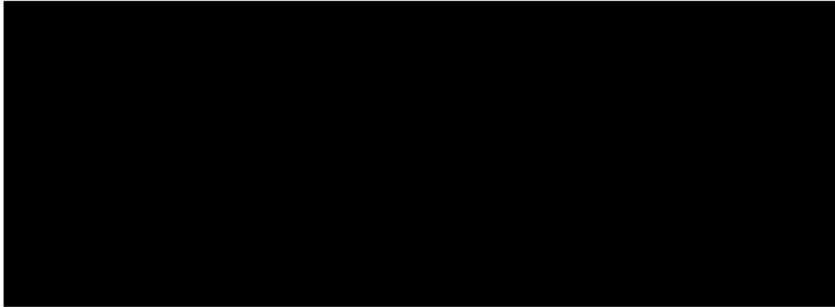
The most common reasons for qualifications include

- 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

We intervened into the practice of Robert Woods conveyancing on 2 April 2019.

Section 3 – Human Resources



Section 4 - Complaints against the CLC

No complaints against the CLC were raised during Q1.

No instances of whistleblowing have been reported.

Section 5 - Procurement

No significant items were procured in Q1.

Section 6 - Projects

There are currently no projects.



CLC Watchlist & Interventions

Purpose: Noting

Author: Jason Hinrichsen

Approver: Stephen Ward

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 since the beginning of 2017 has also included.

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.



Business Plan 2019 Q1 Progress report

Purpose: For noting
Author: Stephen Ward
Approver: Chair

Summary

The first quarterly report against the 2019 business plan.

Recommendations

The Council is asked to note this report.

Risk management

This business plan contributes to the mitigation of risks facing the CLC, consumers and the regulated community.

Financial impact

Outturn against the 2019 budget is reported in other papers before the Council.

Diversity and inclusion impact

Individual elements of the business plan are assessed for D&I impact.

Communications requirements

A look back at the CLC's achievements in 2019 will be published in the annual report that will be prepared for publication in early 2020.

Publication status

This paper is for publication.

Progress against the 2019 Business Plan

2019 is the second year of the CLC's five-year strategy. Delivery against that strategy has been monitored by SMT and Council and the business plan for 2019 was developed in the light of performance in year one, 2018 as well as the changing landscape in which we operate.

The full report is attached using traffic light indicators of whether activities are on track in line with business plan. The only items in the business plan that have not been completed as initially envisaged are as follows:

Item	Description and commentary
8	Demonstrate our market knowledge and insight to stakeholders While the delivery of useful information to stakeholders – through PR and direct channels – has of course continued, we have held off on holding an SMT workshop to explore new approaches until all SMT members are able to participate.
16	Embed KPIs and SLAs Initially with a Q1 deadline, we will be undertaking a more fundamental review of some of the relevant processes and so delivery is likely to be in Q3.
17	Implement enhanced stakeholder management This is broadly on track and stakeholder relationship leads have been identified. Implementation plans will be review by SMT in Q2.



Property and Law Round Up

Purpose: For noting
Author: Stephen Ward

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

There has been more progress on this government- and industry-driven agenda in the first quarter of 2019.

Transparency

The CLC's implementation of the 'Informed Choice' agenda to help consumers on the basis of better information about the price, service and quality and probate and conveyancing services has been rapid with the overwhelming majority of firms complying with the new regulations within three months of them coming into force. The impact of this initiative on consumer behaviour will not be known for a while.

Exploiting new technology

HM Land Registry announced that it had carried out a transaction on a blockchain platform, explaining that it had done so to understand the calls industry will make on the register as new technologies are developed and deployed. This was part of its ongoing Digital Street programme to prepare for new approaches.

Around the same time, the Instant Property Network announced that it had carried out international real estate transactions in a trial of blockchain technology with 40 partners, including lenders. It plans to build its consortium of partners and to launch the next version of its transaction platform in September 2019.

Third Party Managed Account (TPMA) providers continue to develop their products and ShieldPay published a white paper to focus discussion of the issues around the use of TPMA. PEXA, the Australian transaction platform are visiting the UK again in May 2019 to talk to conveyancers, lenders and other stakeholders as they continue to explore the potential for entering the property market here with a revised version of the product.

The Ministry of Housing, Communities and Local Government's data team is now up to strength and is looking very actively at what it can do to support and speed the adoption of new technology and to make more data available to drive improvement across all parts of the property sector, not just conveyancing.

ECONOMIC AND MARKET INDICATORS

With employment and record highs and wages rising, it seems to be Brexit uncertainty that has held back the property market and we saw a very significant fall in numbers of transactions in February compared to the year before. Transactions for value at the Land Registry in February 2019 came to 63184, just 73% of the February 2018 total of 86430, although some of this fall could be due to Easter being much later in 2019.

It remains to be seen what effect the Brexit delay will have on market activity and whether the receding threat of a 'no-deal' Brexit will boost consumer confidence.

Nationwide House Price Index

The Nationwide provides a useful longer-term perspective on house prices.

The first chart shows the annual change in house prices by region across the UK, with greater London and the South East being hit with falls while other regions see growth.



However, if we look further back, to before the last crash, to compare prices now with their 2007 peak, the picture is reversed, with London prices currently 50% above that peak and Northern Ireland still 37% below the peak. Clearly there is still a very long way to go before the current price trends impact significantly on the underlying situation.



Halifax House Price Index

The Halifax found that the average UK house price was £233,181 following a 1.6% monthly fall in March. They point out that the reduction partly corrected the significant growth seen in February and said that this “again demonstrates the risk in focusing too heavily on short-term, volatile measures. Industry-wide figures show that the number of mortgages being approved remains around 40% below pre-financial crisis levels, and we know that lower levels of activity can lead to bigger price movements.”

They also noted that the combined effect of fewer houses for sale and fewer people looking to buy continues to support prices in the long-term.

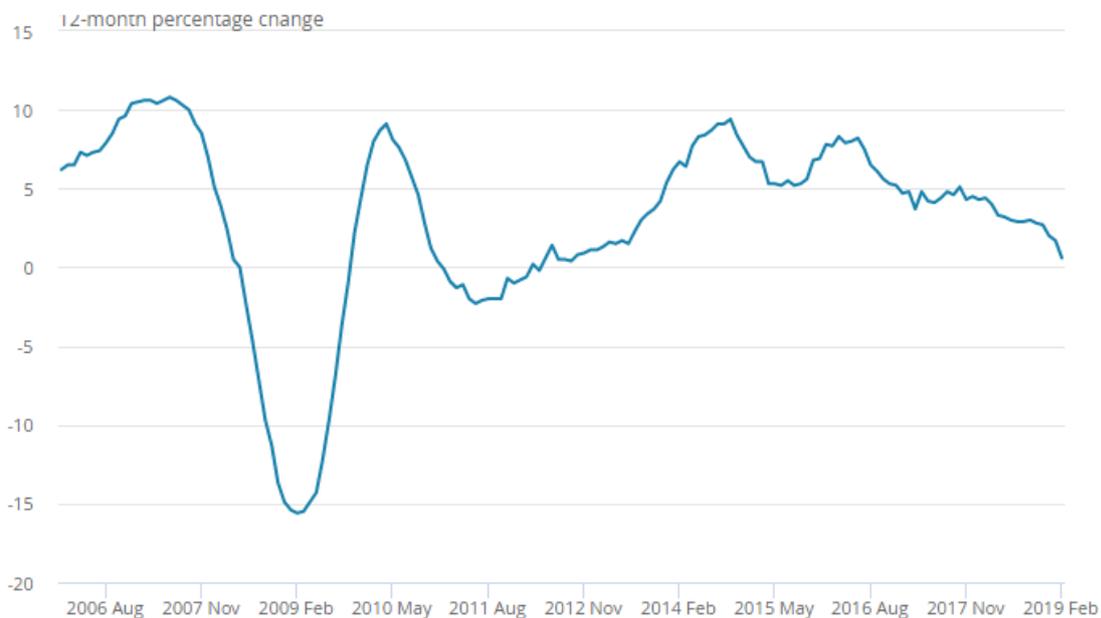
RICS UK Residential Market Survey

In its March report, RICS noted that the uncertain political backdrop was causing agreed sales numbers and new instructions to estate agents to drop. However, it expected modest market improvement over the coming twelve months.

Office for National Statistics

ONS chart of house price changes year on year underlines how much the national average disguises regional variation as shown by Nationwide.

Annual house price rates of change, UK all dwellings from January 2006 to February 2019



Source: HM Land Registry, Registers of Scotland, Land and Property Services Northern Ireland, Office for National Statistics - UK House Price Index

Building Societies Association Property Tracker

As employment has risen job fears have weighed less heavily on potential home buyers. The challenge of raising a deposit remains by far the most significant barrier to property purchase according to the BSA. However, fears about future falls in property prices have grown over the last year.





Council Work Plan

Purpose	Noting
Author:	Audrey Cosens
Approver:	Stephen Ward

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.

Publication

For publication

Annual Cycle	8 January 2019 Workshop	24 January 2019 Council meeting	7 March 2019 Workshop	28 March 2019	2 May 2019 Council meeting Q1 Results	6 June 2019 Workshop	25 July 2019 Council meeting Q2 Results	19 September 2019 Workshop	8 October 2019 Extraordinary Council meeting	31 October 2019 Council meeting Q3 Results	Issues for future discussion
Strategy and Planning		2019 Business Plan and Budget								2020 Business Plan and Budget planning	
Performance and Risk		Management Report <ul style="list-style-type: none"> Q4 Performance Outturn and Watchlist Compensation Plan Property News Round Up CEO report		External Auditor's Report and Management Letter CLC Financial Statements 2018	Management Report <ul style="list-style-type: none"> Q1 Budget Outturn Interventions and Watchlist Compensation fund Business Plan 2019 Progress Property News Round up Principal Risks and Risk Management Policy CEO report		Management Report <ul style="list-style-type: none"> Q2 Budget Outturn Interventions and Watchlist Compensation fund Business Plan 2019 progress Property News Round up Principal Risks CEO report			Management Report <ul style="list-style-type: none"> Q3 Budget Outturn Interventions and Watchlist Compensation fund Business Plan 2019 update Property News Round up Principal Risks CEO report	
Governance	Governance Review	Annual Committee Chairs' reports Appointments Committee report and Minutes Audit and Risk Committee Report and Minutes Remuneration Committee Report and Minutes Governance Review Update Terms of Reference		Annual Report Minutes of Audit and Risk Committee	Appointments to Council Committees Appointments Committee report and minutes Audit and Risk Committee report and minutes Remuneration Committee - Update	Review of Equality and Diversity Policy	Audit and Risk Committee report Remuneration Committee report Review of Equalities and Diversity Policy Adjudication Panel Annual update from Chair			Audit and Risk Committee report	
Regulatory Activity					Practice Fee and Compensation Fund – Fee Setting Timetable	Review of Equality Code	Regulatory Fee setting LSB Report on CLC Self-assessment	Review of Disciplinary Processes	Report of Compensation Fund Working Group	ARR Results	<i>Compensation Fund</i>
Ad hoc Business Plan items		Annual PR overview - from Blackletter Communications	Practice Fund Reserves		Annual Evaluation of Education Inspection Process + Lessons Learned from Interventions – Presentation by RSMS	Review of Brand	Regulatory Standards Action Plan – half yearly update	Risk Appetite + Review of Market Risk		Evaluation of Communications and Marketing	