

Council Meeting



**To be held on
Thursday 3rd November 2016
at 11.00hrs – 14.30hrs at
CAN, Bank Room, 49-51 East Road, London,
N1 6AH
A G E N D A**

No	Item	Publication status	Type of Paper	Lead
1	Welcome, Introductions and Apologies for Absence and Declarations of Interest		For recording	JP
2	Minutes and Matters Arising Approval of Minutes of Meetings held on 28 July 2016 and Council Workshop held on 22 September 2016 Actions from Previous Meetings	For publication - subject to redaction of commercially confidential material. Minutes of workshops are not for publication – policy in development, the details of which will be published in future, where possible. Actions from previous meetings have not been published as these have been published within minutes of past meetings.	Approval Noting	JP
3	Consumer Information <ul style="list-style-type: none"> • Price Transparency • Client feedback • Complaints data • Secure Logos 	Not for publication - policy in development. Where possible, information will be published once the relevant policy decision has been made.	Approval	SW
4	CEO Report	Not for publication - contains information that has been provided to the CLC in confidence or which will be published in future	Noting	SK
5	Management Report <ul style="list-style-type: none"> a. Q3 Performance Outturn b. Watchlist c. Principal Risk Register 	<ul style="list-style-type: none"> a. For publication, subject to redaction of commercially confidential material b. Not for publication – contains information relating to ongoing investigations, proceedings and enforcement action. c. Not for publication – contains information, the 	<ul style="list-style-type: none"> Noting Noting Noting Noting 	SK/SMT

	d. Property News Round up	disclosure of which would be prejudicial d. For publication.		
6	Report on 2016 Annual Regulatory Return	Not for publication – Final Report is intended for future publication.	Noting	SW
7	Business Plan	Not for publication – Will be published in final form when available.	Approval	SW
8	Update of Handbook Changes	Not for publication – policy in development; revised Handbook will be published when finalised.	Approval	SB
9	Terms of Reference & Governance Review	Not for publication – the final Corporate Governance Framework is intended for future publication.	Noting	SK
10	Skills Audit and Yearly Reviews	Not for publication – will contain personal information.	Approval	JP
11	Committee Minutes for Approval Audit and Risk Committee a) Report and draft minutes from 25 October 2016 meeting Remuneration Committee b) Report and draft minutes from 30 August and 10 October 2016	Not for publication – Policy in development Not for publication - Policy in development	Noting Noting	HF JS
12	Council Work Plan for 2017	For publication	Noting	SK
	LUNCH			
13	Adjudication Panel: Chair's Annual Round Up	Not for publication – intended for future publication development.	Noting	SB/EB
14	Approach to Sentencing Guidelines for the Adjudication Panel	Not for publication – policy in development	Approval	SB
15	AoB (Items to be sent by email in advance to Head of Executive Office)			ALL



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

Council Present

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

CLC in attendance

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

Apologies

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

1. Welcome, Introductions, Apologies and Declarations of Interest

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

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

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

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

2. Minutes of Previous Council meetings

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

i) Publication of governance materials

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

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

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

ii) CLC Strategy

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

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

3. CEO Report

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

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

4. Management Reporting

a) Q4 Performance Out-turn

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

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

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

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

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

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

b) Interventions and Watchlist

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

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

c) Principal Risk Register

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

Item 5 Redacted: Commercially Confidential

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

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

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

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

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

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

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

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

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

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

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

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

8. CMA Report

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

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

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

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

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

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

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

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

9. Education Update and next steps

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

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

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

Decision 004: Council agreed:

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

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

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

10. Risk Appetite Statement

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

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

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

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

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

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

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

11. Committee Minutes for Approval

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

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

12. Council Workplan

The Council workplan was noted.

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

Committee Secretary to look at alternative days for September workshop shop.

13. AoB

None



CLC Council Meeting

Item No 3 CONSUMER INFORMATION

Date: 3rd November 2016
Purpose: For decision
Author: Stephen Ward

Summary

This paper sets out proposals for taking forward initiatives considered by the Council at its workshop on 22nd September to improve information available to consumers as they choose legal services providers. It sets out proposals for consultation on how the CLC could:

1. increase the transparency of pricing information in the CLC regulated community.
2. increase the collection of client feedback on services provided by CLC firms.
3. use complaints data and disciplinary information to inform consumer choice

It also sets out an implementation plan for the secure logo scheme agreed by Council in September.

Recommendations

The Council is asked to comment on the proposals set out in Annexes 1 to 3 to shape the consultation exercises on potential approaches to the provision of information to consumers. The Council is asked to note the roll-out plan for secure logos set out at Annex 4.

Risk management

Risks relating to each of the projects are highlighted in the relevant sections. They will be managed on a project basis as each is defined following the consultation period.

Financial impact

There is little financial impact arising from this paper. The annual cost of the secure logo scheme is less than £4,000. The costs of approaches to price transparency, client feedback and publication of complaints and data and disciplinary information will vary considerably depending on the model adopted by the Council following consultation.

Diversity and inclusion impact

The initiatives in this paper have the potential to help open up access to legal services. Final proposals will need to be assessed to ensure that they do not have negative impacts on particular groups in the regulated community. At the moment, it is not clear that they will.

Communications requirements

Consultations on these projects will be supported with a major communications and engagement effort, including a conference for CLC Managers in January 2017 and a series of face to face meetings with practitioners around the country in February in addition to PR, website and newsletter content.



CLC Council Meeting

Item No 4 CEO Report

Date: 3 November 2016

Purpose: Noting

Author: Sheila Kumar

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 2016 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



CLC Council Meeting

Item No 5a Performance Pack Report - Q3 Out-turn

Date of Meeting: 03 November 2016

Purpose: Noting

Author: Jason Hinrichsen

Section 1: Out-turn – Overview of financial performance to 30 September 2016

PRACTICE FUND

1 Financial Performance

The financial position of the CLC for the 9-month period ended September 2016 is summarised below:

Council for Licensed Conveyancers Income Statement YTD - September 2016	January - Sept 16		Variance YTD	Var %
	Actual	Budget		
REVENUE	2,276,080	2,107,630	168,450	8%
TOTAL STAFF COSTS	938,974	1,131,202	192,228	17%
Salaries and Benefits	871,229	1,054,093	182,863	17%
Council Fees & Expenses	67,745	77,109	9,365	12%
TOTAL OPERATING EXPENDITURE	911,992	907,494	(4,497)	0%
Education Costs	71,704	49,560	(22,144)	-45%
External Relations	184,642	187,404	2,762	1%
Practice	110,409	96,857	(13,552)	-14%
Regulatory	255,046	274,848	19,801	7%
Office Costs	290,190	298,826	8,636	3%
SURPLUS on operating activities	425,115	68,934	356,181	517%
Profit on sale of properties	881,926	-	881,926	
SURPLUS	1,307,041	68,934	1,238,107	1796%

The financial performance of the organisation at the end of the 3rd quarter continues to remain buoyant. We anticipate that the trend will continue and that we are likely to finish the year with an operating surplus in excess of £500 000.

The year to date operating surplus can be attributed to:

- 1) A positive revenue variance of £168 450 (8%). This variance is largely attributed to higher student registration and examination fees (£97 350) and increased revenues from Practice fees and individual subscriptions (£71 100)
- 2) A positive variance on £182 863 (17%) on Total Staff costs. This positive variance is attributed to:
 - Staff vacancies due to resignations, change in staffing plans and elapsed time filling positions.

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- Not applying a 5% annual increase budgeted from January 2016.
 - Underspend on training budgets.
- 3) Total operating expenses are below budget expectations and are reflecting a negative variance of £4,497 (0%) against the budget. Summarised below are further details of line item variances:
- **Education costs** are 45% over budget. The higher costs can be attributed to more than expected assignment submissions and exam sittings. The higher than budgeted costs are offset by a positive revenue variance. Education revenue amounting to £227 182 has been recognised year to date.
 - **External Relations** costs are 1% under budgeted (£2,762 positive variance) The variance from budget has reduced significantly since the last quarter due to increased spend in the marketing and consulting categories.
 - **Practice** costs are 14% over budget (£13,552 negative variance). The key components of the variance are:
 - Storage costs – due to additional boxes being taken into storage, and higher than anticipated costs associated with the consolidation and scheduling and destruction of boxes.
 - 3rd party inspection costs – the variance on this line can be attributed to timing of routine inspections (frontloading when compared to budget), additional targeted inspections.
 - Unbudgeted consulting cost incurred to change functionality on the student MIS system.
 - **Regulatory** costs are 7% under budget (£19,801 positive variance) this is driven by a lower than budgeted Legal and consulting fees. This is partially offset by higher than budgeted OLC cost.
 - **Office costs** are 3% under budget (£8,636 positive variance) the variance is largely as a result underspend on office costs (Stationary, postage & insurance). This is partially offset by higher than budgeted costs associated with the sale of the properties (Council tax, cleaning and other sale related costs).

2 Cash reserves

As at 30 September 2016 the cash position of the Practice Fund can be summarised as follows:

Cash Reserves as at June 2016	Practice Fund			Increase / (Decrease)
	YE Dec 15	Jun-16	Oct-16	
Minimum Reserves	1,000,000	1,000,000	1,000,000	-
Free Cash Reserves	1,126,748	908,545	1,035,866	127,321
Property sale proceeds	-	-	1,187,079	1,187,079
Total Cash in Hand	2,126,748	1,908,545	3,222,945	1,314,400

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

Please note that the movements in our cashflow are impacted by the nature of our cashflows. Although we receive fees monthly from practices, individual licensing subscriptions are all received in October and amortised over the financial year. As a result the surplus recorded on the income statement will not necessarily correspond with movements in cash. It is also worth noting that all debtors are current.

COMPENSATION FUND**1 Financial Performance**

Council for Licensed Conveyancers Income Statement YTD September 2016	January - Sept 16		Variance YTD	Var %
	Actual	Budget		
Practice contribution revenues	419,631	381,243	38,388	10%
Aged Balances & Intervention balances	1,428,226	-	1,428,226	
TOTAL REVENUE	1,847,857	381,243	1,466,614	385%
TOTAL EXPENDITURE	144,602	220,999	76,397	35%
Compensation Grants	72,902	180,000	107,098	59%
Legal Fees Re. Comp Fund Claims	37,428	-	(37,428)	
Intervention Consultancy	28,355	32,667	4,311	13%
LC's Run Off Cover (Future)	5,855	8,332	2,477	30%
Corporation Tax charge	61	-	(61)	
SURPLUS	1,703,256	160,244	1,390,217	868%

The compensation fund is showing a year to date surplus of £1,703,256. £1,428,226 of this variance can be attributed to the take on off aged balances and Intervention funds (pursuant to the Council decision taken in April 2016). The remainder of the surplus, £275,030 is attributed to normal operating activities. The positive budget variance can be attributed to:

- Practice contributions being 10% higher than budget expectations. This is largely driven by rate variances and new entrants to CLC regulation.
- Compensation grant provisions have been lower than expected in the budget. At this stage we do not anticipate any further significant provisions being made

- [REDACTED]

2 Cash Reserves

The cash reserves of the compensation fund can be summarised as follows:

Compensation Fund				Increase / (Decrease)
Cash Reserves as at June 2016	YE Dec 15	Jun-16	Oct-16	
Minimum Reserves	2,000,000	2,000,000	2,000,000	-
Free Cash Reserves	2,282,550	2,519,976	2,522,919	2,943
Aged Balances Reserves	654,529	696,855	712,076	15,221
Intervention Funds	721,563	718,726	716,150	- 2,576
Total Cash in Hand	5,658,642	5,935,557	5,951,145	15,588

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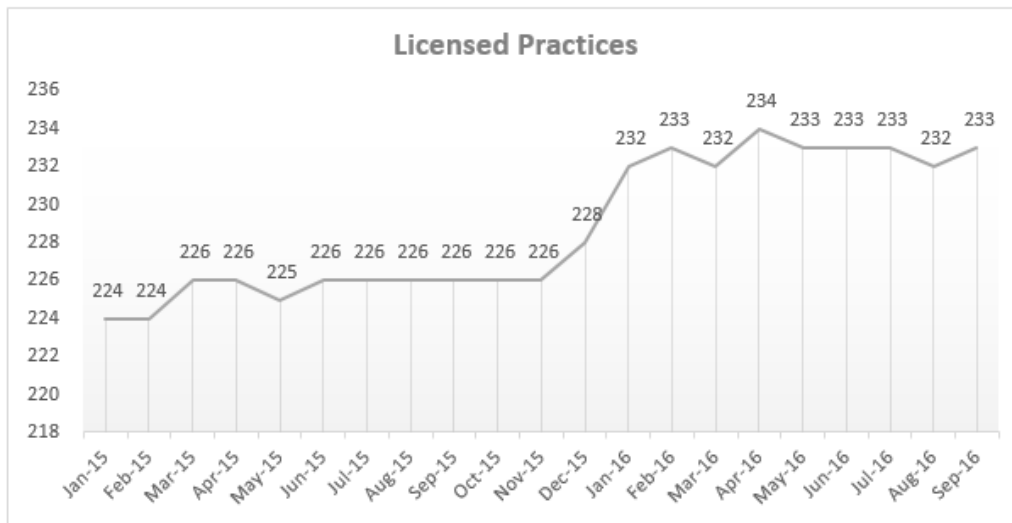
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Section 2: Operational performance indicators

Section 2.1 – Practices & Licensing



- The number of practices under CLC regulation has remained flat year to date.
- There are 233 practices licensed by the CLC as at the end of June 2016.

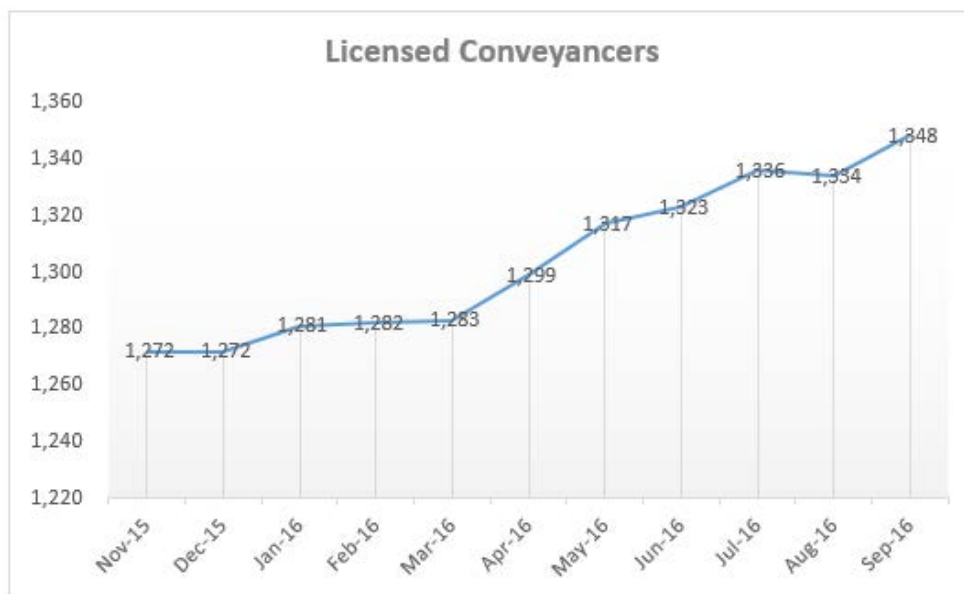
The total number of practices regulated by the CLC at June 2016 is summarised by entity type below:

Practices by Entity Type		ABS
Limited Company	142	51
Limited Liability Partnership	14	4
Partnership	20	
Sole Practitioner	57	
Total	233	55

There are currently 55 regulated practices that are registered as Alternative Business Structures.

The table below summarises movement in the number of practices and declared turnover starting at November 2015. Over the period practice turnover under regulation has grown by £8,896,311.

Practices by Entity Turnover	Nov 15 - Sep 16	
	No. of Entity	Turnover
Exsiting Practices	226	168,117,185
New Businesses	12	4,166,100
Closed Businesses	-4	- 269,789
Merger	-1	
Total	233	172,013,496



- The number of license holders has increased by 25 over the last quarter and 76 year to date. The individual license base is composed as follows:

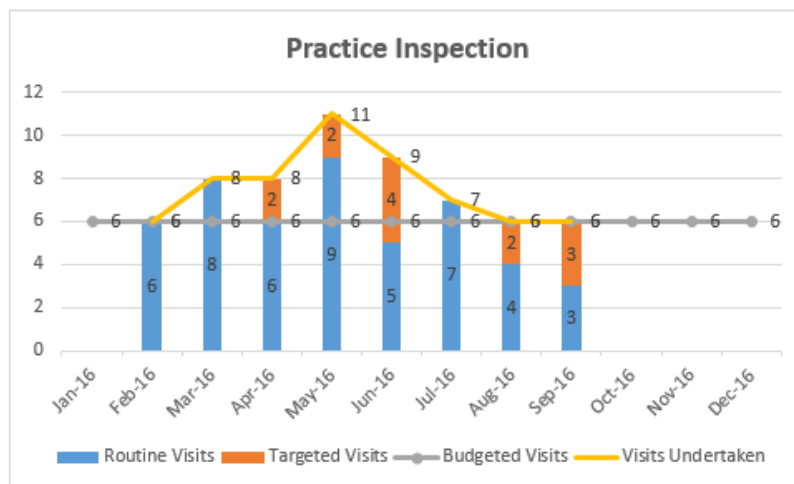
Individual License Holders		Probate
Employed	961	17
Manager	385	50
Probate	2	2
Total	1348	69

Section 2.2 – Inspections & Monitoring



- The absolute number of practices on the watch list has remained relatively constant over the last 15 Months.
- There has been greater movement in the Watchlist consequent on new resources being in place.

The number of routine inspections conducted during 2016 are summarised below:



In addition to the routine inspections, a further 19 targeted inspections have been conducted year to date.

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

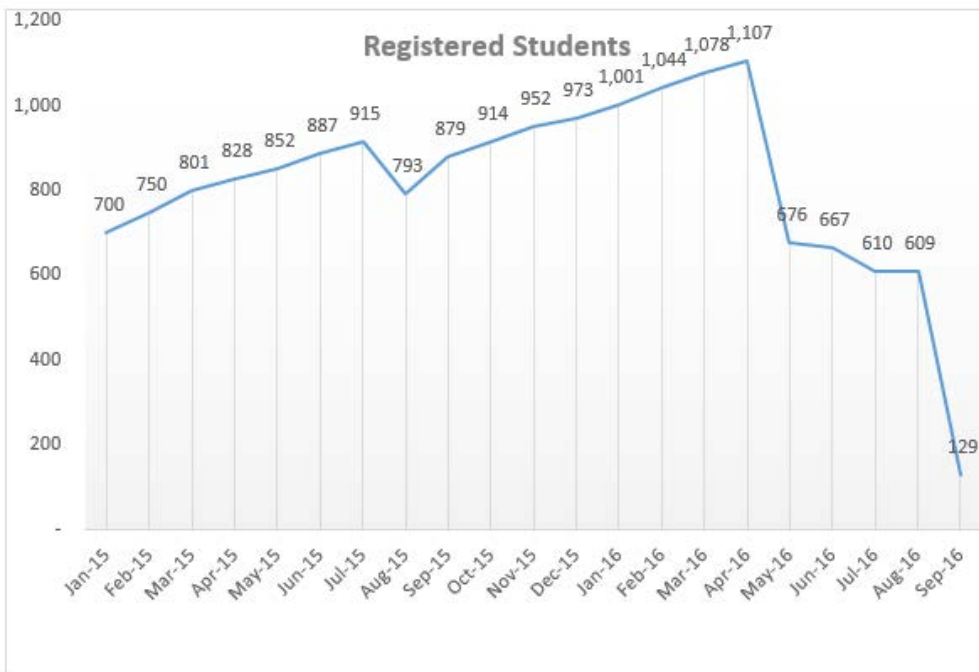
Accountants Report	FYE 2015	FYE 2016
Received	223	83
Submitted Late	55	4
Not yet Submitted	1	23
Qualified	64	28
Qualified rate (received)	29%	34%

Although the rate of qualifications has increased year on year, we cannot yet conclude that there is an upward trend in qualification as we have only received 36% of the FYE2016 reports. 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 (note: some may have multiple qualifications):

- Bank reconciliations prepared late or incorrectly (22)
- Bookkeeping errors (14)
- Receipt and payment made from client account in contravention of the accounts code (12)
- Issues with the office side of the client account (5)
- Issues with the sample of reconciliation statements selected (5)

Section 2.3 – Students & education



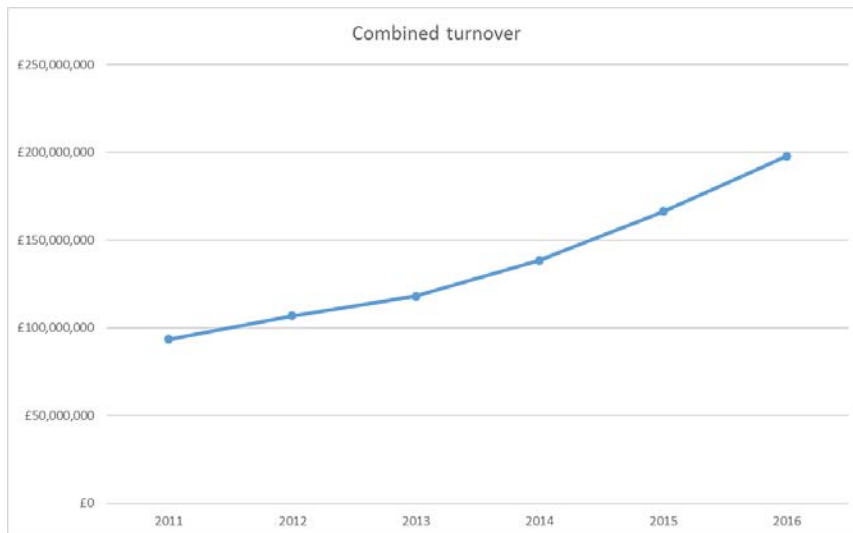
- From May 16, onwards, the number reflect active students, students who paid registration fees but had not started any courses were removed.
- Deadline for purchase of new study material was 12 July 2016, after this date no further purchase of study material or student registrations were allowed to facilitate the transition.
- There is a significant drop in the number of active students in September, as Students not eligible for the October 2016 exam was deregistered from CLC as transitional arrangements commence.
- 89 Students sat exams during October 2016.

Section 2.4 CLC-regulated entities market share

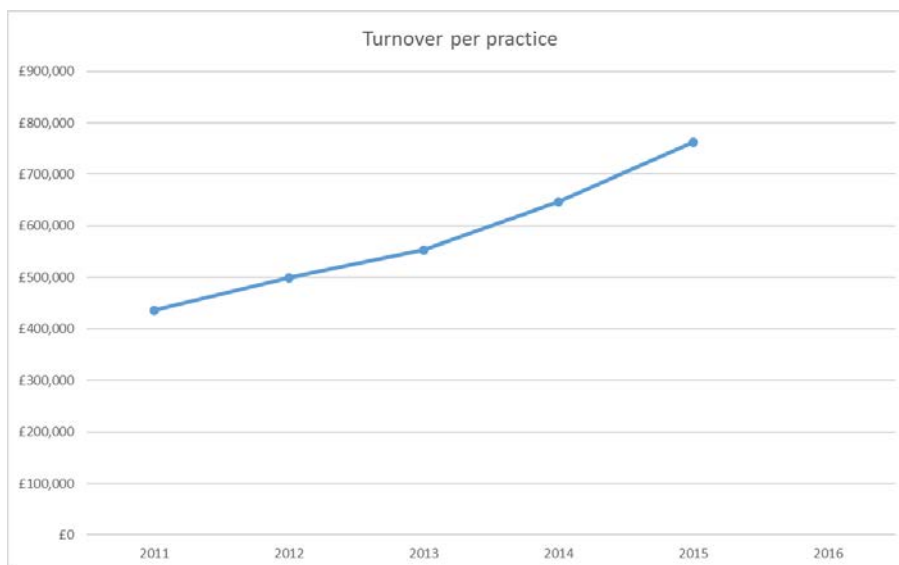
Analysis of the latest year of figures from the shows that CLC-regulated firms account for some 11.4% of all purchases transactions. We can assume that they act in a similar proportion of sales. However, CLC firms make up only 5% of the Land Registry’s account customers, which indicates that they are punching about their weight. We do not yet have any reliable figures on remortgage work, though we believe that CLC firms take an even larger share of that market.

	CLC Firms		SRA Firms		TOTAL CASES
	Total Purchase cases	Percentage market share	Total Purchase cases	Percentage market share	
Q2 2015	25,409	11.3%	200,127	88.7%	225,536
Q3 2015	30,206	11.4%	234,082	88.6%	264,288
Q4 2015	30,276	11.7%	229,255	88.3%	259,531
Q1 2016	27,983	11.1%	223,319	88.9%	251,302
TOTAL	113,874	11.4%	886,783	88.6%	1,000,657

The combined turnover of CLC-regulated practices has more than doubled since 2011. In 2011, the combined turnover of all practices was £93,421,038, but by 2016, this had increased to £197,940,246.



Of course over the same period there has been an increase in the number of practices regulated by the CLC, but further analysis shows that the growth in combined turnover has been largely in-step with the growth of the regulated community, meaning that average turnover has increased almost as much as combined turnover. We do not yet have a fixed number of practices for 2016, but comparison of figures from 2015 show that combined turnover had increased by 178% from 2011, while average turnover per practice increased by 175% over the same period.



Section 3 – HR

Redacted in its entirety – Personal data

Section 4 - Complaints against the CLC

There have been 5 complaints raised against the CLC during 2016. 4 of these have been resolved. The remaining open complaint was received in October 2016 and is in the process of being addressed.

No instances of whistleblowing were reported.

Section 5 - Procurement

We have not procured any significant goods or services in the first quarter of 2016.

Section 6 - Projects

Although there are ongoing projects, for instance the education outsourcing project no separate special projects were registered outside of the standard operating budget. As such we are treating these items as normal business expenses and not tracking them separately, though they are subject to usual project management disciplines.

Section 7 – Business plan milestones exception report

Business Plan exception report

Below are details of those activities in the 2016 plan where there is variation from the initial completion deadline.

1. Complete transfer of delivery of education to SQA

- Managing transition of existing students
- Including new stand-alone probate qualification
- Ensuring viability of apprenticeship routes

Initial completion deadline: September 2016 - All new students from September 2016 being handled direct with SQA

Commentary

We have been working on the transfer of current CLC students to the new qualifications framework since the new Diplomas administered by SQA became available to the qualifications market in September 2016.

The Apprenticeship and Classroom based programmes are already available and more providers will shortly be coming on line to expand these offers.

Distance learning continues to be a very popular way to study the CLC qualifications. Training providers with the capacity to deliver national programmes on this scale are entering the pipeline, but distance learning has not become available in the timeframe the CLC anticipated. A number of key discussions are currently taking place to ensure distance learning provision comes on stream as quickly as possible.

2. Promotion of routes to licence as a CLC Lawyer

In collaboration with education providers

Initial completion deadline: May 2016, new approach to be agreed and in place

Commentary

As above.

3. Further integration of data from Annual Regulatory Return, monitoring, inspections

Initial completion deadline: Phase 3 CRM development Project Initiation Document agreed by Project Board, March 2016

Commentary

Phase 3 was signed off in July, the agreed revised deadline. It delivered improvements to the licence renewal process. Integration of the ARR, monitoring and inspections data across CLC's operations has been achieved without IT development and the use of the risk matrix.

4. Establish Practice Notes product providing guidance and examples of best practice, published online and promoted through webinars

Initial completion deadline: Twelve practice notes published in 2016, at least eight webinars attracting 40 participants held in 2016

Commentary

There has not been a need for as many practice notes as was expected -this will change in 2017 as new handbook provisions are introduced which will require Practice Notes as compliance support for firms. We are moving away from numeric targets for Practice Notes. We are on track to delivery 8 webinars by the end of the year.

5. Annual Stakeholder Reception

Initial completion deadline: Tied to publication of Annual Report, April 2016

Commentary

Amended to become a stakeholder meeting on 14th November.

For publication –commercially prejudicial and personal information redacted

6. Increase number of regulated entities

Initial completion deadline: December 2016, two new entities with £0.5m turnover recruited

Commentary

We had hoped to have a resolution to the SRA's run-off cover requirements by March. Much work has been done by the staff team and the Char has also been involved. SRA consultation on changes is nearing its end.

7. Storage consolidation project

Initial completion deadline: Project to be completed end Q1 2016

Commentary

Nearing completion. All files are now in a single storage location. Some destruction and schedule remains to be completed.

CLC Council Meeting

Item No 5b CLC Watchlist

Date of Meeting: 03 November 2016

Purpose: Noting

Author: Jason Hinrichsen

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 in order to mitigate risk to the consumer; risk of claims on that practices professional indemnity insurance; and ultimately on the CLC's Compensation Fund. SMT review the watchlist on a weekly basis.

There have been no interventions in 2016 to date.

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

None



CLC Council Meeting

Item No 5c Principal Risk Register

Date of Meeting: 03 November 2016

Purpose: Review & Noting

Author: Jason Hinrichsen

Summary

The Principal Risk Register as adopted by the ARC and Council in January 2016 is attached for review and noting.

Recommendations

Following ratification by the Audit and Risk Committee on 25 October 2016, Council are asked to review and note SMT's assessment of the status of the Principal Risks.

The most recent iteration of the Principal Risk Register has been reviewed by the Audit and Risk Committee on 25 October 2016. No significant adjustments have been proposed to any of the risks or controls presented.

The SMT can also confirm that:

- 1) The existing risks are still valid and still adequately summarise the principal risks of the organisation.
- 2) Controls in place are still effective and adequately mitigating the risks.
- 3) Likelihood and consequence before controls has not changed

Risk management

The report is for information only.

Financial impact

There is no financial impact in relation to this paper.

Diversity and inclusion impact

There is no impact on diversity or inclusion.

For publication – summary sheet only – contains commercially confidential information

Communications requirements

This paper is for Council only.

Background

This is a regular report to the Council communicating the ARC review and management's assessment of the principal risks.



CLC Council Meeting

Item No 5d Property and Law Round Up October 2016

CLC's Property and Law Round Up October 2016

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Research and Reports

Q3 GDP Figures

Britain's economy expanded by 0.5% in the three months after the EU referendum; down slightly from the 0.7% growth recorded in Q2, but defying the most pessimistic predictions made by the Remain campaign.

Most economists forecast third quarter growth of 0.3%, and although initial results are in line with the official forecasts made before the referendum took place (in March the Office for Budget Responsibility predicted third quarter growth of 0.5%), it is possible that they may be revised downwards for a result more in keeping with expert predictions.

We have apparently avoided the Treasury's referendum campaign claim that a vote to leave the EU would result in 0.1% fall in GDP in Q3, heralding the start of a recession, and their worst-case "severe shock" scenario which predicted a 1.0% fall in the three-month period, although that was predicated on an immediate triggering of Article 50. For now we remain in a state of limbo.

The State of the Economy

The relatively strong growth makes it less likely that the Bank of England's Monetary Policy Committee will further cut interest rates, which remain at a historic low. This had been discussed as a possibility, and may have encouraged more people to enter the property market, if banks made a corresponding downward adjustment in mortgage rates.

The GDP figures may give a misleading picture of a generally buoyant economy, because although the dominant services sector grew by 0.8%, there was a 1% drop in manufacturing output, and the other major sectors all contracted; production (which includes industries such as mining and waste management) by 0.4%, agriculture by 0.7%, and construction – the sector most closely aligned to the work of CLC-regulated practices – saw the largest fall of 1.4% (see commentary on the "Nationwide House Price Index: September 2016" below, for effects on the supply of housing stock).

Britain's economy has held up well since the vote to leave the EU, but uncertainty around the future of international trading relationships could hit investment, according to Ben Broadbent, the deputy governor of the Bank of England: "Even if growth stays strong, that uncertainty alone is dangerous, making it hard for businesses to know if they should make big spending decisions."

The pound has lost more than 15% of its value against the dollar since the Brexit vote, and Goldman Sachs believes it is still overvalued by about 10%. This favourable exchange rates may encourage foreign investors to target British properties, completely removing any barriers that may have been erected by the increase in stamp duty in Q2, but any effects of these have been muted so far, and it may be that investors are waiting for legal and policy positions to solidify, or simply to see how much further the pound will fall from what is already a 31-year low.

RICS: September Report

The headline findings from the September edition of RICS UK Residential Market Survey are that:

- Buyer demand increases for the first time in seven months although conditions vary across the UK
- House prices continue to rise while new instructions remain scarce
- Downward trend in sales eases with expectations continuing to improve

The September 2016 RICS Residential Market Survey results show new buyer enquiries increased for the first time in seven months, but the pick-up was modest.

A regional breakdown shows prices continue to fall in Central London and the North East, although the pace of decline eased noticeably across the latter. Anecdotal evidence suggests that uncertainty following the EU vote, along with Stamp Duty changes, are both continuing to adversely impact the

top end of the market in particular. Predictions for the next 12 months suggest prices in the capital will not change substantially, making London the only area in which prices are not projected to rise in the coming year.

New sales instructions fell for the seventh month running. In fact, the flow of new stock coming to market has been on a more or less steady downward trend for the past two years, so stock levels on estate agents books remain exceptionally low.

Marginally increasing demand and a real lack of supply is firmly underpinning prices, and the lack of choice for would-be purchasers also appears to be restricting overall sales market activity

You can read the full report here:

[http://www.rics.org/Global/9.WEB %20September 2016 RICS UK Residential Market Survey tp .pdf](http://www.rics.org/Global/9.WEB%20September%202016%20RICS%20UK%20Residential%20Market%20Survey%20tp.pdf)

SRA: PII Report

According to a new report from the Solicitors Regulation Authority (SRA), the smallest practices in the sector pay substantially more in professional indemnity insurance (PII) cover as a percentage of turnover.

The figures, collated by the SRA between 2004 and 2014, revealed that the owners of small law firms were “particularly affected” by the costs of an indemnity insurance policy, which, the report concluded, contributed to “the single highest cost of regulation” in the sector.

The table below shows how PII payments as a proportion of annual turnover vary with practice-size (as indicated by number of partners):

Number of partners	PII payments as a proportion of annual turnover (%)
Sole practitioner	7.0
2 to 4 partners	5.5
5 to 10 partners	3.2
11 to 25 partners	3.9

SRA policy director Crispin Passmore stated that the legal sector had a responsibility to provide a better environment for smaller firms to operate within:

We have a very diverse profession with solicitors and firms practicing in many different ways. Regulation needs to respond to and support this variety.

The study also found that conveyancing was the area of the law giving rise to the largest number of claims across the sector.

You can read the full report here: <https://www.sra.org.uk/documents/solicitors/colp-cofa/conference-2016-plenary-pii.pdf>

Ownership and Investment in CLC-Regulated Practices

The following is a preview of sorts of the upcoming “Council for Licensed Conveyancer’s Annual Regulatory Return 2015-16”.

Findings are based on the annual regulatory return, a survey of all CLC-regulated practices in which, among other information, respondents were requested to provide details about the ownership of their practice, their attitudes towards investment, and the nature of any investments made in the 2015 calendar year.

The CLC is an entity regulator, and it regulates two broad kinds of practice; licensed bodies and alternative business structures (ABSs). The following analysis looks at responses to the regulatory return primarily through the lens of “entity type”.

Table 1 sets out the ownership structure of CLC-regulated practices, and shows that more than three-quarters of practices are Limited Companies. This rises to more than 95% of ABSs, but traditional practices make use of a wider range of ownership structures.

Table 1: Proportion of practices that made substantial investments with a particular ownership structure, by entity type

	Licensed Body (%)	Alternative Business Structure (%)	All practices (%)
Limited Company	65.0	95.8	76.6
Partnership	17.5	0.0	10.9
Limited Liability Partnership	7.5	4.2	6.3
Sole Trader	10.0	0.0	6.3

Table 2 shows the proportion of practices that agreed or disagreed with each of four statements relating to investment in their legal business. It shows that almost half of all practices find it easy to access capital when their business requires investment. Almost two-fifths say there are a range of sources for such finance. Almost a third believe that short-term finance options, such as overdrafts, are a reliable source of funding, and two-thirds are more concerned with retaining control than growing their businesses. Responses do not vary a great deal between entity-types, but ABSs seem on the whole to be less optimistic about their ability to raise funds and less concerned about maintaining control of their businesses than respondents from Licensed Bodies.

Table 2: Proportion of practices that agree or disagree with the following statements about investment, by entity type

	Disagree (%)	Agree (%)
"When my business needs investment, it is easy to access the capital required"		
Licensed Body	14.9	46.4
Alternative Business Structure	22.2	37.8
All practices	16.4	44.6
"When my business needs investment, there are a range of sources of readily available finance"		
Licensed Body	16.8	38.9
Alternative Business Structure	22.2	35.6
All practices	17.9	38.2
"Short-term sources of finance, such as overdrafts, are reliable sources of investment funding"		
Licensed Body	27.5	32.3

Alternative Business Structure	28.9	22.2
All practices	27.8	30.2
"Keeping control is more important than growing my business"		
Licensed Body	5.4	69.9
Alternative Business Structure	8.9	53.3
All practices	6.2	66.4

We wondered whether an attitudinal difference might affect investment decisions, if, for instance, a belief that funding would be hard to access would discourage investment. But table 3 suggests that in most instances it does not. It shows that whether practices made substantial investments in 2015, gave investment serious consideration but ultimately decided against it, or didn't even give it a thought, their attitudes towards the availability of funds were really quite similar.

Table 3: Proportion of practices that agree or disagree with the following statements about investment, by whether or not they made a substantial investment in their legal business

	Disagree (%)	Agree (%)
"When my business needs investment, it is easy to access the capital required"		
Investment made	17.7	45.2
No investment, but it was given serious consideration	12.5	43.8
No investment, and it was not given serious consideration	16.2	44.9
All practice	16.4	44.9
"When my business needs investment, there are a range of sources of readily available finance"		
Investment made	17.7	41.9
No investment, but it was given serious consideration	12.5	43.8
No investment, and it was not given serious consideration	18.5	35.6
All practice	17.8	38.0
"Short-term sources of finance, such as overdrafts, are reliable sources of investment funding"		
Investment made	33.9	35.5
No investment, but it was given serious consideration	37.5	18.8
No investment, and it was not given serious consideration	23.7	29.6
All practice	27.7	30.5
"Keeping control is more important than growing my business"		
Investment made	1.6	66.1
No investment, but it was given serious consideration	6.3	75.0
No investment, and it was not given serious consideration	8.2	65.7
All practice	6.1	66.5

Table 4 shows the proportions of practices that actually did make a substantial investment in 2015, and it reveals considerable differences between traditional practices and ABSs, with the latter more than twice as likely to have made an investment. More than half of ABSs made substantial investments in 2015, compared to less than a quarter of licensed bodies. It also seems that licensed bodies were almost twice as likely as ABSs to seriously consider making an investment, but ultimately not commit to the spending. Bearing in mind the caveat that correlation does not equal causation, it nevertheless seems that there may be something about the ABS which engenders a greater sense of entrepreneurialism.

Table 4: Proportion of practices which made a substantial investment in their legal business, by entity type

	Licensed Body (%)	Alternative Business Structure (%)	All practices (%)
Investment made	23.2	52.2	29.4
No investment, but it was given serious consideration	8.3	4.3	7.5
No investment, and it was not given serious consideration	68.5	43.5	63.1

Table 5 details the areas in which practices made substantial investment in 2015. It is in two parts; the top half of the table looks at the proportion of practices within an entity-type that made investments in particular areas, regardless of whether or not the respondents' practices actually made an investment, while the bottom half presents the same data, but includes only those practices that made a substantial investment in 2015. If respondents invested in more than one aspect of their legal business, they were not limited to a single response. The table shows that the main targets of investment were fairly similar for both licensed bodies and ABSs, although the latter were the more likely to make investments in all but the two least popular areas. It also reveals that the main area of investment was in hiring more staff, lending some credence to the old platitude that people are a company's most important asset. The next most popular targets of investment were both IT-related; with systems for improved practice management edging out consumer-facing systems. Among practices that made investments, ABSs were a third more likely than traditional practices to invest in management systems, and among all practices they were more than three times as likely as licensed bodies to make such an investment. This is in line with findings from last year's regulatory return, which indicated that ABSs were making greater use of innovative information and communications technologies than traditional practices.¹

Table 5: Proportion of practices targeting particular aspects of their legal business for investment, by entity type

	Licensed Body	Alternative Business Structure	All practices
Proportion of all practices, including those which did not make substantial investments			
Expansion of the business through hiring more staff (%)	13.7	41.3	19.6
Improved management of the business through the purchase of new IT for practice management (%)	8.9	30.4	13.6
Improved management of the business through the purchase of consumer-facing IT systems (%)	7.1	17.4	9.3
Other (%)	3.6	15.2	6.1
Expansion of the business through the purchase of new property (%)	4.8	2.2	4.2
Expansion of the business through purchase of an existing business (%)	0.6	0.0	0.5
Proportion of only those practices which made substantial investments			
Expansion of the business through hiring more staff (%)	59.0	79.2	66.7
Improved management of the business through the purchase of new IT for practice management (%)	38.5	58.3	46.0
Improved management of the business through the purchase of consumer-facing IT systems (%)	30.8	33.3	31.7
Other (%)	15.4	29.2	20.6
Expansion of the business through the purchase of new property (%)	20.5	4.2	14.3
Expansion of the business through purchase of an existing business (%)	2.6	0.0	1.6

¹ <http://www.conveyancer.org.uk/CLC-Blog/April-2016/ABSs-Leading-the-Way-on-Information-Technology.aspx>

Table 6 adopts a structure similar to what we saw in table 5, breaking analysis once again into two parts; the proportions of all practices, and the proportions of those practices that made substantial investments. By a huge margin the main source of funds for both licensed bodies and ABSs was business profits or cash reserves, and among those practices that actually made investments, more than 70% used profits or reserves. The second most popular funding option for each entity-type diverges interestingly however, with ABSs receiving capital injections from existing owners, while traditional practices were more likely to resort to the banks.

Table 6: Proportion of practices funding investment by particular means, by entity type

	Licensed Body	Alternative Business Structure	All practices
Proportion of all practices, including those which did not make substantial investments			
Business profits or cash reserves	16.7	39.1	21.5
Loan from a bank	4.8	4.3	4.7
Capital injection from existing owners/partners	4.2	6.5	4.7
Overdraft facility	3.6	0.0	2.8
Loan from family or friends	1.8	2.2	1.9
Capital injection from new owners/partners who were formerly authorised persons	0.6	2.2	0.9
Other	0.0	4.3	0.9
Capital injection from new owners/partners who are authorised persons	0.6	0.0	0.5
Proportion of only those practices which made substantial investments			
Business profits or cash reserves	71.8	75.0	73.0
Loan from a bank	20.5	8.3	15.9
Capital injection from existing owners/partners	17.9	12.5	15.9
Overdraft facility	15.4	0.0	9.5
Loan from family or friends	7.7	4.2	6.3
Capital injection from new owners/partners who were formerly authorised persons	2.6	4.2	3.2
Other	0.0	8.3	3.2
Capital injection from new owners/partners who are authorised persons	2.6	0.0	1.6

Conveyancing and Property News

Nationwide House Price Index: September 2016

The growth in house prices halved in September to 5.3%, down from 5.6% in August, although it remained within the 3.0%-6.0% band that it has maintained for more than a year and a half. The average house price fell £130 from £206,145 in August to £206,015, the first month-on-month decrease since January.

Enquiries from new buyers have remained subdued, and the number of homes on the market remains close to all-time lows.

Regional price trends have continued, with the South-East of England making the greatest gains, although price growth in London and the outer metropolitan area is down almost a third since the second quarter.

The number of new homes is growing, but too slowly to keep pace with demand. It is up 30% on the low point seen in 2010, but still 15% below the average rate of building in the five years before the financial crisis, and 38% below the 225,000 new households projected to be required in each year of the next decade.

Low interest rates, and schemes such as Help to Buy, should give confidence to housebuilders to increase output. But economic uncertainty is a serious impediment to increased activity in the short- to medium-term.

The regions with the lowest house price to earnings ratios, such as the North-West of England and Yorkshire and the Humber, have seen the smallest increases in housing stock. And while London experienced the greatest increase, at 2.9%, this was still substantially lower than the 4.3% rise that might have been expected given the elevated house price to earnings ratio and observations in other regions. In outer London the growth in housing stock was only two-thirds of what might have been expected.

You can read the full report here:

http://www.nationwide.co.uk/~media/MainSite/documents/about/house-price-index/2016/Sep_Q3_2016.pdf

Stamp Duty Avoidance

New tax avoidance schemes are emerging in the wake of the Stamp Duty 3% surcharge on the purchase of second homes that came into force in April.

Similar schemes were popular a few years ago, but had largely disappeared as HMRC successfully challenged them and closed the loopholes, and most of those who participated in such schemes have had to pay the full SDLT liability, plus interest on late payment, and penalties in some cases – all on top of the fees paid to the promoter of the scheme.

A simple Google search reveals a handful of companies that, once again, offer structures which claim to save Stamp Duty on property purchases for an upfront fee, although actual details are vague. Such schemes are likely to be challenged by HMRC.

Other problems may arise for parents who already own their home and who may wish to help their child buy their first home. If they acquire an interest in the property, the higher rate of Stamp Duty will apply.

You can read more about the matter here: <http://www.propertyindustryeye.com/new-tax-avoidance-schemes-emerging-after-stamp-duty-3-surcharge/>

Facts, Figures, and Statistics

Land Registry: Transaction Data September 2016

The following is the latest analysis of monthly transaction data from the Land Registry:

- Land Registry completed 1,568,749 applications
- The South East topped the table of regional applications with 364,163
- Birmingham topped the table of local authority applications by area with 23,306

The Transaction Data shows Land Registry completed more than 1,568,740 applications from its customers in September. This included 1,530,176 applications by account customers, of which:

- 367,942 were applications in respect of registered land (dealings)
- 734,178 were applications to obtain an official copy of a register or title plan
- 199,521 were searches
- 97,263 were transactions for value

Region	Applications
South East	364,163
Greater London	309,228
North West	168,490
South West	152,945
West Midlands	130,302
Yorks & Humber	120,652
East Midlands	110,273
Wales	73,774
North	69,706
East Anglia	69,067
England and Wales (not assigned)	85
Isles of Scilly	64
Total	1,568,749

Top three local authorities	Applications
Birmingham	23,306
City of Westminster	22,112
Leeds	17,716

Top three customers	Transactions for value
My Home Move Limited*	2,287
O'Neill Patient	1,138
Countrywide Property Lawyers*	1,121

Top three customers	Searches
Enact*	9,235
Optima Legal Services	6,529
O'Neill Patient	6,463

* CLC-regulated practices

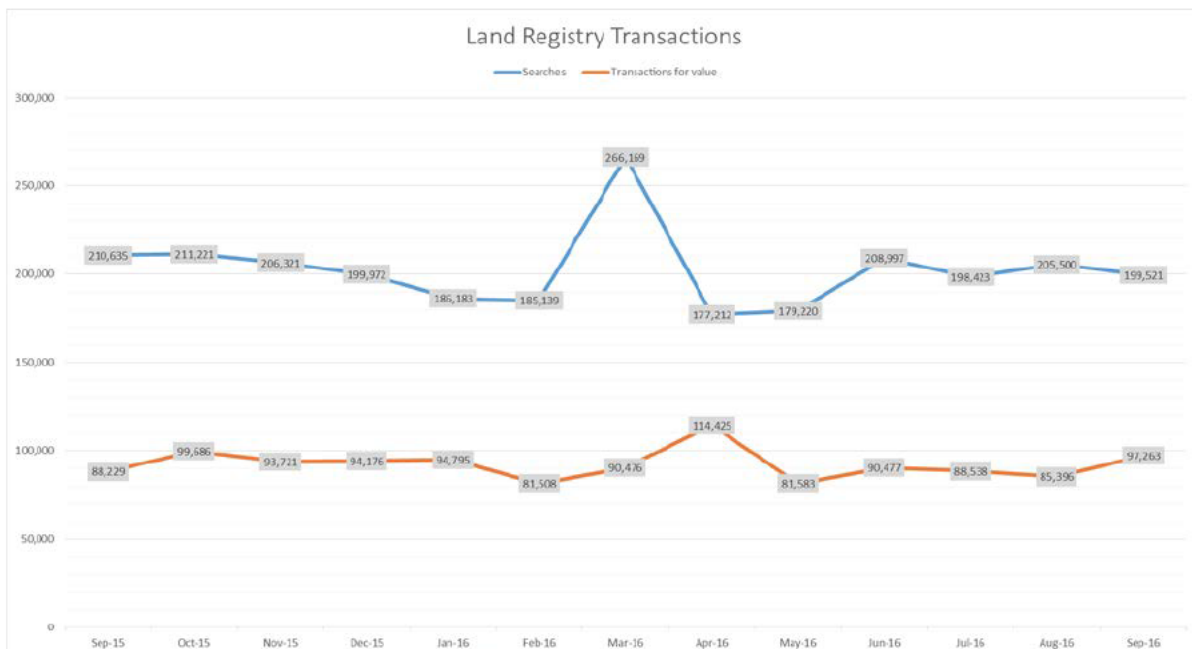
You can access the full dataset here: <http://data.gov.uk/dataset/monthly-land-registry-property-transaction-data>

There has not been a historically significant reduction in the number of monthly transactions following the increase in stamp duty for buy-to-rent purchasers, or the EU referendum result. The

table below shows the number of Land Registry transactions of various kinds that took place in August and September, 2016. It also shows the percentage change in the number of transactions between the two months. There has been a surprising rise of almost 14% in transactions for value between August and September, with the number of transactions reaching the highest level since April of this year:

Headline figures	August 2016	September 2016	Percentage change (%)
Land Registry completed applications	1,520,037	1,568,749	3.2
Applications by account customers	1,493,738	1,530,176	2.4
Applications in respect of registered land (dealings)	380,059	367,942	-3.2
Applications to obtain a copy of a register or title plan	687,676	734,178	6.8
Searches	205,500	199,521	-2.9
Transactions for value	85,396	97,263	13.9

Transactions of all kinds appear to have been somewhat down since the Brexit decision, but they now seem to be on a slow upward trajectory. This is likely to continue until the next major shock, which will likely be the triggering of Article 50:





CLC Council Meeting

Item No 6 Annual Regulatory Return Analysis

Date: 3 November 2016

Purpose: For Approval

Author: Stephen Ward

Summary

This paper sets out the key points from the 2015-16 Annual Regulatory Return. Annex A is a near-final draft of the full report attached for information.

Recommendations

The Council is invited to comment on the key findings of the Annual Regulatory Return Analysis.

Risk management

Information gathered through the Annual Regulatory Return informs the CLC's understanding of risks in the regulated community.

Financial impact

None arising from this paper.

Diversity and inclusion impact

Insight into the make-up of the profession can inform work to improve diversity and inclusion.

Communications requirements

The final version of the Analysis will be published in the week of Monday, 7th November.



CLC Council Meeting

Item No 7 Business Plan

Date: 3 November 2016

Purpose: For Approval

Author: Stephen Ward

Summary

This paper sets out the draft business plan for the CLC for the calendar year 2017. This is the last business plan of the current overarching strategy period.

Recommendations

The Council is asked to agree the business plan for 2017 set out at annex A.

Risk management

The business plan set out in this paper are intended to address the strategic risks facing the CLC. Risk assessments of each activity will be undertaken as those activities are developed.

Financial impact

The detailed budget for 2017 is being developed. All activities included in this business plan can be delivered within the financial envelope agreed by Council when it agreed the 20% cut in regulatory fee rates in spring 2016.

Diversity and inclusion impact

There is no direct impact on diversity and inclusion arising from this paper. All of the activities included in the business plan must take account of the CLC's D&I policy.

Communications requirements

The final version of the CLC's business plan will be published online and promoted to stakeholders as soon as possible.

CLC Council Meeting

Item No 8

Update of Handbook Changes

Date: 3 November 2016

Purpose: For Determination

Author: Simon Blandy

Summary

Council is asked to approve the approach to the review of Regulatory Arrangements.

Recommendations

This paper asks the Council to approve the following:-

- The approach to the review of the remaining regulatory arrangements
- The format for the Regulatory Arrangements
- The timetable for the review of remaining regulatory arrangements
- The draft amendments to the Accounts Code
- The new draft Continuing Professional Development Code

Risk Management

The purpose of the review is to ensure that the CLC's Regulatory Arrangements appropriately reflect current assessment of risks and are fit for purpose.

Diversity and Inclusion Impact

The CLC anticipates that the proposed changes will have a positive impact on the diversity of the profession. Where the CLC has identified a potential negative equality impact – either on Practices or particular types of consumers- the CLC's focus will be on how best these can be mitigated. The CLC expects the proposals to contribute to a more competitive market better placed to innovate and respond to the needs of different groups of consumers - including vulnerable consumers.

Regulatory Objectives

The object of the CLC's review of the Regulatory Arrangements is designed to:

- Remove unnecessary barriers and restrictions and enable increased competition, innovation and growth to better serve the consumers of legal services;

- Reduce unnecessary regulatory burdens and cost on regulated Practices, ensuring that regulation is properly targeted and proportionate for all CLC Lawyers and Practices; and
- Maintain an appropriate level of consumer protection.

The Legal Services Act 2007 provides a common framework and set of objectives for all legal services regulators to adhere to when discharging its regulatory functions. The CLC has assessed the proposed changes against these regulatory objectives, the better regulation principles and its wider equality duty and considers the proposed changes to be compatible with its regulatory objectives.

Communication Requirements

The CLC's review of regulatory arrangements initiative was announced in the CLC's Business Plan 2016. Where necessary amendments to the CLC's Regulatory Arrangements will be subject to consultation with the profession and other stakeholders. The profession will be given notice and where appropriate will be provided with the necessary guidance on changes before they come into force.

There will be two separate three month consultations of the draft Accounts Code and Continuing Professional Development Code which will run concurrently. Following consideration of the consultation responses, provided no substantive issues are raised, an application will be made to the Legal Services Board to approve the two codes.



CLC Council Meeting

Item No 9

Terms of Reference and Governance Review

Date: 3 November 2016

Purpose: Noting

Author: Sheila Kumar

Summary

A review of governance arrangements has commenced. This is being informed by the review of the Terms of Reference of Committees and also the Internal Audit on Governance. This paper is to advise Council of plans relating to the Governance Review.

Recommendations

For noting.

Risk management

Appropriate governance is a risk mitigation tool and ensures appropriate accountability.

Financial impact

None

Diversity and inclusion impact

None

Communications requirements

None



CLC Council Meeting

Item No 10

Skills and Experience Assessment and Yearly Reviews

Date: 3 November 2016

Purpose: Approval

Author: Sheila Kumar

Summary

The Chair of the CLC carries out periodic assessments of skills and experience of Non-Executives.

Recommendations

Approval

Risk management

The skills audit and appraisal routines are useful controls.

Financial impact

None

Diversity and inclusion impact

None in this report

Communications requirements

None



CLC Council Meeting

Item No 11a Report and Minutes of Audit and Risk Committee (ARC)

Date: 3 November 2016

Purpose: For Noting

Author: Heather Foster

Summary

This provides a summary of Audit and Risk Committee work since the last Council meeting.

Recommendations

Council is invited to note the report and put any questions to the Chair of ARC

Risk Management/Financial Impact/and Diversity and Inclusion are considered in all Audit and Risk Committee discussions and decisions

Communications requirements

For Council only



CLC Council Meeting

Item No 11 b Report and Minutes of Remuneration Committee

Date: 3 November 2016

Purpose: For Noting

Author: Jan Smith

Summary

This provides a summary of Remuneration Committee works since the last Council meeting.

Recommendations

Council is invited to note the report and put any questions to the Chair

Risk management/Financial Impact/and Diversity and Inclusion are considered in all Remuneration Committee discussions and decisions

Communications requirements

For Council only

Item No 12
Council Work Plan

Date: 3 November 2016
Purpose Noting
Author: Sheila Kumar

Summary

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

Recommendations

To note the report

Risk management

None in this paper

Financial impact

None in this paper

Diversity and inclusion impact

None in this paper

Communications requirements

None

Annual Cycle	25 January Q4 Results Council meeting	9 March Workshop	27 April Council meeting Q1 Results	8 June Workshop	27 July Council meeting Q2 Results	21 September Workshop	2 nd November Council meeting Q3 Results
Strategy and Planning		Strategic planning	Tender Action Report		New 3-year Strategy		2017 Business Plan and Budget planning
Performance and Risk	Management Report <ul style="list-style-type: none"> • Q4 Budget Outturn • 2016 Business Plan: Year-end Report • Interventions and Watchlist • Compensation fund • Business Plan 2017 inc programme for webinars and PNs • Property News Round up • Principal Risks CEO report		Management Report <ul style="list-style-type: none"> • Q1 Budget Outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 progress • Property News Round up • Principal Risks CEO report	Workshop on Risk	Management Report <ul style="list-style-type: none"> • Q2 Budget Outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 progress • Property News Round up • Principal Risks CEO report Review half year results on Business plan and outline Business planning and budget discussion for 2017		Management Report <ul style="list-style-type: none"> • Q3 Budget Outturn • Interventions and Watchlist • Compensation fund • Business Plan 2017 update • Property News Round up • Principal Risks CEO report 2018 Business plan and budget
Governance			2016 yearly updates from Chairs of Audit and Risk and Remuneration Committee		Corporate status Outcome of Governance Review		AP Yearly Update to Council Corporate Governance Framework and Council and committee ToR
Regulatory Activity			Financial Protection Arrangements Policy decisions consequent on review of Regulatory Arrangements	Regulatory Scope	Regulatory Fee setting Report on Consumer Information Pilots First results of Annual Regulatory Return Policy decisions consequent on review of Regulatory Arrangements		Annual Regulatory Return: final out turn
Ad hoc Business Plan items	Narrative for Annual Report 2016	Fees Insurance		Risk Appetite		ARR results	Adjudication Panel yearly update from Chair Business plan and budget sign off for 2018



CLC Council Meeting

Item No 13 Adjudication Panel Update

Date of Meeting: 3 November 2016

Purpose: For Information

Author: Simon Blandy

Summary

Emma Boothroyd as Chair of the Adjudication Panel will be in attendance to brief Council on the work of the Panel in the last twelve months.

This note provides a summary of the Adjudication Panel's recent work and developments.

CLC Council Meeting

Item No 14

Indicative Sanctions Guidelines for use by the Adjudication Panel

Date: 3 November 2016

Purpose: For Determination

Author: Akua Dwomoh-Bonsu

SMT Approver: Simon Blandy

Summary

Council is asked to provide guidance on the approach that the CLC's Indicative Sanctions Guidance should take.

Recommendations

This paper asks the Council to determine the following two matters:

- That the Adjudication Panel should use the fitness to practise regime when issuing sanctions; and
- That the Indicative Sanction Policy should consider all sanctions starting from the least restrictive when considering to impose the appropriate sanction.

Risk management

The purpose of the Indicative Sanctions Guidance policy is to mitigate the risk that the Adjudication Panel will not apply the appropriate tests and principles when determining a proportionate sanction at a misconduct hearing.

The Indicative Sanctions Guidance will also mitigate the risk of "wild card" sentences. Therefore, the policy will deal with reputational risk.

Diversity and inclusion impact

Whilst there is no indication that judgments handed down by the Adjudication Panel have disproportionately affected any group it is anticipated that the Indicative Sanctions Guidance policy will have a positive impact on diversity and inclusion. It will set out a structured way in which sanctions are determined, and allow all those appearing before the Adjudication Panel to know what powers and sanctions are available, and in the event that sanctions are to be imposed, the matters that the Adjudications Panel may take into account when coming to a decision.

Communication requirements

The Chair of the Adjudication Panel's comments have been taken into consideration in preparing this paper.

Based on the determination made by Council, the draft Indicative Sanctions Guidance will be finalised and sent out for consultation in January 2017.

Once finalised, it is anticipated that the Indicative Sanctions Guidance will be published.