



**Council for Licensed Conveyancers  
Application to the Legal Services Board  
Under s.51 Legal Services Act 2007  
For Approval of  
Licence and Practice Fees Rates  
5<sup>th</sup> September 2012**

## Summary

1. Subject to approval of the LSB, the CLC has determined (as set out in the CLC Fees Framework 2012 at Annex 1) that the regulatory fees payable for the year commencing 1 November 2012 are as follows:
  - Licence Fees payable by licensed conveyancers remain unchanged at £400;
  - Base Rate Practice Fee payable by each CLC Practice is increased marginally from 1.3% to 1.4% of turnover applying the current tiers as follows (the minimum Practice Fee payable is increased in the same proportion as the increase in the rate payable for £0-100,000 turnover band):

Turnover Banding			Practice Fee payable				
			Minimum Fee in Band				
Between	0 and	£100,000	£1,070	or	1.5%	of Turnover	Whichever is the greater
			Minimum Fee in Band			Turnover in excess of	
Between	£100,001 and	£500,000	£1,500	plus	1.4%	£100,000	
Between	£500,001 and	£3,000,000	£7,100	plus	1.2%	£500,000	
Over	£3,000,000		£37,100	plus	1.1%	£3,000,000	

- Compensation Fund contribution payable by each CLC Practice remains at 0.4% of turnover applying the current tiers as follows:

Turnover Banding			Compensation Fund contribution			
			Minimum Fee in Band			
Between	0 and	£100,000	£500			
			Minimum Fee in Band			On Turnover in excess of
Between	£100,001 and	£500,000	£500	plus	0.4%	£100,000
Between	£500,001 and	£3,000,000	£2,100	plus	0.3%	£500,000
Over	£3,000,000		£9,600	plus	0.2%	£3,000,000

- the other fees levied by the CLC remain unchanged (as set out at paragraph 21).

## Introduction

2. The CLC consulted with the profession in February 2010 about changes to the way in which the CLC should recoup its regulatory costs. Its aim was to introduce a new structure of regulatory fees to align its approach with the relevant requirements in the Legal Services Act 2007 and to enhance transparency and accountability to the relevant key stakeholders. The CLC's view was that Practices with higher levels of turnover paid proportionately more than Practices with lower levels of turnover. The proposals made in the Consultation Paper sought to adjust that imbalance. The CLC's preferred position was that each Practice should make a contribution to the costs of the CLC directly in proportion to the level of regulatory supervision required for each Practice and more generally for the risk of default each Practice poses.
3. However, the CLC recognised that a proper balance could only be achieved in the medium term if significant financial pressure on some sectors of the profession were to be avoided. The CLC proposed that the new structure of regulatory fees should consist of the following:
  - 1) Licence fee (a fixed sum);
  - 2) Practice fee (as a percentage of turnover subject to a minimum fixed fee); and
  - 3) Contributions to the Compensation Fund (as a percentage of turnover subject to a minimum fixed fee) to be applied solely for purposes relating specifically to the CLC's Compensation Fund.
4. After consideration of the responses to the consultation, the CLC agreed that the Practice Fee and contributions to the Compensation Fund should be subject to tiered banding as follows:

Turnover £		Banding
From	To	
0	100,000	110% Base Rate
100,001	500,000	Base Rate
500,001	3,000,000	80% Base Rate
3,000,000	and over	70% Base Rate

## Setting the CLC's Budget

5. The CLC's Corporate Strategy 2011-2013 and its Business Plan 2012<sup>1</sup> have been determined by the regulatory objectives, and are consistent with the approach developed by the Legal Services Board. The Corporate Strategy 2011-2013 assumed that the CLC would be successful in its applications to extend its regulatory scope. It was designated a licensing authority with effect from 6 October 2011. Its application to regulate litigation and advocacy services was rejected by the LSB in April 2012 on the grounds that the CLC lacked the legal power to make rules and regulations that would allow it to authorise entities for these activities and failed to demonstrate an appropriate understanding of

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<sup>1</sup> Accessible under About Us at [www.clc-uk.org](http://www.clc-uk.org)

the specific risks of the new activities. The CLC will address these concerns before resubmitting its application to regulate litigation and advocacy services.

6. The CLC's plans include preparing for and discharging those new responsibilities. The CLC has identified the following strategic priorities which have informed the development of the CLC's budget.

- 1 Developing and delivering innovative and excellent regulatory services;
- 2 Deepening its understanding of the markets that it regulates;
- 3 Strengthening and growing its regulated community;
- 4 Building its capability and capacity.

7. The CLC's annual budget is determined as follows:

- Consider resource needs to meet the strategic priorities and business plan objectives.
- Arrange meetings with directors to discuss their budget requirements.
- Calculate staff, member, contractor, service and supplier requirements in detail.
- Include known commitments e.g. payments to LSB.
- Include known exceptional and ad hoc items.
- Calculate fees, charges and other income necessary to meet expenditure requirements.
- Forward draft budgets prepared by Finance in consultation with the CLC's Executive to the Senior Management Team for approval.
- Forward draft budgets to the Task and Finish Group established by Council for challenge and subsequent approval.
- Forward draft budgets to Council members for challenge and subsequent sign off.
- A review is undertaken after six months and on other occasions depending on circumstances e.g. credit crunch, to ensure that budgets remain realistic.
- A review of budgetary control arrangements completed by CLC's Internal Auditors in July 2009 reported reasonable assurance.
- External Auditors review and sign off the Annual Report and Accounts. Before signing off the Annual Report and Accounts for the previous year, the External Auditors review the following years budget (2013), ensuring reasonableness in their opinion based on previous years actuals and known future income and expenditure

- It is a standing agenda item for auditors to have confidential discussions with the Audit Committee with no staff present.
8. The provisional budget for 2013 at Annex 2 (determined in accordance with the process set out at paragraph 7) balances the CLC's need to provide an effective system of regulation which protects and promotes the interests of consumers with the need for the CLC to move forward with those it regulates to take advantage of the opportunities and to meet the challenges of the new regulatory framework.

### **Reserves Arrangements**

9. In July 2010 the Council agreed to maintain reserves on Operations at the existing level of three months expenditure and in respect of the Compensation Fund at £2 million. The forecast deficit for 2012 is principally due to the exceptional costs (forecast at £358,000, 67%) and reserves are forecast to be £1.43 million. Although a small deficit of less than £100,000 is budgeted for 2013, the cash flow impact could be significantly less because part of the budgeted shortfall is attributable to the budgeted depreciation charge (£110,000). At the end of the budget year 2013 reserves will represent 6/7 months of expenditure. The intention will be to build up reserves in the medium term to over 9 months expenditure.
10. Reserves for the Compensation Fund stood at £2.7 million in June 2012 and are budgeted at the end of 2013 to be over £2.4 million, even on a worst case basis, in excess of agreed reserves.

### **Setting the rates**

11. Applying the charging structure agreed following the 2010 Consultation (as summarised at paragraphs 2-4) the CLC has determined that for the year commencing 1 November 2012:
- Licence Fees payable by licensed conveyancers remain unchanged at £400
  - Base Rate Practice Fee payable by each CLC Practice is increased marginally from 1.3% to 1.4% of turnover with Fees applying the current tiers (see paragraph 1 above)
  - Compensation Fund contribution payable by each CLC Practice remains at 0.4% of turnover applying the current tiers (see paragraph 1 above and the minimum fee is increased in the same proportion as the increase in the Base Rate Practice Fee)
  - the other fees levied by the CLC remain unchanged (as set out at paragraph 21).
12. Examples of the effect the changes in the Practice Fee rates and Compensation Fund contributions will have on practices are set out at Annex 3.

13. In setting these rates the CLC has not consulted specifically with non-commercial bodies including local government on the basis that the changes in arrangements have a neutral effect on their regulatory costs. Further, the CLC does not regulate any non-commercial body which undertakes either conveyancing or probate services.
14. The CLC's ambition continues, subject to annual review, to be to reduce the regulatory costs as a percentage of turnover payable by CLC regulated practices. Clearly, one of the outcomes of the planned extension in regulatory scope and a successful application to become a licensing authority regulating Alternative Business Structures is an increase in turnover of the regulated population. The CLC also anticipates that the CLC's contribution to the costs of the LSB and of the OLC will show a downward trend over the next two to three years.
15. The provisional expenditure budget for 2013 has been developed with these issues in mind. Annex 2 shows the expenditure budget for 2012, forecast outturn for 2012 and the expenditure budget for 2013. The comments explain the variances between the expenditure budget for 2012 and the forecast outturn for 2012. The changes shown in percentage and monetary terms compare the forecast outturn for 2012 with the expenditure budget for 2012
16. The budgeted total funding requirement for 2013 is £2,432,850. It is estimated that setting the Practice Fee at 1.4% (as determined by Council) will generate an income of £1,408,000 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee Income and Other Income there will be a Total Budgeted Income of £2,339,000, leading to a budgeted shortfall of income against expenditure of £93,850.

<b>Operations</b>	
	<b>1.4% current</b>
<b>Practice Fee</b>	1,408,000
<b>Licence Fee</b>	514,000
<b>Other Income</b>	417,000
<b>Total Income</b>	2,339,000
<b>Total Funding Req</b>	2,432,850
<b>Surplus(shortfall)</b>	(93,850)

17. The net result is a reduction in the CLC's Reserves on Operations. As explained at paragraph 9 above, the CLC is satisfied that the level of reserves (after this reduction) will be within its current reserves policy.
18. The shortfall between the total funding requirements of the Compensation Fund against the budgeted total income will also be met from reserves.

<b>Compensation Fund</b>	
	<b>0.4 current</b>
<b>Contribution</b>	396,000
<b>Other Income</b>	240,000
<b>Total Income</b>	636,000
<b>Total Funding Req</b>	935,500
<b>Surplus(shortfall)</b>	(299,500)

19. The net result is a reduction in the CLC's Reserves on the CLC's Compensation Fund, though it will remain well above £2,000,000. As explained at paragraph 10 above, the CLC is satisfied that the level of reserves (after this reduction) is sufficient to meet the expectations of, and provide confidence to, clients, as well as the mortgage lenders.
20. The CLC is continuing to review its fee structure. Assuming significant progress is made, it is likely that the CLC will be consulting on draft proposals in the first half of 2013.
21. The other Fees chargeable are as follows (these are unchanged from 2011-2012):

		<b>Fee</b>	<b>Paragraph</b>	<b>Regulatory Arrangements</b>
<b>1.</b>	Probate Licence	£75	3(a)(ii)	Licensed Conveyancer – Licensing Framework
<b>2.</b>	First Manager Licence	£150		
<b>3.</b>	Duplicate licence	£50	17 & 25	Licensed Conveyancer – Licensing Framework
<b>4.</b>	Amendment to licence	£75	27	Licensed Conveyancer – Licensing Framework
<b>5.</b>	Failure to submit Accountant's Report in time	£100	16.2	Accounts Code and Guidance

### **Permitted Purposes**

22. Since it has an exclusively regulatory function none of the costs the CLC incurs fall outside permitted purposes as prescribed at rule 6 LSB Practising Fee Rules 2009. The CLC does not incur expenditure related to the following sub-paragraphs of rule 6:
- the provision of services free of charge (sub-paragraph (d));
  - the promotion of the protection by law of human rights and fundamental freedoms (sub-paragraph (e)); or

- the promotion of relations between the Approved Regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions (sub-paragraph (f)).
23. The CLC participates to a limited extent in law reform and legislative process (sub-paragraph (c)), but more as part and parcel of developing its regulatory framework and does not have a budget dedicated to that activity. The CLC understands the importance of increasing public understanding of the citizen's legal rights and duties (sub-paragraph (g)). The Outcomes Focused approach to regulation (which came into force on 6 October 2011) ensures that entities regulated by the CLC act in the best interests of clients (OP3) and that clients have the information they need to make informed decisions.
  24. The CLC is required to pay the levy towards the costs of the Legal Services Board and the Office for Legal Complaints (sub-paragraph (b)).
  25. Aside from the contributions it makes to the levy (paragraph 24) the entirety of the costs incurred by the CLC relate directly to:
    - (a) the regulation, accreditation, education and training of applicable persons and those either holding themselves out as or wishing to become such persons, including:
      - (i) the maintaining and raising of their professional standards; and
      - (ii) the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;

### **Contingency Arrangements**

26. Paragraph 1 CLC Compensation Fund Operating Framework expressly reserves to the CLC the right to make a specific levy. It is envisaged that this will only be required when it is anticipated there is likely to be a substantial payment(s) out of the Compensation Fund. The last time the CLC directed the payment of such a levy in addition to the annual contribution was in the mid 1990s. For this purpose, the CLC reserves the right to transfer the balance (assuming sufficient funds were to be available) out of the Practice Fees or Licence Fees collected in the first instance before approaching the profession to recoup those monies at an appropriate stage. This approach reduces the costs associated with the collection of a special levy outside the normal cycle for collection of regulatory fees.

### **Applicability of the Regulatory Objectives**

27. The CLC considers that the income generated by these proposals and the way in which contributions are determined are sufficient to ensure that it is able to continue to act in a way which is compatible with the regulatory objectives. There are tensions between the different objectives. For example, protecting and promoting the public interest, protecting and promoting the interests of consumers and promoting and maintaining adherence to the professional principles imply a greater need for resources. Improving access to justice and promoting competition in the provision of legal services suggest a requirement to reduce the cost of

regulation (and therefore the financial overheads of individual practices) so that there are more practices offering legal services and the fees they charge can be reduced. The CLC has sought to take these factors into account in determining the fee structure which is the subject matter of this application.

### **Better Regulation Principles**

28. In setting the charges payable by the profession the CLC has taken full account of the better regulation principles, namely that the CLC's regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed:
- They are transparent in that:
    - the way in which charges have been determined is consistent with the 2010 Consultation Process to which all members of the profession had an opportunity to contribute; and
    - an explanation of the structure of charges and details of the budget which has determined the income required will be published to the profession.. A draft of the information to be published to the profession is at Annex 4
  - In setting out the charging structure in this way the CLC has shown itself fully accountable to the profession it regulates, to consumers and to its other stakeholders.
  - The way in which the charging structure has been determined is proportionate to (and targeted towards) the risks it perceives as being generated by different elements of the profession. No concluded view has been reached about the charging structure and as set out at paragraph 20 the CLC continues to consider the steps it can take to develop a risk based fee structure.

### **Matters arising from LSB Decision Letter of 16 September 2011**

29. In its Decision Letter dated 16 September 2011 the LSB stated that it:
- Expected a more extensive consultation to be carried out on a periodic basis do that the CLC are in touch with stakeholder views on the levels and approach. Noted the CLC's intention to commission some work on whether the basis of fee calculation could take into account the risk assessment of fee payers
  - Recorded discussions as to the CLC's strategy in relation to reserves, but that it was not the CLC's intention to manage them down to the minimum level of two months expenditure
30. The CLC comments as follows on these points:
- During the course of the 2011-2012 licence year the CLC has reviewed at Council the current basis on which regulatory fees are determined, including whether to take into account the risk assessment of fee payers. That work is continuing. The CLC anticipates that it will publish a fees consultation paper by early 2013.

- The CLC's comment on its reserves policy and the level of reserves is explained at paragraphs 9-10 above. Based on the Forecast Outturn 2012 and the Provisional Budget 2013 the CLC anticipates that reserves for Operations will be at 6 or 7 months expenditure at the end of 2013. Reserves for the Compensation Fund are anticipated to be at £2.4 million at the end of 2013, in excess of £2 million set by Council.



## **The CLC Fees Framework 2012**

Made 2012 by the Council for Licensed Conveyancers with the approval of the Legal Services Board in accordance with s.14, 32 and 38 Administration of Justice Act 1985 and s.51 Legal Services Act 2007.

### **CITATION, COMMENCEMENT AND REVOCATION**

1. This Framework may be cited as the CLC Fees Framework 2012 and shall come into force on 1 November 2012 on which date the Council for Licensed Conveyancers' Fees Rules 2011 shall cease to have effect.
2. "CLC Body" is a Recognised Body or a Licensed Body regulated by the CLC.

### **LICENSED CONVEYANCERS**

3. The fees payable as provided by the CLC Licensed Conveyancers – Licensing Framework shall be as follows: -
  - (1) under paragraph 3(a)(ii) for the issue of a licence:  
  
for the first time, or where such a licence is not in force at the time of the application (and has not been in force for at least 12 months prior to that date): £150;  
to provide Conveyancing Services: £400  
to provide Probate Services: £75;
  - (2) under paragraph 17 and 25 for an amendment to a licence: £75;
  - (3) under paragraph 27 for a duplicate licence, where chargeable: £50.
4. The additional fee of £100 is payable for failure to submit an Accountant's Report within the time limited (see paragraph 16.2 of the Accounts Code and Guidance).

### **CLC BODIES**

#### **Practice Fee**

5. The fee payable by a CLC Body as provided by

- (1) paragraph 5(a)(ii) of the CLC Recognised Bodies – Recognition Framework; and
- (2) paragraph 7.10 of the CLC Licensed Body (ABS) Licensing Framework

shall be the turnover declared by the CLC Body for the purpose of determining the applicable annual premium payable in accordance with 10.1 of the CLC Professional Indemnity Insurance Code & Guidance as follows:

Turnover Banding			Practice Fee payable				
			Minimum Fee in Band				
Between	0 and	£100,000	£1,070	or	1.5%	Of Turnover	Whichever is the greater
			Minimum Fee in Band			Turnover in excess of	
Between	£100,001 and	£500,000	£1,500	plus	1.4%	£100,000	
Between	£500,001 and	£3,000,000	£7,100	plus	1.2%	£500,000	
Over	£3,000,000		£37,100	plus	1.1%	£3,000,000	

### Compensation Fund Contribution

6. The Compensation Fund contribution payable by a CLC Body as provided by
  - (1) paragraph 5(a)(iv) of the CLC Recognised Bodies – Recognition Framework; and
  - (2) paragraph 7.11 of the CLC Licensed Body (ABS) Licensing Framework

shall be the turnover declared by the CLC Body for the purpose of determining the applicable annual premium payable in accordance with paragraph 10.1 of the CLC Professional Indemnity Insurance Code & Guidance as follows:

Turnover Banding			Compensation Fund contribution			
			Minimum Fee in Band			
Between	0 and	£100,000	£500			
			Minimum Fee in Band			On Turnover in excess of
Between	£100,001 and	£500,000	£500	plus	0.4%	£100,000
Between	£500,001 and	£3,000,000	£2,100	plus	0.3%	£500,000
Over	£3,000,000		£9,600	plus	0.2%	£3,000,000

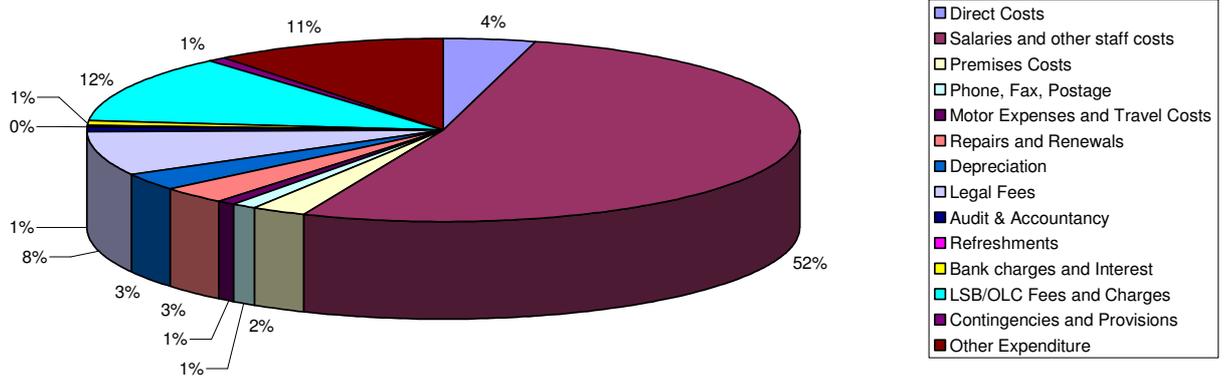
### WAIVER

7. The CLC may in writing waive or vary any of the provisions of this Framework and may revoke any waiver in any particular case.

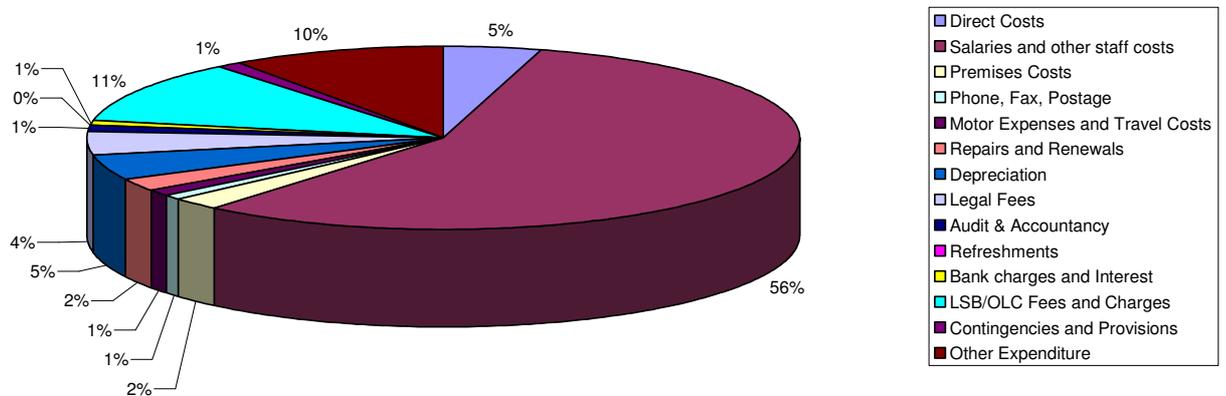
**Annex 2  
CLC Spend 2012 Budgeted v Forecast**

	Actuals 2011	Original Budget 2012	Forecast Full Year 2012	Variance to Budget 2012	Budget 2013	Percentage Variance %	Commentary
<b>EXPENDITURE</b>							
Direct Costs	113,773	158,700	90,000	68,700	110,500	49	costs incurred reflect reduction in number of students registered and in efficiency savings
<u>Other Expenditure</u>							
Salaries and other staff costs	1,149,054	1,266,400	1,170,000	96,400	1,374,650	8	staff vacancies
Premises Costs	47,323	58,000	53,529	4,471	59,000	8	
Phone, Fax, Postage	29,207	36,000	24,795	11,205	26,000	31	efficiency savings, particularly increased use of electronic communication and proportionate decrease in postal services
Motor Expenses and Travel Costs	18,062	25,200	17,728	7,472	22,000	30	efficiency savings
Repairs and Renewals	47,066	51,000	70,076	(19,076)	56,000	(37)	IT costs higher than anticipated, CLC offices redecorated
Depreciation	81,937	100,000	69,722	30,278	110,000	30	
Legal Fees and Audit & Accountancy	143,844	144,000				(35)	includes research costs not included in the Original Budget
Legal Fees			170,000	(50,000)	100,000		
Audit & Accountancy			24,000	0	25,500		
Refreshments	2,501	2,000	782	1,218	1,200	61	
Bank charges and Interest	16,971	5,000	18,000	(13,000)	20,000	(250)	not in direct control of CLC forecast in line with CLC's current spend
LSB/OLC Fees and Charges	251,112	340,000	265,400	71,600	269,000	21	not in direct control of CLC
Contingencies and Provisions	81,234	116,000	20,000	96,000	30,000	83	
Other Expenditure	194,992	246,000	235,638	10,362	235,000	4	
<b>TOTAL EXPENDITURE</b>	<b>2,177,076</b>	<b>2,548,300</b>	<b>2,232,610</b>	<b>315,690</b>	<b>2,432,650</b>	<b>12</b>	
Exceptional Costs (not included above) relating to CEO Office			358,000	(358,000)			
<b>TOTAL EXPENDITURE (Including Exceptional Costs)</b>			<b>2,590,610</b>	<b>(42,310)</b>			

CLC Expenditure Forecast 2012



CLC Expenditure Provisional Budget 2013



**Annex 3**  
**Effect of change in Regulatory Charges**

**Practice Fee**

	Current	Proposed	Increase
PF 1.4% & CF 0.4%			
	PF	PF	as % of
Turnover	Base 1.3%	Base 1.4%	current
30,000	1,000	1,070	107
50,000	1,000	1,070	107
150,000	2,050	2,200	107
550,000	7,150	7,700	108
1,500,000	17,600	19,100	109
3,500,000	39,100	42,600	109
15,000,000	154,100	163,700	106

**Compensation Fund Contribution**

	Current	Proposed	
	CF	CF	as % of
Turnover	Base 0.4%	Base 0.4%	current
30,000	500	500	100
50,000	500	500	100
150,000	700	700	100
550,000	2,250	2,250	100
1,500,000	5,100	5,100	100
3,500,000	10,600	10,600	100
15,000,000	33,600	33,600	100

**Total**

	Current	Proposed	as % of
	Total	Total	current
Turnover			
30,000	1,500	1,570	105
50,000	1,500	1,570	105
150,000	2,750	2,900	105
550,000	9,400	9,950	106
1,500,000	22,700	24,200	107
3,500,000	49,700	53,200	107
15,000,000	187,700	197,300	105

**Annex 4**  
**Information to the profession**  
**CLC regulatory charges**  
**2012-2013**

1. This notification sets out the CLC's determination about:
  - The licence and practice fee structure and the way in which Compensation Fund contributions payable by licence holders will be applied; and
  - the licence and practice fees and the contribution the CLC has determined are payable for the licence year starting on 1 November 2012.

**The CLC's licence and practice fee structure, and contributions to the CLC Compensation Fund**

2. The CLC consulted with the profession in February 2010 about changes to the way in which it proposed to charge the profession. Those changes were introduced with effect from 1 November 2010 and provided in summary that:
  - all licensed conveyancers should pay the same licence fee of £400 (as against the previous arrangement position where Managers paid £880 and employed licensed conveyancers pay £480). This underlines the fact that licensed conveyancers whether Managers or in employment are equally qualified to provide the legal services they are licensed to provide. It also reflects the fact that the costs of regulating licensed conveyancers are broadly the same.
  - CLC regulated practices should pay a Practice Fee to meet the costs incurred by the CLC in regulating entities.
  - the Compensation Fund contribution should be set at a level which meets the costs of grants and the direct costs of the maintenance, management and administration of the Compensation Fund, rather than the broader function of protecting the fund which in the view of the CLC is one of the most important outcomes of regulating CLC regulated practices. These costs are now be met by the Practice Fee.

**Licence and Practice Fee and Compensation Fund contributions payable for year starting 1 November 2012**

3. The CLC Fees Framework 2012 is at Annex **[numbered]**.
4. The CLC has determined that for the year commencing 1 November 2012:
  - Licence Fees payable by licensed conveyancers remain unchanged at £400;
  - the Base Rate Practice Fee payable by each CLC Practice is increased marginally from 1.3% to 1.4% of turnover with Fees applying the current tiers set out in the CLC Fees Framework 2012 (the minimum Practice Fee payable is increased in the same proportion as the increase in the rate payable for £0-100,000 turnover band);

- the Base Rate of the Compensation Fund contribution payable by each CLC Practice remains at 0.4% of turnover applying the current tiers set out in the CLC Fees Framework 2012;
  - the other fees levied by the CLC remain unchanged (as set out at paragraph 12).
5. Examples of the effect the changes in the Practice Fee rates and Compensation Fund contributions will have on practices are set out at Annex **[numbered]**:
  6. The CLC's ambition continues, subject to annual review, to be to reduce the regulatory costs as a percentage of turnover payable by CLC regulated practices. The CLC was successful in its application to be designated a licensing authority regulating Alternative Business Structures. The LSB refused its application to regulate advocacy and litigation services in April 2012 on the grounds that the CLC lacked the legal power to make rules and regulations that would allow it to authorise entities for these activities and failed to demonstrate an appropriate understanding of the specific risks of the new activities. The CLC will address these concerns before resubmitting its application to regulate litigation and advocacy services. Clearly, one of the outcomes of the planned extension in regulatory scope is an increase in turnover of the regulated population. It also anticipates that the CLC's contribution to the costs of the Legal Service Board and of the Office for Legal Complaints (which continue to account for a significant percentage of the CLC's total regulatory costs) show a downward trend over the next two to three years.
  7. The CLC's Corporate Strategy 2011-2013 and its Business Plan 2012<sup>2</sup> are determined by the regulatory objectives, and is consistent with the approach developed by the Legal Services Board. Annex **[numbered]** compares the audited expenditure for 2011, the expenditure budget for 2012, the forecast outturn for 2012 and the provisional expenditure budget for 2013. The comments explain the variances between the expenditure budget for 2012 and the forecast outturn for 2012. The changes shown in percentage and monetary terms compare the expenditure budget for 2012 with the forecast outturn for 2012.
  8. The budgeted total funding requirement for 2013 is £2,432,850. It is estimated that setting the Practice Fee at 1.4% (as determined by Council) will generate an income of £1,408,000 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee Income and Other income there will be a total budgeted income of £2,339,000, leading to a budgeted shortfall of income against expenditure of £93,850. The shortfall will be funded from reserves.

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<sup>2</sup> Accessible under About Us at [www.clc-uk.org](http://www.clc-uk.org)

<b>Operations</b>	
	<b>1.4% current</b>
<b>Practice Fee</b>	1,408,000
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<b>Other Income</b>	417,000
<b>Total Income</b>	2,339,000
<b>Total Funding Req</b>	2,432,850
<b>Surplus(shortfall)</b>	(93,850)

9. The net result is a budgeted reduction in the CLC's Reserves on Operations though the CLC is satisfied that the level of reserves at the end of 2013 will be the equivalent of 6-7 months expenditure, well within the parameters set by the CLC Council.
10. The shortfall between the total funding requirements of the Compensation Fund against the budgeted total income will also be met from reserves.

<b>Compensation Fund</b>	
	<b>0.4 current</b>
	<b>£000s</b>
<b>Contribution</b>	396,000
<b>Other Income</b>	240,000
<b>Total Income</b>	636,000
<b>Total Funding Req</b>	935,500
<b>Surplus(shortfall)</b>	(299,500)

11. The net result is a reduction in the CLC's Reserves on the CLC's Compensation Fund. The CLC is satisfied that the level of reserves (after this reduction which it currently estimates to be £2.2 million at the end of 2013) will be sufficient to meet the expectations of, and provide confidence to, clients, as well as the mortgage lenders. The level of reserves required is calculated annually and a minimum level of £2,000,000 in reserves was set for 2010.
12. The CLC is continuing to review its fee structure. Assuming significant progress is made, it is likely that the CLC will be consulting on draft proposals in the first half of 2013.
13. The other Fees chargeable are as follows:

		<b>Fee</b>	<b>Paragraph</b>	<b>Regulatory Arrangements</b>
<b>1.</b>	Probate Licence	£75	3(a)(ii)	Licensed Conveyancer – Licensing Framework
<b>2.</b>	First Manager Licence	£150		
<b>3.</b>	Duplicate licence	£50	17 & 25	Licensed Conveyancer – Licensing Framework
<b>4.</b>	Amendment to licence	£75	27	Licensed Conveyancer – Licensing Framework
<b>5.</b>	Failure to submit Accountant's Report in time	£100	16.2	Accounts Code and Guidance