



Regulating
Property
And
Probate
Lawyers

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
for the period 2020-2021
August 2020**

I. Summary and Overview

1. The LSB is asked to approve the CLC's proposal that the regulatory fees as set out in the CLC Fees Framework 2019 (at Annex 2) for the year commencing 1 November 2020 remain unchanged from 2019-2020 (the proposal in relation to the CLC's Compensation Fund contributions is the subject of a separate application for an exempt direction) as follows:

- Licence Fees payable by CLC Lawyers for providing conveyancing services or probate services at £400 (unchanged from 2019);
- Licence Fees payable by CLC Lawyers for providing conveyancing and probate services at £475 (unchanged from 2019);
- Practice Fees payable by each CLC Practice is unchanged from 2019 (see further paragraphs 12-18 and Annex 3 below) The fee rates are as follows:

Turnover Banding		Practice Fee payable			
From	To	Minimum Fee in Band			
0	100,000	539	or	0.77%	Of Turnover**
		Minimum Fee in Band			On Turnover in excess of
100,001	500,000	770	plus	0.70%	100,000
500,001	3,000,000	3,570	plus	0.63%	500,000
3,000,001	and over	19,320	plus	0.56%	3,000,000

** *Whichever is the greater*

2. The CLC's current fee structure (introduced in February 2010) implemented following consultation with the profession can be summarised as follows:

- 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 to the operation of the CLC's Compensation Fund (subject to a separate application for an exempt direction).

3. The LSB decision notice of 23 September 2019¹ summarised its expectations for the current application:

- The CLC to report to LSB in future PCF applications the progress it has made in reducing its level of reserves and to provide greater clarity as to how the appropriate level of "steady state" reserves is determined (see Paragraph 19-22)
- the CLC to provide details of the work it has undertaken to review the range and number of fee bandings (see Paragraph 29)

¹ <https://www.legalservicesboard.org.uk/wp-content/uploads/2019/09/2019-09-23-Final-CLC-PCF-Decision.pdf>

- the CLC to continue to build on its efforts to promote awareness of the consultation and to consider other possible avenues for engaging with the progression on the fee proposals in the interest of receiving a greater amount of feedback (see Paragraphs 25-29).
- the CLC to provide either full impact assessments or an explanation of why such assessments were not considered appropriate (see Paragraphs 34-37).

List of Annexes

Annex 1	CLC Estimated Total Funding Requirement 2021
Annex 2	CLC Fees Framework 2019
Annex 3	Examples of the Practice Fee and Compensation Fund contributions payable 2020-2021
Annex 4	Information to the profession CLC regulatory charges 2020-2021

II. **Developing the overall budget and application**

4. The CLC Strategy for 2018-2022² sets out the following strategic objectives:
- Empower consumers to make informed choices of conveyancing and probate lawyers
 - Adapt regulation to the changing market
 - Be the regulator of choice in our specialist areas

The 2020 Business Plan³ is aligned with those objectives.

5. The CLC's annual budget is determined as follows:
- Consider resource needs to deliver the strategic priorities and business plan objectives.
 - Engage with directors to discuss their budget requirements.
 - Calculate staff, member, contractor, service and supplier cost in detail.
 - Include known commitments e.g. payments to the LSB.
 - Include known exceptional and ad hoc items.
 - Determine fees, charges and other income required to match planned expenditure (taking into consideration strategic use of reserves or other planned initiatives).
 - Forward draft budgets prepared by Finance in consultation with the CLC's Executive to the Senior Management Team for approval.
 - Forward draft budgets to Council members for challenge and subsequent sign off at the CLC's Council meeting.
 - Monthly SMT review and quarterly Council review of performance against the budget.
 - External Auditors review and sign off the Annual Report and Accounts.
 - It is a standing agenda item for Internal and External auditors to have confidential discussions with the CLC's Audit and Risk Committee with no staff present.
6. At this stage of the financial cycle the CLC has not determined a formal budget for 2021.
7. The impact of the coronavirus has meant that the CLC needs to plan for the next financial year with an unprecedented level of uncertainty. Some of the aspects that make planning for the next financial year challenging include:
- How long businesses and individuals will be restricted by the coronavirus
 - The economic fallout from the coronavirus
 - The impact the coronavirus will have on CLC regulated practices turnovers and the knock-on effect on CLC revenues
 - The resilience of the housing industry and CLC practices
 - Whether CLC regulated practices close due to the financial stress and economic climate.

² <https://www.clc-uk.org/wp-content/uploads/2018/01/CLC-A4-Strategy-Singles-AW-HiRes-1.pdf>

³ <https://www.clc-uk.org/wp-content/uploads/2017/12/2020-Business-Plan-for-publication.pdf>

8. The Council are carefully reviewing and considering the CLC's position and the actions that may be required over the next two years, specifically in relation to fees charged to the regulated community and our expenditure.
9. The Council considered whether the fee rate should be changed, and it was determined that increasing the practice fee rates would have a detrimental impact on CLC regulated practices which are already suffering from the loss of business. Decreasing practice fee rates, while providing some relief to practices, would have put the CLC at risk of increased operating deficits and increased probability that reserve levels would be insufficient to maintain the provision of our regulatory responsibilities. One of the Council's objectives when setting fee rates is to avoid volatility in fee rates: an increase in rates now would increase the likelihood of volatility when the current crisis stabilises.
10. Further, this is year 4 of CLC's planned reduction in accumulated reserves. Given possible impacts of the pandemic on the market it is important that the reserving minimum is not reached in advance of plan. This proposal mitigates that risk.
11. The Council has resolved that with effect from 1 November 2020 and subject to the approval of the Legal Services Board (LSB) the Practice rates should remain unchanged because of:
 - the increasing cost to the CLC of the OLC
 - the as yet uncertain impacts of the pandemic and Brexit which will be taken into account as we plan our work for 2021, and in subsequent years as we consider the resources that we need to fund scalable regulatory activity during a challenging period for the home buying and selling industry in the context of the wider national and global uncertainty.

Setting the rates

12. The CLC's Council reviews the fee rates for Practice fees annually. Starting in 2016 the CLC has reduced Practice Fee rates 3 times, resulting in an effective cumulative decrease in Practice Fee rates of 42% from the levels set in 2016.
13. The 2016, 2018 and 2019 Practice Fee reductions were made to reduce revenue to match planned expenditure and reduce the accumulation of reserves.
14. In the Consultation Paper it published in June 2020⁴ the CLC confirmed that it was seeking to reduce certain areas of cost and increase efficiency further within the area of costs under its control so that the Practice Fee Rates could be maintained at their current level. This has been achieved despite a significant proportion of costs being outside its control. Those costs include the levies that fund the LSB (including the Legal Services Consumer Panel) and the Office for Legal Complaints/Legal Ombudsman (OLC). The OLC levy is by far the more significant of the two (15% of the CLC's total expenses in 2019 and forecast 16% in 2020), and the one that continues to increase year on year.

⁴ <https://www.clc-uk.org/wp-content/uploads/2020/06/20200603-CLC-Consultation-Paper-Practice-Fees-2020-FINAL.pdf>

15. It is proposed that the individual licence fee charged to CLC lawyers providing conveyancing and/or probate services will remain unchanged at £400⁵.
16. Subject to the approval of the LSB, other fees and charges for the licence year starting 1 November 2019 remain unchanged (see paragraph 23).
17. Annex 1 compares actual expenditure for 2018 and 2019, the expenditure forecast outturn for 2020 and the expenditure estimate for 2021. The changes shown in percentage and monetary terms compare the 2020 expenditure forecast with the expenditure estimate for 2021 with brief explanations of the significant variances. Annex 1 also includes a separate table of staff costs.
18. The estimated total funding requirement for 2021 is £2,992,141 (compared to £3,048,041 forecast for 2020 and actual spending of £2,935,488 in 2019). It is estimated that setting the Practice Fee at the rates proposed will generate an income of £1,582,459 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee and Other Income, total projected Income for 2021 will be £2,192,284, leading to a projected shortfall of income against expenditure of £851,450 which we have planned as part of our commitment to reducing excess reserves as set out below.

	2020 (Forecast)	2021 (Estimate)
Income		
Practice Fee	1,582,459	1,534,527
Licence Fee	572,283	572,000
Other Income	37,542	34,164
Total Income	2,192,284	2,140,691
Expenditure		
Regulatory Costs	(2,502,797)	(2,446,870)
Recharges	(545,244)	(545,271)
Total Expenditure	(3,048,041)	(2,992,141)
Surplus/(Deficit)	(855,757)	(851,450)

Reserves Arrangements

19. In January 2015 the Council agreed to maintain a minimum reserve on Operations of £1 million (equivalent to approximately six months operating expenses). Based on the Forecast for 2020 and the estimate for 2021 (detailed at paragraph 18), the actual and projected movement on reserves for CLC's Operations may be summarised as follows:

⁵ see further paragraph 23 below

2017 Actual £m	2018 Actual £m	2019 Actual £m	Dec 2020 Forecast £m	Dec 2021 Estimate £m
3.31	4.02	3.97	3.11	2.26

20. The CLC is currently running a managed deficit on the Practice Fund to facilitate a reduction in the reserves held by the Fund. The coronavirus will impact the utilisation of reserves for the next few budget cycles. The Council is currently reviewing and assessing appropriate measures to ensure that the CLC has sufficient reserves to see the organisation through the coronavirus crisis.
21. This will inevitably mean the CLC will need to amend its cost base to reduce the utilisation of the reserves and ensure there is sufficient provision to see the organisation through the pandemic.
22. The Council is carefully considering the structure of the organisation and appropriate cost reduction measures to ensure that the CLC continues to deliver the regulatory objectives and maintains specialised regulation and services that deliver effective consumer protection and that our regulated community expect. The measures to be taken will be agreed in Q4 of 2020 and included in the budget to be approved by Council in January 2021. The Estimate for 2021 has been based on the 2020 budget adjusted for known changes. This estimate reflects the maximum possible expenditure for 2021.
23. The other Fees chargeable are as follows (these are unchanged from 2019-2020):

	Description	Fee	Paragraph	Regulatory Arrangements
1.	Probate Licence	£75	1(a)(ii)	CLC Lawyer – Licensing Framework
2.	First Manager Licence Application	£150		
3.	Duplicate licence	£50	16 & 18	CLC Lawyer – Licensing Framework
4.	Amendment to licence	£75	26	CLC Lawyer – Licensing Framework
5.	Failure to submit Accountant's Report in time	£100	16.2	Accounts Code and Guidance

Regulatory activities

24. The CLC Council has absolute authority to determine the CLC's budget, since the CLC was established exclusively as a regulator without any representative functions. In approving the proposed fee rates, the CLC Council is satisfied that the CLC is being provided with sufficient resources to carry out its functions.

III. Consultation on PCF

25. The CLC published its Fees Consultation⁶ in the first week in June and signposted to the consultation in its Manager newsletters sent on 5 and 18 June. The consultation ended on 3 July 2020 (four week consultation period).
26. The CLC received no responses to the formal consultation. The CLC believes this was one of the consequential effects of the pandemic. The consultation coincided with a period when CLC regulated practices were opening up their practices and their staff remained on furlough. Managers were reluctant to bring their employees back to the office whilst it was difficult to predict whether the increased levels of work could be sustained. In many cases, they were carrying an increased workload with substantially reduced support. Further, CLC practices were experiencing a hardening of the market in the lead up to renewal of their professional indemnity insurance (on 1 July 2020). For many practices this meant significant increases in PII premiums.
27. Since mid March 2020 the CLC has surveyed the profession seven times (4 during the lockdown and 3 following easing of lockdown). The surveys had a free text box in which practices could provide details of their own position but also make more general comments. A number of responses to the first 3 surveys raised concerns about their ability during lockdown to continue payment of the regulatory fees. These comments were an important factor in the CLC's decision to introduce its fee deferral scheme.
28. No similar comments were made about fees in the 3 surveys which have been conducted after the fee deferral scheme had been introduced. This is noteworthy, particularly as one of those surveys was published on 12 June 2020 (during the CLC's Fees consultation). Against this background, it is unsurprising that a fees consultation proposing that fee rates remained unchanged (after a period of substantial reductions) elicited no responses.
29. The consultation did not include a review of the range and number of fee bandings. The CLC's focus has been on reducing fee rates first, and not wanting to change too many variables at one time. Smaller practices which do not have an excessive fee burden would be unlikely to benefit. We deferred the review of fee bandings in 2019 because of uncertainty about exit from the EU in the lead up to last December's general election. The effects of the pandemic have resulted in reprioritisation and further deferral of changes because of continuing uncertainty but consideration of banding remains on our business plan.

⁶ <https://www.clc-uk.org/wp-content/uploads/2020/06/20200603-CLC-Consultation-Paper-Practice-Fees-2020-FINAL.pdf>

30. 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.

IV. Permitted Purposes

31. The CLC's projected income and total funding requirement for 2020 and 2021 are set out at paragraph 18 above.

32. Since it has an exclusively regulatory function, none of the costs the CLC incurs fall outside permitted purposes as set out at rule 6 LSB Practising Fee Rules 2016⁷. 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)).

33. 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 as well as playing a key role in the work to modernise the home buying and selling process. It does not have a budget dedicated to that activity, but expenditure is spread across External Relations, Policy and the Chief Executive's Office. The CLC understands the importance of increasing public understanding of the citizen's legal rights and duties (sub-paragraph (g)) and has been a leading player in the development of Legal Choices as the cross-sector Public Legal Education tool, in addition to our own work to help consumers understand how to choose and use a CLC-regulated lawyer through our own website and media work. With the other legal regulators, the CLC is working to implement the recommendations made in CMA Report⁸ on legal services. Requirements for CLC practices to make information about costs and services provided more readily accessible came into force in December 2018 and we are now looking to evaluate their impact and add quality indicators to the measures already in place.

34. The CLC is required to pay the levy towards the costs of the LSB and the Office for Legal Complaints (sub-paragraph (b)).

35. Aside from the contributions it makes to the levy (paragraph 34) the entirety of the costs incurred by the CLC relate directly to:

⁷http://www.legalservicesboard.org.uk/Projects/statutory_decision_making/pdf/2016/20160601_Practising_Fee_Rules_2016.PDF

⁸<https://www.gov.uk/cma-cases/legal-services-market-study#final-report>

(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.

V. Transparency of PCF information for CLC lawyers and practices

31. 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.

VI. Regulatory and Equality Impact Assessment

Applicability of the Regulatory Objectives

32. The proposal is to keep the practice fee rates at the same level as 2019 rates whilst ensuring sufficient reserves are maintained in the Practice Fund:

- a. RO1 Protecting and promoting the public interest – promoted, the Fund enables the CLC to carry out its regulatory activities
- b. RO2 Supporting the constitutional principles of the rule of law – promoted, CLC lawyers and practices are required to act with independence and integrity and to act in the best interest of their clients
- c. RO3 Improving access to justice - neutral
- d. RO4 Protecting and promoting the interest of consumers – promoted, the Fund enables the CLC to carry out its regulatory activities, a key element of which is to ensure the interests of clients are protected
- e. RO5 Promoting competition in the provision of services – promoted, the CLC is reducing the cost of regulation over the medium term whilst adapting it to the changing markets, ensuring that the interests of consumers continue to be protected and high standards of work maintained
- f. RO6 Encouraging an independent, strong, diverse and effective legal profession – the CLC is seeking over the medium term to reduce the cost of regulation as it encourages active compliance with its regulatory arrangements and promotion of the interests of consumers
- g. RO7 Increasing public understanding of the citizen’s legal rights and duties – promoted – see paragraph 33 above
- h. RO8 Promoting and maintaining adherence (by authorised persons) to the professional principles – promoted, the Fund enables the CLC to carry out its regulatory activities, a key element of which is to ensure the interests of clients are protected.

Better Regulation Principles

33. 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:
- a. They are transparent in that:
 - o the way in which charges have been determined is consistent with the 2010, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 Consultations to which all members of the profession had an opportunity to contribute; and
 - o 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.
 - b. 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.
 - c. 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.
34. The CLC has not carried out a full Regulatory and/or Equality Impact Assessment, primarily because the CLC's application to the LSB is that its Practice Fee Rates remain unchanged for 2020-2021. However, the CLC consistently seeks to ensure fees charged are determined on a fair basis.
35. In 2010 following a public consultation and with LSB's approval the CLC made significant changes to the structure of regulatory fees so they should be more transparent and reflect more closely regulatory costs incurred, so mitigating the risk that the burden of regulatory costs fell unfairly on some members of the regulated community:
- a. the fee for a licensed conveyancer licence was reduced to £400 (until 2010 managers and employed licence holders were charged different fees- £880 and £480 respectively)
 - b. the CLC expressed a preferred position that each Practice makes 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
 - c. the Practice Fee was introduced to separate operational costs from its Compensation Fund
 - d. the previous model for charging practices by reference to their turnover was continued,
36. In reviewing the fees to be charged each year, the CLC has articulated its objectives, most recently in the [CLC 2020 Fees Consultation](#), namely:
- a. Fee setting in general is determined with the aim of generating no more than a nominal surplus each year.
 - b. A managed deficit can be used when sufficient excess reserves are available to fund a decrease in fee rates.

- c. Fees are set at a level that recovers the cost of regulation of practices and individuals, except where the minimum reserve in either the Practice or Compensation Fund needs to be 'topped up'.
 - d. Fees charged are consistent year on year, with the expectation that fee rates reduce as economies of scale are realised and practice turnovers increase.
 - e. Fee rates (Practice fees and Compensation contributions) are increased only in exceptional circumstances, such as a prolonged economic downturn where minimum reserves cannot effectively absorb losses.
37. The CLC published [CLC Diversity Monitoring Research 2019](#) in April 2019 and, as [reported to the LSB](#), in April 2020 launched a call for evidence of the barriers that individuals have experienced themselves or have observed in the regulated community. The responses will help us to identify mitigating steps that are needed and inform the review of our Diversity and Inclusion Code planned for later this year. It will also assist in the review of fee rates which will include a review the range and number of fee bandings.

Contact Details

38. Simon Blandy
Director of Regulatory Standards
CLC
simonb@clc-uk.org
0203 971 7213

Annex 1
CLC Estimated Total Funding Requirement 2021

CLC Expenditure	2018 Actual (Audited)	2019 Actual (Audited)	2020 Forecast	2021 Estimate	Var £	Var %	Notes
Staff, Council & Adjudication costs	1,424,939	1,626,863	1,643,469	1,575,684	67,785	4.3%	Unfilled posts carried forward from 2020
Inspections & Licensing	71,290	57,988	47,625	47,625	-	0.0%	
Communications	255,098	212,051	171,044	186,770	(15,726)	-8.4%	Cost saving in 2020 linked to covid lockdown
Building & Office costs	262,671	323,376	320,991	341,427	(20,436)	-6.0%	Cost saving in 2020 linked to covid lockdown
Insurance	43,191	43,460	45,176	43,626	1,550	3.6%	
IT expenses	60,724	54,643	47,761	50,091	(2,330)	-4.7%	Cost saving in 2020 linked to covid lockdown
Travel & Subsistence	23,327	25,464	13,092	38,512	(25,420)	-66.0%	Cost saving in 2020 linked to covid lockdown
Professional fees	127,297	131,396	148,068	105,068	43,000	40.9%	Decrease in legal costs during 2021
Subscriptions & Consultancy	1,288	1,237	41,731	33,742	7,989	23.7%	Increased legal choices costs in 2020
Tax & Finance charges	311	287	15,128	15,128	-	0.0%	
Depreciation	17,997	11,904	9,615	9,615	-	0.0%	
Operating Expenditure	2,288,133	2,488,669	2,503,700	2,447,288	56,412	2.3%	
Recharges	369,222	446,819	544,341	544,853	(512)	-0.1%	
Total Expenditure	2,657,355	2,935,488	3,048,041	2,992,141	55,900	1.9%	

NB

Recharges - The Levy payable to the LSB and the Legal Ombudsman (LeO) respectively for year starting 1 April 2020 is estimated at £30,906 (2019 actual £29,141) and £496,238 (2019 actual £422,831) totaling £527,144 (2019 actual £451,972), an increase of £75,172 (17%), following on an increase of £84,783 or 23% from 2018 and together accounting for 17% of the CLC's projected expenditure for 2021.

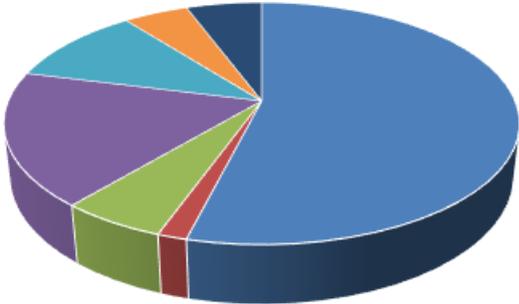
The LeO levy is calculated as a proportion of service complaints received by LeO in respect of CLC practices in relation to all service complaints received. Complaints about CLC practices have increased over the last 3 years as the total number of complaints has decreased, so proportionately increasing the CLC's contribution

The Estimate for 2021 has been based on the 2020 budget adjusted for known changes. This estimate reflects the maximum possible expenditure for 2021. The cost review exercise being undertaken by Council is likely to result in a reduction in the total expenditure.

Staff Costs

Staff costs by department and type	2020 (Forecast)	2021 (Estimate)	Variance £	Variance %
Regulatory	430,767	411,365	19,402	-4.5%
Practice	208,082	208,082	-	0.0%
External Comms	256,351	206,405	49,946	-19.5%
CEO Office	289,784	278,668	11,116	-3.8%
Support	283,808	283,808	-	0.0%
Contractors	-	-	-	-
Death in Service	3,899	6,768	- 2,869	73.6%
Medical	9,659	9,659	-	0.0%
Recruitment	36,000	35,206	794	-2.2%
Adjudication panel	21,247	31,851	- 10,603	49.9%
Council members	103,872	103,872	-	0.0%
Total	1,643,469	1,575,684	67,785	-4.1%

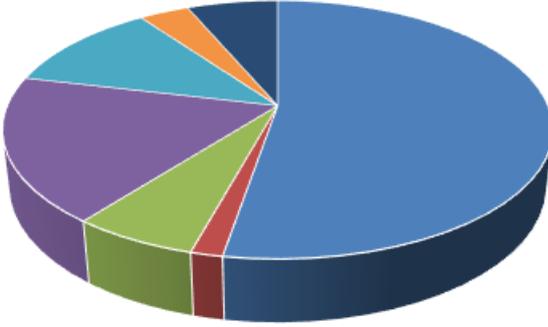
2020 Forecast



- Staff, Council & Adjudication costs
- Inspections & Licensing
- Communications
- Recharges
- Building & Office costs
- Professional fees
- Other**

*** IT Expenses, Insurance, Travel & Subsistence, Subscriptions & Consultancy, Tax & Finance Charges, Depreciation*

2021 Estimate



- Staff, Council & Adjudication costs
- Inspections & Licensing
- Communications
- Recharges
- Building & Office costs
- Professional fees
- Other **

*** IT Expenses, Insurance, Travel & Subsistence, Subscriptions & Consultancy, Tax & Finance Charges, Depreciation*

Annex 2



The CLC Fees Framework 2019

Made 25 July 2019 by the Council for Licensed Conveyancers with the approval of the LSB 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 2019 and shall come into force on 1 November 2019 on which date the Council for Licensed Conveyancers' Fees Rules 2018 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 Lawyer – Licensing Framework shall be as follows: -
 - (1) under paragraph 1(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 or Probate Services: £400
to provide Conveyancing and Probate Services: £475;
 - (2) under paragraph 16 and 18 for an amendment to a licence: £75;
 - (3) under paragraph 26 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				
From	To	Minimum Fee in Band				
0 and	100,000	539	or	0.77%	Of Turnover	Whichever is the greater
		Minimum Fee in Band			On Turnover in excess of	
100,001	500,000	770	plus	0.70%	100,000	
500,001	3,000,000	3,570	plus	0.63%	500,000	
Over	3,000,000	19,320	plus	0.56%	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			
From	To	Minimum Fee in Band			
0	£100,000	£500			
		Minimum Fee in Band			On Turnover in excess of
£100,001	£500,000	£500	plus	0.16%	£100,000
£500,001	£3,000,000	£1,140	plus	0.12%	£500,000
Over	£3,000,000	£4,140	plus	0.08%	£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 3

Examples of the Practice Fee and
Compensation Fund contributions payable
2020-2021 unchanged from 2019-2020

Turnover	Practice Fee	Comp Fund Contribution	Total
30,000	539	500	1,039
50,000	539	500	1,039
150,000	1,120	580	1,700
550,000	3,885	1,200	5,085
1,500,000	9,870	2,340	12,210
3,500,000	22,120	4,540	26,660
15,000,000	86,520	13,740	100,260

Annex 4
Information to the profession
CLC regulatory charges
2020-2021
DRAFT

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 2020.

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

2. The CLC's current fee structure (first introduced in February 2010) following consultation with the profession can be summarised as follows:
 - 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.
3. The CLC published its Fees Consultation⁹ in the first week in June and signposted to the consultation in its Manager newsletters sent on 5 and 18 June. The consultation ended on 3 July 2020 (four week consultation period). The CLC received no responses to the consultation.

Licence and Practice Fee and Compensation Fund contributions payable for year starting 1 November 2020

4. Examples of the effect the Practice Fee rates and Compensation Fund contributions will have on practices are set out at Annex [NUMBER¹⁰].
5. The CLC has published its Strategy for 2018-2022¹¹ which set out its strategic objectives:
 - Empower consumers to make informed choices of conveyancing and probate lawyers

⁹ <https://www.clc-uk.org/wp-content/uploads/2020/06/20200603-CLC-Consultation-Paper-Practice-Fees-2020-FINAL.pdf>

¹⁰ Annex 3 to the CLC Practising Fees Application

¹¹ <https://www.clc-uk.org/wp-content/uploads/2018/01/CLC-A4-Strategy-Singles-AW-HiRes-1.pdf>

- Adapt regulation to the changing market
- Be the regulator of choice in our specialist areas

The 2020 Business Plan¹² is aligned with those objectives.

6. The CLC's Council reviews the fee rates for Practice fees annually. Starting in 2016 the CLC has reduced Practice Fee rates 3 times, resulting in an effective cumulative decrease in Practice Fee rates of 42% from the levels set in 2016.
7. The 2016, 2018 and 2019 Practice Fee reductions were made to reduce revenue to match planned expenditure and reduce the accumulation of reserves.
8. The table below summarises the cost structure of the CLC:

Cost summary	2019 (Actual)	2020 (Forecast)	2021 (Estimate)
Staff costs	1,611,989	1,643,469	1,575,684
Operating cost	876,680	859,328	871,186
Cost within CLC control	2,488,669	2,502,797	2,446,870
Recharges	446,819	545,244	545,271
Total expenditure	2,935,488	3,048,041	2,992,141

Costs within CLC control will reduce from 85% to 82% of expenditure in 2021, while recharges will increase from 15% to 18% of the total expenditure.

Staff costs account for 64% of the expenditure under CLCs controls. Recharges are costs that are not under our control and are used to pay levies from OLC, LSB, FCA and OPBAS.

9. It is proposed that the individual licence fee charged to CLC lawyers providing conveyancing and/or probate services will remain unchanged at £400.
10. Subject to the approval of the LSB, other fees and charges for the licence year starting 1 November 2020 remain unchanged.
11. Annex [NUMBER¹³] compares actual expenditure for 2018 and 2019, the expenditure forecast outturn for 2020 and the expenditure projection for 2021. The changes shown in percentage and monetary terms compare the 2020 expenditure forecast with the expenditure projection for 2021 with brief

¹²<https://www.clc-uk.org/wp-content/uploads/2017/12/2020-Business-Plan-for-publication.pdf>

¹³ Annex 1 to the CLC Practising Fees Application

explanations of the significant variances. Annex [NUMBER] also includes a separate table of staff costs.

12. The estimated total funding requirement for 2021 is £2,992,141 (compared to £3,048,041 forecast outturn for 2020 and £2,935,488 for 2019). It is estimated that setting the Practice Fee at the rates proposed will generate an income of £1,534,527 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee and Other Income Total Projected Income for 2021 will be £2,140,691, leading to a projected shortfall of income against expenditure of £851,450.

Income & Expenditure summary	2020 (Forecast)	2021 (Estimate)
Income		
Practice Fee	1,582,459	1,534,527
Licence Fee	572,283	572,000
Other Income	37,542	34,164
Total Income	2,192,284	2,140,691
Expenditure		
Regulatory Costs	(2,503,700)	(2,447,288)
Recharges	(544,341)	(544,853)
Total Expenditure	(3,048,041)	(2,992,141)
Surplus/(Deficit)	(855,757)	(851,450)

The Council is currently undertaking a detailed review of the cost base of the organisation in light of the anticipated impact that the Coronavirus is likely to have on CLC revenues. It is expected that this review will result in a reduction in regulatory costs which has not been included in the table above.

13. The practice fee revenue is allocated against expenditure as follows:

Expenditure allocation of practice fees	2021 (Estimate)
Practice Fee income	1,534,527
Recharges	544,853
Regulatory costs	989,674
	1,534,527

14. The Compensation Fund is projected to make a surplus of £192,607 in 2021.

Compensation Fund Summary Income Statement	2021 (Estimate)
Contributions	362,353
Compensation fund cost	(169,746)
surplus	192,607

Note that interventions and grants arising in 2021 are not included. This is because the amount and timing of these costs cannot be accurately predicted.

15. The other Fees chargeable are as follows (these are unchanged from 2019-2020):

		Fee	Paragraph	Regulatory Arrangements
1.	Probate Licence	£75	1(a)(ii)	CLC Lawyer – Licensing Framework
2.	First Manager Licence Application	£150		
3.	Duplicate licence	£50	16 & 18	CLC Lawyer – Licensing Framework
4.	Amendment to licence	£75	26	CLC Lawyer – Licensing Framework
5.	Failure to submit Accountant's Report in time	£100	16.2	Accounts Code and Guidance