



Application to the Legal Services Board

Under s.51 Legal Services Act 2007

For Approval of

**Individual Licence fees, Practice Fees, Compensation Fund contributions
and other charges**

for the period 2023-2024

October 2023

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Introduction

- 1) The conveyancing market remained buoyant through the pandemic due to government interventions, specifically the SDLT holiday. In 2022, as we came out of the pandemic, the CLC noted continued net growth in practice turnovers (because of the reporting year we work on for those figures, this covered work completed in the second half of 2021 and the first half of 2022).
- 2) The subsequent economic downturn, which has resulted in increased interest rates and general economic and consumer uncertainty, has had a significant direct impact on the property market and conveyancers. The reduction in affordability of property and thus the number of transactions concluded has reduced conveyancers fee income. Transactions are taking longer to complete, with frustrated transaction numbers being augmented by market uncertainty.
- 3) This is clearly indicated in the data that we have received from practices in June 2023. Aggregate practice turnovers have reduced by 4% and 20 CLC regulated practices have decided to close or merge over the period (processes that the CLC has overseen). 50% of the practices that have closed reported a turnover of less than £200,000 for 2022.
- 4) The CLC has operated with a deficit budget for the past 4 years. This has been intentionally done to reduce the level of reserves held by the Practice Fund. Reserve levels have now reduced sufficiently that the Council resolved to return to operating a surplus budget in 2023 to maintain current reserve levels.
- 5) The Council carefully considered the fee rate options available for 2023-24 billing cycle. The key factors that influenced the Council's decision to increase practice fee rates were that:
 - a) Reserve levels have reduced and the CLC is now at the point that existing reserve levels need to be maintained. This would be achieved by running a small surplus thereby removing the need to rely on reserves for funding.
 - b) Practice turnovers and thus fees generated thereof have reduced in aggregate by 4%.
 - c) Costs, particularly staff cost which make up more than 60% of expenditure, need to increase due to the economic downturn and high inflation rates. Salaries need to remain competitive for us to recruit and retain the people needed for the delivery of our regulatory process.
 - d) The need to expand operational resource where necessary to ensure we meet our regulatory responsibilities.
- 6) The CLC Strategy was reviewed in 2022. The Council carefully considered the revised strategy and confirmed their commitment and focus to specialist regulation. The revised strategy was adopted in early 2023. The current strategic objectives are:

- a) Promote quality in legal services.
 - i. The CLC should promote all aspects of improvement in the practice of conveyancing and probate, whether legislative, process change or it-driven to improve client outcomes.
 - ii. Revised ethical standards should underpin work to drive quality and compliance and assist in the disciplinary process.
 - b) Exploit the CLC's unique approach, insight and relationship with the regulated community to further improve consumer protection.
 - c) Benefit clients by reducing the unit cost of regulation by the CLC and bringing the CLC's specialist regulation of conveyancing and probate to bear on a larger part of the market.
- 7) The approach to fee setting has not changed, and the principles used to set Practice Fee rates remain as follows:
- a) Fee setting in general is determined with the aim of generating no more than a nominal surplus each year. This will ensure we do not accumulate unnecessary reserves.
 - b) A managed deficit budget can be used to fund a decrease in fee rates when sufficient reserves are available.
 - c) Fees are set at a level that recovers the cost of regulation of practices and individuals, except where the minimum reserve in either the Practice or Compensation Fund needs to be 'topped up'.
 - d) Fees charged are consistent year on year, with the expectation that fee rates will reduce as economies of scale are realised by the CLC and/or practice turnovers increase.
 - e) Fee rates (Practice Fees and Compensation Contributions) are increased only in exceptional circumstances, such as a prolonged economic downturn where minimum reserves cannot effectively absorb a loss of income nor the increased regulatory costs that can arise in times of economic difficulty.

I. Summary and overview of the proposal

- 8) This application to the LSB sets out the CLC's proposed fee structure for the 2023-24 billing cycle commencing 1 November 2023.
- 9) The Council has shaped the development of this proposal through multiple engagements including:
 - a) a workshop in March 2023 to discuss the approach to fees.
 - b) an additional workshop in June 2023 to review practice fee estimates for the next year and look at options available for operational funding.
 - c) a comprehensive review of the 2023 forecast and estimate for 2024 and the resulting fee rate proposals was conducted at the July 2023 Council meeting.
 - d) Approval of the Practice Fee approach at the July 2023 Council meeting.
 - e) A public consultation of the proposal and careful consideration of the results which did not highlight any significant concern.
- 10) The CLC's current funding arrangements can be summarised as follows:
 - a) An **Individual Licence fee** (a fixed sum) payable by all Licensed Conveyancers regulated by the CLC,
 - b) A **Practice Fee** levied as a percentage of turnover subject to a minimum fixed fee, and
 - c) An **OLC Levy** payable by all CLC regulated practices. The levy is a recharge of the Legal Ombudsman costs allocated to the CLC. 70% of the cost is allocated proportionally based on turnover and 30% is allocated based on case numbers on which the total cost is derived.
- 11) The proposals for the 2023-24 billing cycle are as follows:
 - a) The **Individual Licence fee** (Appendix A) will remain unchanged at £400 for a conveyancing or probate licence and £475 for a dual licence.
 - b) The **OLC Levy to practices** will remain unchanged in that 70% of the cost will be allocated proportionally to all practices and 30% of the cost will be allocated to practices based on case numbers.
 - c) The **Practice Fee rates** (Appendix B) will be increased by 10%.
 - d) The turnover **bandings** will remain unchanged.
 - e) **Other administration charges** as summarised in Appendix C will be amended, where necessary to reflect recovery of the costs of processing an application.

- 12) Should the application not be approved, the CLC would request permission to continue collecting the current monthly direct debit from practices as collecting the PCF over a shorter period could be detrimental to practices. Once new PCF arrangements are agreed, the CLC would amend collections over the remaining period so that the approved fee is collected over the course of the billing cycle.
- 13) The CLC is of course prepared to work with the LSB to provide any explanation, analysis, or amendments to facilitate receiving a decision within the requisite timeframe.
- 14) The LSB highlighted two expectations for the 2023 application when it approved the 2022 PCF application. These expectations and the action taken are summarised in the table below.

Requirement for 2023-24 PCF application	Action taken
The CLC to include within its application, an explanation of material changes between the estimate provided to the LSB and the final budget for the preceding year.	We have included a table showing the variance and explanations for the variances. This can be found at paragraph 37.
The CLC to include the total staff costs within its application including the staff cost recharge to the Compensation Fund as a credit balance.	We have amended all tables to show the full staff cost and in the following line we are showing the recharge to the Compensation Fund as a negative figure.

- 15) To the best of our knowledge no further issues have been raised during our informal engagements with the LSB that need to be addressed in this application.

II. Allocation of Practice Fee to permitted purposes

- 16) The CLC is a pure regulator and has no representative function. As such all costs are regulatory in nature and aligned with the permitted purposes.
- 17) The CLC has split its charge to practices into a Practice Fee which is used to fund operations and an OLC Levy which is used to fund the charge from the Legal Ombudsman.
- 18) The tables below summarise the allocation of the two Practice Fee elements to the various activities undertaken by the CLC.

ALLOCATION OF THE PRACTICE FEE TO PERMITTED PURPOSES (2024)				
Description of activity	Permitted purpose	Rule	Cost allocated	% Of PCF
Licensing	Accreditation	8a	477,094	19%
Education	Education and training	8a	43,179	2%
Monitoring	Regulation	8a	453,739	18%
Policy	Setting practice standards	8a i.	369,157	15%
Payment of levies	Payment of levy imposed	8b	61,926	2%
Disciplinary	Regulation	8a	370,966	15%
	Setting practice standards	8a i.		
Complaints	Regulation	8a	152,016	6%
	Setting practice standards	8a i.		
Communications	Maintaining & raising standards	8a	184,881	7%
	Law reform & Leg process	8c		
	Promotion of relations	8f		
	Increasing public understanding	8g		
Council and Committees	Maintaining & raising standards	8a	378,775	15%
	Law reform & Leg process	8c		
	Promotion of relations	8f		
Total Practice Fee			£2,491,735	

PRACTICE FEE – OLC Levy Recovery				
Description of activity	Permitted purpose	Rule	Cost allocated and % of PCF	
Payment of levy's	Payment of levy imposed	8b	1,213,568	100%
Total OLC Levy			£1,213,568	

- 19) Staff costs account for 67% (2023:63%) of the CLC operating expenditure and are thus a significant driver of the expenditure allocated to the various activities. Each employee's time and cost have been allocated to the various activities based on their role and the estimated time spent on the various functions. Other operating costs are allocated by nature or apportioned based on staff cost percentages.

20) The CLC Strategy was reviewed by Council in 2022 and a revised strategy was adopted in early 2023. It was developed based on review of achievement against the strategy that was coming to an end in 2022, our intelligence and insight into the evolution of the conveyancing and probate markets, key risks and the performance of CLC-regulated practices and the Regulatory Objectives of the 2007 Act. There were staff and Council workshops to work up the new strategy, which was drafted by the Senior Management Team for final approval by the Council.

21) As ever when the CLC reviews its strategy, it took the opportunity to review the organisation's overall remit and whether it should consider in detail again the possibility of extending its regulatory remit beyond the current areas of conveyancing and probate. The extensive discussions concluded that no change to the CLC's remit was desirable and that the strength of specialist regulation remained the fundamental consideration.

22) The strategic objectives for the current strategy period (2023 -2025) agreed by the CLC Council are as follows:

- a) Promote quality in legal services
 - i. The CLC should promote all aspects of improvement in the practice of conveyancing and probate, whether legislative, process change or it-driven to improve client outcomes.
 - ii. Revised ethical standards should underpin work to drive quality and compliance and assist in the disciplinary process.
- b) Exploit the CLC's unique approach, insight and relationship with the regulated community to further improve consumer protection
- c) Benefit clients by reducing the unit cost of regulation by the CLC and bringing the CLC's specialist regulation of conveyancing and probate to bear on a larger part of the market

23) The link between the permitted purposes and strategic objectives are summarised in the table below.

The permitted purposes are	These map to the CLC's strategic objectives as follows
1) the regulation, accreditation, education and training of applicable persons and those wishing to become such persons, including –	a
i. the maintaining and raising of their professional standards; and	a and c
ii. the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;	a, b and c

2) the payment of a levy imposed on the approved regulator under section 173 of the Act and/or the payment of a financial penalty imposed on the approved regulator under section 37 of the Act;	
3) the participation by the approved regulator in law reform and the legislative process;	b
4) the provision by applicable persons, and those wishing to become such persons, of legal services including reserved legal services, immigration advice or immigration services to the public free of charge;	b and c, though this does not generally arise in relation to the legal services regulated by the CLC
5) the promotion and protection by law of human rights and fundamental freedoms;	b
6) the promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions;	a, b and c
7) increasing public understanding of the citizen's legal rights and duties; and	a and c
8) preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate.	a, b and c

24) The CLC's published Business Plan for 2023 sets out the activities that underpin the achievement of the organisation's strategic objectives and are set out in relation to the strategic objective that they chiefly help to meet. As a regulator with no representative function, these all fall within the permitted purposes as defined above. The business plan is approved by the Council and progress against it is reviewed quarterly and by exception by the Council.

25) The CLC's business plan for 2024 is currently under development through collaboration by senior management and the Council. It is well-advanced and it is clear that the key project areas of work will include:

- a) Adapting regulation and preparing the regulated community for the implementation of new technical solutions for the delivery of legal services
- b) Implementing a modernised approach to ongoing competence
- c) Continued focus on consumer choice and complaints handling
- d) Maintaining high standards of compliance with AML and Sanctions provisions
- e) Taking action with the regulated community to address challenges arising from the 2023 EDI survey of the regulate community, including further qualitative research
- f) Assessment and mitigation of evolving risks to consumers through continued close monitoring of:

- i. regulatory compliance
- ii. the impact of the economy on the regulated community
- iii. the advent of new approaches and technical solutions for the delivery of the legal services regulated by the CLC

26) These activities are in addition to the ongoing core workstreams of:

- a) maintaining standards of entry to regulation
- b) maintenance of policies and guidance for the delivery of legal services
- c) monitoring compliance
- d) undertaking enforcement and disciplinary actions
- e) supporting effective governance of the CLC including independent internal and external audits and the management of operational and corporate risk.

III – Financial information

27) For the last four years, the CLC has operated with a managed deficit budget. This has reduced the regulatory burden on practices and reduced excess cash reserves held by the CLC. The table below summarises the annual deficits recorded:

Practice Fund (Deficit)/surplus	£
2018	55,444
2019	(323,142)
2020	(886,713)
2021	(539,622)
2022	(576,513)
2023 (Forecast)	47,315
2024 (Estimate)	15,195

28) In total the CLC has reduced reserves by £3.4m over the period and significantly reduced reserve levels. Going forward, the CLC will need to operate a cash surplus budget to maintain the current reserve balance.

29) The expected expenditure for 2023 (£2,49m) is on par with 2015 (2,51m) expenditure and the average annual expenditure over this period since 2015 is £2,42m.



30) Keeping overall operating expenditure flat has been achieved by carefully managing cost. Our most significant cost is staff costs (67% of the total). This cost has increased over time as we invest in people who are passionate about their jobs and are focussed on better regulation and protecting the consumer. Our staff are our biggest asset, and they are enables us to provide our specialist regulation.

31) In real terms, after taking into consideration inflation, our costs have reduced by more than £1m (£2,50m in 2015 adjusted for inflation would be £3,55m in 2023).

- 32) Increasing sectoral demands, overall inflation, and the need to continue to invest in our staff and in our regulatory processes mean that we now need to increase our expenditure to ensure delivery to the right standard.
- 33) We realise that for practitioners this is not the best time to be increasing costs, given the slowdown in the economy and housing market. However, we need to ensure that the funding of regulation is right to enable us to deliver effectively on our regulatory and strategic objectives.
- 34) The fee rate bandings were last amended in 2021 when 5 additional bands were added to smooth progression as practices move between bands. We reviewed the bands this year and have noted that there is still a good distribution of practices across the bands. As such we concluded that there was no need to amend the bandings to be used in the next billing cycle. The table below summarises the distribution of practices since the new bandings were introduced.

Fee bands and practice allocation	Number of Practices July 21	Number of Practices July 22	Number of Practices July 23
£0 – £100,000	21	20	12
£100,001 – £250,000	57	37	35
£250,001 – £500,000	58	58	47
£500,001 – £1,000,000	48	51	56
£1,000,001 – £2,000,000	16	28	29
£2,000,001 – £4,000,000	6	9	10
£4,000,001 – £8,000,000	6	12	7
£8,000,001 – £16,000,000	5	1	5
£16,000,001 and over	2	5	4
	219	221	205

- 35) The distribution of fees generated per banding and the increase for 2024 is shown in the table below.

Turnover banding	Number of practices	Fees at 2023 rate	Fee at proposed rate	% increase in fees
£0 – £100,000	12	6,960	7,656	10.0%
£100,001 – £250,000	35	35,481	39,046	10.0%
£250,001 – £500,000	47	98,012	107,855	10.0%
£500,001 – £1,000,000	56	204,982	225,531	10.0%
£1,000,001 – £2,000,000	29	197,368	217,219	10.1%
£2,000,001 – £4,000,000	10	128,739	141,748	10.1%
£4,000,001 – £8,000,000	7	190,475	209,739	10.1%
£8,000,001 – £16,000,000	5	235,929	259,846	10.1%
£16,000,001 and over	4	478,576	526,984	10.1%
	205	1,576,522	1,735,624	10.1%

36) The increase in fees for a range of practice turnovers is included in the table below. The annual cost increase as well as the monthly cost increase is reflected. We considered the impact of these increases on practices and concluded that based on turnover the increase is not likely to be an overly onerous burden on practices.

Turnover	2023 fee rate	2024 fee rate (10% inc)	Annual cost increase	Additional monthly payment
100,000	580	638	58	5
250,000	1,411	1,553	142	12
500,000	2,736	3,011	275	23
1,000,000	5,186	5,706	520	43
2,000,000	9,996	11,006	1,010	84
4,000,000	19,476	21,446	1,970	164
8,000,000	36,476	40,166	3,690	307
10,000,000	44,896	49,446	4,550	379

37) The LSB requested in their 2022 PCF decision that we include a table showing the material changes between the estimate provided to the LSB and the final budget for the preceding year. The table below show the estimate provided to the LSB, the approved budget for 2023 and the variances.

2023 estimate for the PCF application vs the 2023 budget	2023 Estimate for PCF app	2023 Budget	Variance £	Variance %
Practice Fee	1,652,997	1,640,716	(12,281)	-1%
Individual License Fee	692,200	689,093	(3,107)	0%
Other income	65,294	67,317	2,023	3%
Applicant vetting	30,000	42,000	12,000	40%
TOTAL INCOME	2,440,491	2,439,126	(1,365)	0%
Staff costs	1,602,161	1,616,281	(14,121)	-1%
Staff cost recharge	-132,458	-132,458	-	0%
Communications	137,200	137,288	(88)	0%
Professional Fees	202,058	275,467	(73,409)	-36%
Finance charges	12,867	10,359	2,508	19%
Monitoring	38,000	33,000	5,000	13%
Applicant vetting	30,000	42,000	(12,000)	-40%
Recharges	55,321	57,853	(2,532)	-5%
Office rent	177,181	170,360	6,821	4%
Office costs	15,554	20,047	(4,493)	-29%
IT costs	33,966	40,580	(6,614)	-19%
Travel costs	16,000	29,775	(13,775)	-86%
Consulting & subs	72,159	61,094	11,065	15%
Insurance	59,324	63,890	(4,566)	-8%
TOTAL EXPENDITURE	2,319,333	2,425,536	(106,203)	-5%
OLC Levy received	847,251	910,795	(63,544)	-8%
OLC Levy Paid	-847,251	-910,715	63,464	7%
OPERATING PROFIT/LOSS	121,158	13,590	(107,568)	-89%

38) The significant variances by value and the reasons are summarised below:

Line item	Explanation for the variance
Practice Fee	The budget was based on the practices under CLC regulation in January 2023. There was a small adjustment for practice closures in the intervening period.
Individual Licence Fee	The variance is due to an updated assessment of the growth of licences that we expect to issue.
Applicant vetting	This cost was previously part of other income, this is revenue received from applicants for DBS checks. The revenue is offset by a corresponding expenditure. Our method of charging changed in 2022 and we used the most recent available figures to estimate the budget receipt (please note this cannot be accurately budgeted because we are not able to accurately estimate how many applications will be made).
Staff costs	Staff costs were marginally higher due to timing and costs associated with leavers and joiners.

Professional Fees	This expenditure line is predominantly related to the cost of disciplinary action taken against practices and individuals. This cost is not something we can precisely forecast and is impacted by the number and complexity of cases and whether the CLC receive any cost awards to recover cost incurred. As we had several large, complex, and contentious cases pending we increased the budget estimate.
Travel costs	We increased the estimate for travel cost budget as we anticipated doing more practice visits, roadshows and face to face meetings.
Consulting and subscriptions	Consulting costs are lower than reported in our estimate as we decided to some work internally which reduced our expected third-party costs.
OLC Levy	We originally estimated the OLC cost based on the estimate received from the Legal Ombudsman. By the time we completed the budget In January 2023 we realised we had underestimated the cost and increased our budget.

39) The 2023 budget has been reforecast in September 2023 as a basis for this application. It includes actual results to August and forecast expenditure for September to December. The budget and forecast figures together with the variances are included in the table below.

2023 budget vs 2023 forecast (actuals to August)	2023 Budget	2023 Forecast	Variance £	Variance %
Practice Fee	1,640,716	1,735,148	94,432	6%
Individual License Fee	689,093	721,732	32,639	5%
Other income	67,317	80,369	13,052	19%
Applicant vetting	42,000	32,984	(9,016)	-21%
TOTAL INCOME	2,439,126	2,570,234	131,108	5%
Staff costs	1,616,281	1,715,584	(99,303)	-6%
Staff cost recharge	-132,458	-132,458	-	0%
Communications	137,288	146,334	(9,046)	-7%
Professional Fees	275,467	223,461	52,006	19%
Finance charges	10,359	10,340	19	0%
Monitoring	33,000	28,676	4,324	13%
Applicant vetting	42,000	32,865	9,135	22%
Recharges	57,853	60,340	(2,487)	-4%
Office rent	170,360	197,607	(27,247)	-16%
Office costs	20,047	22,203	(2,156)	-11%
IT costs	40,580	47,215	(6,635)	-16%
Travel costs	29,775	18,917	10,858	36%
Consulting & subs	61,094	77,549	(16,455)	-27%
Insurance	63,890	62,056	1,834	3%
TOTAL EXPENDITURE	2,425,536	2,510,689	(85,153)	-4%
OLC Levy received	910,795	982,475	(71,680)	-8%
OLC Levy Paid	-910,715	-982,475	71,760	8%
OPERATING PROFIT/LOSS	13,590	59,545	45,955	338%

40) The significant variances by value and the reasons are summarised below:

Line item	Explanation for the variance
Practice Fee	The increase in revenue is due to the fee rate increase proposed in this application which increases revenue for November and December. We have also recovered some arrears Practice Fees.
Individual Licence Fee	The increase is attributed to more licences being issues than estimated. This is due to CILEX lawyers moving to CLC regulation.
Other income	This revenue line is higher than budgeted, due to more licensing applications being made than was budgeted. Additionally, we have also received more interest income due to higher interest rates.
Staff costs	Staff costs are higher than budgeted due to additional recruitment fees, rate and timing variances when new staff join, an unbudgeted temporary staff member has also been

	recruited and we have factored in unbudgeted staff retention provisions following decisions made in year.
Professional Fees	Professional fees are expected to come in below budget due to cost awards made to the CLC during 2023. We prudently don't budget for cost awards due the uncertainty of timing, value and whether they will actually be awarded.
Office Rent	This cost line includes a room booking for a disciplinary case for 6 days which was not included in the budget (we expected a remote hearing). We moved to new premises in July and there was a small negative rate variance to the budget provision.
Travel costs	Travel in the first half of the year was lower than budgeted due to changed priorities during the period.
Consulting and subscriptions	Consulting costs are higher than budgeted due to higher costs incurred on the diversity survey conducted this year.
OLC Levy	This cost has been adjusted after receiving the most recent estimate from the Legal Ombudsman in July 2023. The increase was significantly more than we had anticipated in the budget.

41) The table below summarises the sources of funding for the 2023 operating expenditure forecast as well as the allocation of expenditure by activity. All expenditure was incurred for permitted purposes.

PCF allocation to expenditure	%	2023 Estimate
Total expenditure		(2,510,689)
PCF collected	100%	2,456,880
Licensing	20%	505,132
Education	2%	41,353
Monitoring	18%	437,469
Policy	12%	306,828
Levy collection	3%	64,823
Disciplinary	16%	399,038
Complaints	4%	98,069
Communications	7%	181,400
Council	17%	422,767
Cost not recovered from PCF		(53,809)
Other income		113,353
Addition to reserves		59,545
Total PCF fees collected		2,456,880
Practice Fees		1,735,148
Individual Licences		721,732

42) The table below compares the estimated budget for 2024 against the 2023 forecast. The 2024 revenue estimate is based on currently regulated practices and turnovers as declared in June 2023. As such the revenue estimate for 2024 has a high degree of probability. The budget for 2024 will be finalised and approved by the Council in January 2024.

2023 forecast vs 2024 estimate	2023 Forecast	2024 Estimate	Variance £	Variance %
Practice Fee	1,735,148	1,735,624	476	0%
Individual License Fee	721,732	756,110	34,378	5%
Other income	80,369	92,663	12,294	15%
Applicant vetting	32,984	33,000	16	0%
TOTAL INCOME	2,570,234	2,617,397	47,164	2%
Staff costs	1,715,584	1,901,853	(186,269)	-11%
Staff cost recharge	-132,458	-151,187	18,729	-14%
Communications	146,334	143,050	3,284	2%
Professional Fees	223,461	199,220	24,241	11%
Finance charges	10,340	7,650	2,690	26%
Monitoring	28,676	32,000	(3,324)	-12%
Applicant vetting	32,865	33,000	(135)	0%
Recharges	60,340	61,945	(1,606)	-3%
Office rent	197,607	154,626	42,980	22%
Office costs	22,203	26,563	(4,360)	-20%
IT costs	47,215	32,894	14,321	30%
Travel costs	18,917	26,400	(7,483)	-40%
Consulting & subs	77,549	66,568	10,982	14%
Insurance	62,056	62,057	-	0%
TOTAL EXPENDITURE	2,510,689	2,596,639	(85,950)	-3%
OLC Levy received	982,475	1,213,568	(231,093)	-24%
OLC Levy Paid	-982,475	-1,213,568	231,093	24%
OPERATING PROFIT/LOSS	59,545	20,758	(38,786)	-65%

43) The key variances between the 2023 forecast and the 2024 estimate are summarised below.

Line item	Explanation for the variance
Practice Fee	The practice fee is expected to be in line with the prior year. Although we are increasing rates by 10%, we have seen turnovers fall by 4% and had 20 practice closures during 2023 all of which has reduced the base income. We also collected some arrears practice fees in 2023 which will not be repeated in 2024.
Individual Licence Fee	The increased revenue is driven by continued growth in the number of licensed conveyancers and full year collections for new licence holders that joined in 2023.
Other income	Other income is expected to increase as we have amended some of our administration charges to align and better recover the cost of processing the application (see annex C).

Staff costs	Staff costs are expected to increase due to a planned inflation adjustment, benchmarking of some staff salaries and an increase in headcount. We plan to recruit additional policy and complaint handling staff.
Staff cost recharge	The staff cost recharge has increased due to cost-of-living adjustments. We have also included additional provision for staff responsible for the preparation of Compensation Fund Determinations.
Professional Fees	We expect professional fees to be in line with last year's cost. This is however difficult to predict because of the uncertainty of cases arising or their complexity. Where we can, we will run cases internally and engage counsel directly to reduce cost. This estimate does not factor in any cost recoveries we may be awarded.
Office Rent	We relocated to new premises within WeWork in July 2023 at a reduced license fee.
Travel costs	We are looking to increase our engagement with practices and other stakeholders and have factored in increased travel for the year.
Consulting and subscriptions	The prior year cost includes additional research costs which will not be incurred in 2024. We also anticipate doing some work internally (such as the regulatory return)
OLC Levy	Over the last 3 years the average increase in cost has been 25%. We have used this average increase in our forecast.

44) The table below summarises the sources of funding for the 2024 operating expenditure estimate as well as the allocation of expenditure by activity. All expenditure was incurred for permitted purposes.

PCF allocation to expenditure	%	2024 Estimate
Total expenditure		(2,596,639)
PCF collected	100%	2,491,735
Licensing	19%	477,094
Education	2%	43,179
Monitoring	18%	453,739
Policy	15%	369,157
Levy collection	2%	61,926
Disciplinary	15%	370,966
Complaints	6%	152,016
Communications	7%	184,881
Council	15%	378,775
Cost not recovered from PCF		(104,905)
Other income		125,663
Addition to reserves		20,758
Total PCF fees collected		2,491,735
Practice Fees		1,735,624
Individual Licences		756,110

OLC Levy

45) The Council reviewed the most recent OLC cost estimate and dataset and decided that the allocation of cost between availability of service (70% of the cost) and usage fees (30% of the cost) should remain unchanged. Although we have previously stated that we would like to increase the user pays element, we have decided not to change the allocation this year as:

- a) We want to see the impact of the early resolution pilot on case numbers and cost.
- b) We have noted that the number of formal determinations has dropped, possibly indicating an improvement in complaint handling by practices.
- c) We have noted some unusual trends in the OLC data which have increased case numbers, which we need to investigate further.

46) Using the most recent estimate received from the Legal Ombudsman (for the period April 2023 – March 2024) we can calculate the allocation of cost to the regulated community as follows:

OLC Estimate of cost to be allocated to the CLC		£ 1,021,952
30% of the cost payable by practices as a usage fee		£ 306,585
3 year average case numbers (per OLC)		372.00
Cost per case		£ 824.15
Usage Fee allocation	Cases	Total cost allocation
Cases allocated to closed practices	46.00	£ 37,911
Cases allocated to currently regulated practices	326.00	£ 268,674
total	372.00	£ 306,585
70% of the cost allocated to availability charge		£ 715,366
Add usage cost from closed practices		£ 37,911
Adjusted availability charge (allocated as a % of turnover)		£ 753,277
Average availability cost per £1,000 turnover		£ 1.80

47) The table below summarised the number of cases accepted for investigation over the previous 4 year.

Annual case numbers accepted for investigation			
April 2019 - March 2020	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023
326	282	374	461
Average case numbers for last 3 years:			372

48) The number of cases accepted for investigation by the OLC continue to increase year on year. However, the number that reach consideration by an Ombudsman and in which an award is made has dropped to 44. The table below summarises the Ombudsman decisions over the previous 4 years. We are concerned about the increase in cases being accepted for investigation and then closed under rule 5.7, which may be unnecessarily increasing the cost to the regulated community.

Ombudsman decisions	April 2019 - March 2020	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023
Ombudsman Final Decision	91	65	75	44
Ombudsman's decision to dismiss under 5.24(h) or 5.32 (c)	6	2	7	7
Ombudsman's decision to dismiss/discontinue under 5.7	17	13	47	237

- 49) We have also noted that the OLC data supporting the calculation includes several cases where it appears that a case was closed on the day it was opened or shortly thereafter. Some cases appear to have been closed before they were opened. We are reviewing these discrepancies and will refer them to the OLC.
- 50) The CLC has developed OLC metrics which are published and reported to Council quarterly. These metrics show total case referrals and target the practices with the most Ombudsman referrals.
- 51) The CLC is reviewing all first-tier complaint referrals received from the Ombudsman and addressing these with the practices concerned.

IV. Reserves – Practice Fund

52) For the past four years, the CLC has operated a managed deficit budget. This policy was implemented to reduce the reserve levels.

53) Reserve levels have returned to normal levels and the Council resolved to run a surplus budget from 2023 so that current reserve levels are maintained.

54) The current reserving policy requires that:

- i. A minimum reserve of £651,870 is maintained.
- ii. An additional £200,000 can be accumulated as a market uncertainty/ operating reserve to cater for any unanticipated expenditure or for cashflow purposes such as payment of the OLC levy.
- iii. A floating OLC levy reserve is built up annually through OLC levy collections. This is used to fund the payment of the next OLC levy invoice.

55) The purpose of the OLC levy is to ring fence reserves to fund the Ombudsman invoice. On payment in April of each year it will reset to zero and accumulate as the CLC receives payments from Practices.

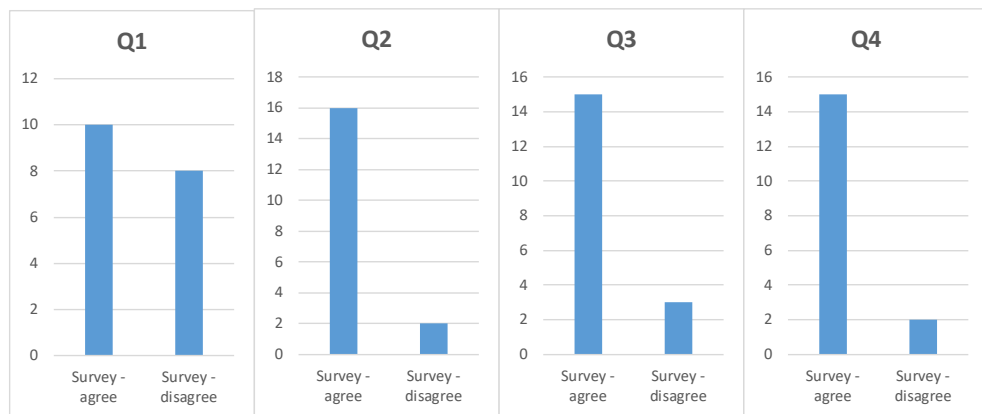
56) The cash flow forecast based on the estimate for 2023 is summarised as follows:

Estimated reserve level for 2024	
Cash reserves at 31 August 2023	624,914
Net cash generated from operations	453,567
OLC levy payments received	279,200
Cash reserve at 31 December 2023	1,357,681
OLC Levy payment	(1,021,952)
Net cash generated from operations	91,817
OLC levy payments received	975,864
Cash reserve at 31 December 2024	1,403,410

V. Consultation & Engagement

- 57) The annual CLC Fee consultation was launched on 5 August and ran for 6 Weeks. It consulted on all the CLC's regulatory fees.
- 58) The consultation was promoted in newsletters, the press and sent to key stakeholders. We also gave respondents the option to submit a quick response via an online survey rather than responding in full to the consultation document. The CLC reminded representative bodies about the consultation towards the time of its closure.
- 59) We received 18 responses, all of which were submitted through the survey option. One of those was submitted by a representative body.
- 60) The results of the survey are summarised in the table below:

Survey results 2023	Q1	Q2	Q3	Q4
	Proposal to increase the current Practice Fee rates by up to 10%?	Proposal that the Compensation Fund Contribution rates should remain unchanged from the current rates?	Proposal to not amend OLC levy allocation	Proposal that Individual practice certificate cost remains unchanged from the current fee?
Survey - agree	10	16	15	15
Survey - disagree	8	2	3	2
	18	18	18	17



- 61) 56% of the respondents agreed with the Practice Fee Rate increase (Question 1). Seven respondents provided comments. The key concerns raised were:
- That we should have increased the Practice Fee in small increments in past years while the market was good, rather than all at once during a decline.
 - That with rising costs and PII it is becoming hard to run a business.

- 62) 89% of the respondents agreed that the Compensation Fund contribution rates should remain unchanged (Question 2). Four respondents provided comments. The key concerns raised were:
- a) One respondent queried whether any Compensation for investment property claims would be paid by the regulated community, or the firms involved.
 - b) Another respondent noted that any fee has an impact on the profitability of a firm.
- 63) 83% of the respondents agreed that the OLC levy allocation between availability charge (70% of the cost) and usage charges (30% of the cost) should remain unchanged (Question 3). Three respondents provided comments. The key concerns raised were:
- a) One respondent queried whether cases that were opened for investigation and then not further investigated should be “chargeable cases”.
 - b) Another respondent felt that practices who have a clean record (no cases) should not pay the charge.
- 64) 88% of the respondents agreed that the individual licence fee should not be amended. Three respondents provided comments. The key concerns raised were:
- a) That we should consider the self-employed.
 - b) That we should increase the individual Licence fees and use that to employ more staff to assist with monitoring practices that needed “special attention”.
 - c) One respondent said that we should lower the charge.
- 65) The responses to the consultation were carefully considered. The responses did not indicate any significant resistance or flaw in the fee proposals made. Based on this review we have decided to proceed with the changes as proposed in the consultation document.

VI. Impact Assessments

- 66) The CLC has considered whether changing its Practice Fee arrangements would have any unintended impact on any groups with the regulated community, particularly those with protected characteristics.
- 67) The individual licence fees have remained unchanged in cash terms since 2010. Although the fee hasn't reduced, inflation has resulted in the real cost of the licence decreasing as the CLC made no inflation-linked adjustments over the period. We have no evidence to suggest that the individual licence cost is a barrier to entry into the profession nor that the Practice Fee for regulated entities is a barrier to market entry or ongoing participation.
- 68) Because the Practice Fee is derived from turnover, those practices that grow their turnover will pay more, and those that see a reduction in turnover would see a corresponding reduction in their fee. Additionally, practices are able to pay their practice fee in 12 interest free instalments which helps smooth the cashflow burden on practices.
- 69) Practice Fees are based on historic turnover, during an economic upturn they benefit from paying lower fees while generating increased revenue. The opposite happens during an economic downturn when the practice is paying fees based on a higher turnover. Having the ability to pay the fee in interest-free instalments helps mitigate the timing impact.
- 70) The minimum practice fee will increase by £52 to £632 and applies to practices with a turnover of less than £100k. There are currently 12 (2022:17) practices with a turnover below £100k. The smaller the practice fee is, the greater the percentage of turnover is for these practices. There is a cost to being regulated which has to be enough to make regulation effective without being disproportionate to the effort of regulating that type of business. We are of the view that this cost is not disproportionate to the regulatory effort involved and certainly below the cost of providing regulation.
- 71) The OLC cost is significant and increasing annually at above the inflation rate. We think the allocation method is fair as 70% is allocated proportionately based on turnover to all practices and only 30% is allocated to practices based on their number of cases. There are currently only 49 practices that have cases, and 26 of those have only 1 or 2 cases. A practice with 1 case will pay £274.72 as a usage fee per year for 3 years.
- 72) Overall, when setting the Practice Fee rates and levies we have tried to allocate the cost to practices fairly. In most cases the practices are multi manager practices and the factors outlined above do not target any specific group or protected characteristic. We are

however cognisant that the smallest practices may have a different profile. We have assessed this below.

- 73) The 2023 survey to assess the diversity profile of the regulated community will be published on the CLC’s website shortly. The results show some shift in structure in firms, with a greater proportion of fee-earners holding licences than at the time of the last survey. They show that the trend of lower than proportionate number of women lawyers and lawyers from ethnic minority backgrounds in leadership roles in regulated practices. However, there is no reason to believe that the regulatory fees structure plays any part in that – individual fees are unchanged and in any event are often paid by the employer practice.
- 74) Individual annual licence fees have not changed and there is no additional cost for someone holding a manager licence compared to a standard Licensed Conveyancer licence. As such, their cost would not inhibit progression within a practice.
- 75) The turnover basis of the practice fee is an automatic mechanism to reduce or increase the charge to a practice as the practice’s income falls or rises. This enables new practices to be established for a relatively low cost until turnover grows. We consider that this should help any setting up their own practice equally.

Protected Characteristic	Potential Impact														
age	<p>We were particularly concerned that we could be unintentionally discriminating against age particularly in the lower turnover bands where we suspected there would be a concentration of older sole practitioners. The 12 (2022: 19) practices in this band included 15 (2022:27) managers. The age range of this group is summarised as follows:</p> <table border="1" data-bbox="669 1507 971 1801"> <thead> <tr> <th data-bbox="675 1516 834 1579">Age</th> <th data-bbox="834 1516 971 1579">% of total</th> </tr> </thead> <tbody> <tr> <td data-bbox="675 1579 834 1621">20 – 29</td> <td data-bbox="834 1579 971 1621">0%</td> </tr> <tr> <td data-bbox="675 1621 834 1663">30 - 39</td> <td data-bbox="834 1621 971 1663">7%</td> </tr> <tr> <td data-bbox="675 1663 834 1705">40 – 49</td> <td data-bbox="834 1663 971 1705">13%</td> </tr> <tr> <td data-bbox="675 1705 834 1747">50 – 59</td> <td data-bbox="834 1705 971 1747">33%</td> </tr> <tr> <td data-bbox="675 1747 834 1789">60 – 69</td> <td data-bbox="834 1747 971 1789">27%</td> </tr> <tr> <td data-bbox="675 1789 834 1831">70 +</td> <td data-bbox="834 1789 971 1831">20%</td> </tr> </tbody> </table>	Age	% of total	20 – 29	0%	30 - 39	7%	40 – 49	13%	50 – 59	33%	60 – 69	27%	70 +	20%
Age	% of total														
20 – 29	0%														
30 - 39	7%														
40 – 49	13%														
50 – 59	33%														
60 – 69	27%														
70 +	20%														

Protected Characteristic	Potential Impact
	Our conclusion based on the above summary is that the distribution is as we would expect of conveyancing business owners and that there is no disproportionate impact on any specific age group. Nor would individual licence fees impact differently on different age groups, especially as these tend to be paid by employers.
gender reassignment	The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.
being married or in a civil partnership	The CLC does not have sufficient data to determine whether the proposed PCF application would impact this group specifically. The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.
being pregnant or on maternity leave	<p>The Practice Fee amendments are not expected to disproportionately impact individuals that are pregnant or on maternity leave. The unchanged individual licence fee that is payable by licenced conveyancers is the primary consideration.</p> <p>The CLC does however have a policy that allows individuals to suspend their licence for up to two years without needing to do anything other than prove that the required CPD requirements have been met.</p> <p>This provision is currently used during pregnancy and maternity and enables an individual to re-enter the profession without any significant regulatory barriers or cost. A pro rata fee is paid if a licence is taken out during the year.</p>
disability	It is possible in theory that the fee-earning capacity of a disabled lawyer might be at a level that could mean that the individual licence fee could be perceived as disproportionate. That might be exacerbated if the fee is paid by an employer who is also incurring expenses arising from adjustments for a disabled employee. This seems unlikely given the modest cost of an individual licence for a year at £400, or less than £10 a week. However, this is a question that we will turn to in our EDI research.
race including colour, nationality, ethnic or national origin	The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.
religion or belief	The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.

Protected Characteristic	Potential Impact
sex	It should be noted that women make up around three-quarters of individual licence holders. The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.
sexual orientation	The CLC has no reason to believe that any of the PCF proposals would impact this group more or less than any other.

VII. Transparency of PCF information to relevant authorised persons

- 76) The following information will be provided in an information sheet when we notify practices of their Practice Fees for 2024:
- a. The components of their Practice Fee (Practice Fee, Compensation Fund Contribution and OLC Levy).
 - b. A breakdown of the CLC's estimated expenditure by cost category and allocation by function for the next financial year.
 - c. The payment schedule for the above Fees.
 - d. A statement that indicates which fee rates were changed as well as any of the billing arrangements.
 - e. Details of how the OLC Levy operates. This will include the process for determining the levy, the timing and when they will receive the final figures for the charge for 2023-24.
 - f. An estimate of their OLC charge based on the OLC estimate and the case numbers provided by the OLC.
 - g. The Practice Fee tables and schedule of other administration costs.
 - h. A link to the PCF application & LSB approval.
 - i. A link to the consultation document and consultation responses.

VIII - Monitoring and responding to the impact

- 77) The Individual licence fee is collected on renewal of the licence whereas the practice fee is generally collected in 12 instalments via direct debit. Direct debit collections are monitored and any collection failures are assessed to determine if affordability was a factor. Direct debit failure is rare, however if the frequency were to increase it could be an indicator that practice fees are not affordable. Add in something about practice closure?
- 78) The OLC levy is also collected via direct debit and any collection failures would also be assessed for affordability.
- 79) Trends in OLC case numbers (as available) are monitored and inform the response taken against individual practices, any response would be proportionate to the number of cases and any referrals by the Ombudsman for review and investigation.
- 80) OLC case numbers have increased over the last 12 months. From an initial analysis this appears to be attributed to cases that are opened and closed without investigation on the same day. We have not seen this in prior years and will need to understand why this is being done and whether it is administrative or indicative of complaint failings at practices.

81) The CLC uses the data published by the OLC to:

- a. Monitor trends
- b. Report metrics to the Council and publish them
- c. Investigate referrals from the Ombudsman
- d. Identify and address practices with relatively high case numbers or poor outcome trends

82) We will however continue to review case outcomes and take additional steps where it is determined that a practices complaint handling is below the expected standard.

IX. Checklist - Enclosures

Income and expenditure forecasts, including practising fee income, for 3 years from and including the year for which the practicing fee is being levied. **Enclosed**

Financial information for the previous year, including a comparison of actual and budgeted income and expenditure. **Enclosed**

Copy of the information that will be provided to fee paying members (if description is not provided in section VII). **Enclosed**

X. Compliance Statement

We certify that the information provided in this application is accurate and complete to the best of our knowledge and we have taken reasonable steps to ensure that the application complies with the rules.

Date: 02 October 2023



Sheila Kumar – Chief Executive and Accounting Officer



Stephen Ward – Director of Strategy & Communications



Jason Hinrichsen – Director of Finance & Operations

All queries relating to this application should be directed to Jason Hinrichsen and Stephen Ward.

Email: jasonh@clc-uk.org
stephenw@clc-uk.org

ANNEXURES



ANNEX A

Licence Fees

Licence or Application Type	Existing Fee	Revised Fee	Notes
ANNUAL LICENCE FEES			
Individual licence for Conveyancing or probate	£400	£400	No change
Individual licence for Conveyancing and probate	£475	£475	No change

ANNEX B

Practice Fee rate table

PRACTICE FUND (2023-24)				
Turnover Banding	Practice Fee payable			
£0 – £100,000	£638			
£100,001 – £250,000	£638	plus	0.610%	of turnover in excess of £100,000
£250,001 – £500,000	£1,553	plus	0.583%	of turnover in excess of £250,000
£500,001 – £1,000,000	£3,011	plus	0.539%	of turnover in excess of £500,000
£1,000,001 – £2,000,000	£5,706	plus	0.530%	of turnover in excess of £1,000,000
£2,000,001 – £4,000,000	£11,006	plus	0.522%	of turnover in excess of £2,000,000
£4,000,001 – £8,000,000	£21,446	plus	0.468%	of turnover in excess of £4,000,000
£8,000,001 – £16,000,000	£40,166	plus	0.464%	of turnover in excess of £8,000,000
£16,000,001 and over	£77,286	plus	0.460%	of turnover in excess of £16,000,000

ANNEXURES



ANNEX C

Other administration charges

Licence or Application Type	Existing Fee	Revised Fee	Notes
INDIVIDUAL APPLICATION FEES			
Application fee - Individual licence application	£150	£150	No Change
Application Fee – Head of Legal Practice (HoLP)	£240	£240	No Change
Application Fee – Head of Finance and Administration (HoFA)	£240	£240	No Change
Application Fee – Registered Manager	£150	£180	To cover cost of additional checks required
Reinstatement of lapsed CLC licence		£150	Adding new listed charge based on cost to process
Reapplication for a CLC Licence after a period of suspension or disqualification		£240	Adding new listed charge based on cost to process
Additional fees for complex cases with adverse findings. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)		£80/h	Adding new listed charge
PRACTICE APPLICATION FEES			
New practice application – (Alternative Business Structure)	£1,200	£1,200	No change
New practice application – (Recognised body)	£150	£1,200	updating cost to reflect cost of processing and application
Additional checks required due to delay in issue of licence. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)		£80/h	Adding new listed charge
New Corporate Investors/Owners notification (to be paid by the incoming party)		£540	Adding new listed charge based on cost to process
Change of ownership - existing non corporate owners (to be paid by the CLC Practice)		£280	Adding new listed charge based on cost to process
Change of ownership - new non corporate owners (to be paid by the CLC Practice)		£280	Adding new listed charge based on cost to process
Addition of a legal service to the licence		£160	Adding new listed charge based on cost to process

ANNEXURES



Licence or Application Type	Existing Fee	Revised Fee	Notes
Notification of new branch office		£50	Adding new listed charge based on cost to process
OTHER ADMINISTRATION FEES			
Issue of a duplicate licence	£50	£25	updating cost to reflect cost of processing and application
Amendment to a licence	£75	£75	No change