



**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 2019-2020  
August 2019**

## I. Summary and Overview

1. The LSB is asked to approve the CLC Fees Framework 2019 (at Annex 2) in relation to the Practice Fee proposals (the proposal in relation to the CLC's Compensation Fund contributions is the subject of a separate application for an exempt direction). The proposed regulatory fees for the year commencing 1 November 2019 are as follows:

- Licence Fees payable by CLC Lawyers for providing conveyancing services or probate services at £400 (unchanged from 2018);
- Licence Fees payable by CLC Lawyers for providing conveyancing and probate services at £475 (unchanged from 2018);
- Practice Fees payable by each CLC Practice is reduced by 30% (see further paragraphs 8-17 and Annex 3 below) The revised fee rates are as follows:

Turnover Banding		Practice Fee payable			
From	To	Minimum Fee in Band			
0 and	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*

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

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) (subject to a separate application for an exempt direction) 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 LSB decision letter of 4 September 2018 commented that the CLC did not receive any responses to its 2018 consultation on fees. As suggested in the letter, the CLC's fees consultation<sup>1</sup> this year included a clear fee proposal for consultees to consider.

4. The CLC asked the LSB to comment on its draft application. At the LSB's request, the CLC has separated the licence and fee application (to be determined in accordance with the LSB's Fees Rules) from the application for approval of the proposed contributions to the CLC's Compensation Fund to be determined by the LSB as an exempt direction). Changes have also been made to align with the LSB's application guidance and answer queries raised.

5. The CLC Strategy for 2018-2022<sup>2</sup> 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 2019 Business Plan<sup>3</sup> is aligned with those objectives.

6. 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).

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<sup>1</sup> <https://www.clc-uk.org/wp-content/uploads/2019/05/CLC-Consultation-Paper-Practice-Fees-2019-FINAL-v2.pdf>

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

<sup>3</sup> <https://www.clc-uk.org/wp-content/uploads/2019/02/Business-Plan-2019-for-web-20190204.pdf>

- 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.
7. At this stage of the financial cycle the CLC has not determined a formal budget for 2020. Based on the Forecast of the Outturn for 2019 and for the purposes of this application, it has produced a projection of operational expenditure for 2020 (Annex 1). This projection seeks to balance 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 current opportunities and challenges.

**Setting the rates**

8. The CLC’s Council reviews the fee rates for Practice fees annually. The Practice fee rate was reduced by 20% in 2016, left unchanged in 2017 and was reduced by a further 10% in 2018.
9. The 2016 and 2018 Practice Fee reductions were made to reduce revenue to match planned expenditure and reduce the accumulation of reserves.
10. In the Consultation Paper it published in May 2019 the CLC confirmed that it was considering reducing Practice Fee rates paid by CLC-regulated firms further, by up to 20%. It proposed that the individual licence fee charged to CLC lawyers providing conveyancing and/or probate services will remain unchanged at £400<sup>4</sup>.
11. The Council has resolved that with effect from 1 November 2019 and subject to the approval of the Legal Services Board it should reduce the Practice rates by 30% (building on the 20% reduction made in 2016 and 10% reduction in 2018) as part of its longer-term plan to:
- manage a reduction in the level of reserves in the practice fund
  - reduce the regulatory cost burden on CLC practices.
12. Over the following three years the annual operational deficit will reduce with the fund breaking even in year 5 (a fee rate reduction of 20%, as proposed in the Fee Consultation would result in a surplus in year 3). The projections were based on the following key assumptions agreed by the CLC Council:

	<b>Assumption</b>	<b>Value used</b>

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<sup>4</sup> see further paragraph 22 below

1	Existing practices annual turnover growth	6%
2	Net new practices coming into CLC regulation (net of closing practices)	<ul style="list-style-type: none"> <li>• £30m in 2020</li> <li>• £6m each year from 2021 to 2025</li> </ul>
3	Individual license holders	Net growth of 100 per annum and with no change to the annual license fee (£400)
4	Inflation rate	2%
5	Salary inflation	2.5%
6	Headcount	20 heads (maintain current levels)
7	Operating expenditure	Remaining broadly in line with current spending levels

13. The Council considered whether it should reduce the Practice Fee rates by more than 30% and concluded that it was not prudent at this point taking account of the factors identified at paragraph 12 above. Further, it would increase unnecessarily the risk to the financial wellbeing of the CLC and the likelihood that it may need in subsequent years to reverse any reductions made, leading to uncertainty in the level of regulatory fees.
14. The Council will review the regulatory fee rates in 2020 to consider whether a further reduction is achievable taking account in particular of market conditions at that time. Conversely, if assumptions are not being met, remedial actions will be assessed and implemented.
15. Subject to the approval of the Legal Services Board, other fees and charges for the licence year starting 1 November 2019 remain unchanged (see paragraph 20).
16. Annex 1 compares actual expenditure for 2017 and 2018, the expenditure forecast outturn for 2019 and the expenditure projection for 2020. The changes shown in percentage and monetary terms compare the 2019 expenditure forecast with the expenditure projection for 2020 with brief explanations of the significant variances.
17. The projected total funding requirement for 2020 is £2,936,026 (compared to £2,839,888 forecast outturn for 2019 and £2,657,355 for 2018). It is estimated that setting the Practice Fee at the rates proposed will generate an income of £1,737,905 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee and Other Income there will be a Total Projected Income for 2020 of £2,344,069, leading to a projected shortfall of income against expenditure of £591,957.

	2019		2020	
Income				
Practice Fee	2,000,927		1,737,905	
Licence Fee	571,166		572,000	
Other Income	48,192		34,164	
Reserves	219,603		591,957	
		2,839,888		2,936,026
Expenditure				
Permitted Purposes				
Regulatory Costs	(2,402,173)		(2,476,425)	
Levy	(437,715)		(459,601)	
Total Expenditure		(2,839,888)		(2,936,026)
Surplus/Deficit		0		0

NB No provision has been made for OPBAS levy which is expected to be £5,000

#### Staff Costs

	2019	2020	Variance 2020 and 2019	% Variance 2020 and 2019
Regulatory	410,415	463,214	(52,799)	13
Practice	199,197	227,564	(28,367)	14
External comms	230,673	238,510	(7,837)	3
CEO Office	232,023	240,162	(8,139)	4
Support	267,525	280,309	(12,784)	5
Contractors	29,806	0	29,806	(100)
Death in service	5,500	5,775	(275)	5
Medical	8,681	13,434	(4,753)	55
Recruitment	58,216	30,000	28,216	(48)
Adjudication	6,600	7,260	(660)	10
Council	102,804	106,000	(3,196)	3
Total	1,551,440	1,612,228	(60,788)	4

Staff Costs – The CLC have made provision to increase the staff headcount by 2 additional members of staff has been provided for in 2019 (though timing for appointment has meant that associated costs will not be fully realized until 2020):

- (a) One member appointed to the Regulatory team to manage increased numbers of licensing applications; and
- (b) An additional Regulatory Supervision Manager to increase capacity in the Practice Team

### Reserves Arrangements

18. In January 2015 the Council agreed to maintain a minimum reserve on Operations of £1 million (equivalent to six months operating expenses). Based on the Forecast for 2019 and the estimate for 2020 (detailed at paragraph 17), the actual and projected movement on reserves for CLC's Operations may be summarised as follows:

2016 Actual £m	2017 Actual £m	2018 Actual £m	Dec 2019 Forecast £m	Dec 2020 Estimate £m
3.73	3.31	4.02	3.91	3.35

19. The CLC is planning to run a managed deficit on the Practice Fund to facilitate a reduction in the reserves held by the Fund. We expect the Fund to break even in 2025 with reserve levels having reduced by £1.9m.

The table below summarises the expected impact on reserve levels over the following 5 years. The excess Practice Fund reserve is reduced significantly over the period (£1.9m) whilst a buffer for any unexpected occurrences is maintained (£630k in excess of £1million minimum reserves).

IMPACT OF FEE RATE CUTS ON RESERVE LEVELS 30% cut to Practice Fund	Practice Fund	
	Surplus at current fee rate	Deficit after 30% fee rate cut
Nov 19 - Oct 20	148,022	(592,527)
Nov 20 - Oct 21	317,065	(481,789)
Nov 21 - Oct 22	495,907	(364,676)
Nov 22 - Oct 23	673,142	(252,705)
Nov 23 - Oct 24	850,983	(143,695)
Nov 24 - Oct 25	1,040,131	(27,188)
Cumulative surplus/(Deficit)	3,525,250	(1,862,581)
Existing excess reserves	2,490,494	2,490,494
<b>Excess reserve in Oct 2025</b>	<b>6,015,744</b>	<b>627,913</b>

20. The other Fees chargeable are as follows (these are unchanged from 2018-2019):

	Description	Fee	Paragraph	Regulatory Arrangements
1.	Probate Licence	£75	1(a)(ii)	

2.	First Manager Licence Application	£150		CLC Lawyer – Licensing Framework
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

21. 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

22. The CLC published its Fees Consultation<sup>5</sup> in the first week in May and signposted to the consultation in its Manager newsletters sent on 9 and 13 May, and 6 and 10 June, and the general newsletters sent on 23 and 28 May. The consultation ended on 21 June 2019 (six week consultation period). Five responses<sup>6</sup> to the Consultation were received (nil responses to 2018 fees consultation).
23. The respondents agreed the objectives for determining fee rates. With some caution, the turnover growth assumption of 3% pa for practices under CLC regulation was considered reasonable. The CLC analysis indicates that the 3% was unnecessarily conservative and opted for a higher rate in the final model. On the basis of the growth assumption the CLC anticipates that the deficit on its Practice Fund will reduce over the next three years and that it will break even within five years (ie by 2025). The deficit in the intervening period will be funded by a managed reduction in the CLC’s current reserves.
24. One respondent suggested that the CLC should review the fee bandings for the different rates of charge. The CLC keeps the range and number of fee bandings under regular review. Any proposed change to the fee banding will be subject to consultation.
25. The Society of Licensed Conveyancers suggested that the CLC should prepare a financial summary of the cost of regulation. All legal regulators publish details of their regulatory fees. It is not the CLC’s role to make comparisons about the cost of regulation. Practices have different drivers (cost being a subsidiary factor) in determining by which legal regulator they choose to be regulated.

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<sup>5</sup> <https://www.clc-uk.org/wp-content/uploads/2019/05/CLC-Consultation-Paper-Practice-Fees-2019-FINAL-v2.pdf>

<sup>6</sup> [to be inserted]



26. 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

27. The CLC's projected income and total funding requirement for 2019 and 2020 are set out at paragraph 17 above.

28. 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 2016<sup>7</sup>. 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)).

29. 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)). With the other legal regulators, the CLC is working to implement the recommendations made in CMA Report<sup>8</sup> on legal services. Requirements for CLC practices to make information about costs and services provided more readily accessible came into force in December 2018.

30. 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)).

31. Aside from the contributions it makes to the levy (paragraph 17 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

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[http://www.legalservicesboard.org.uk/Projects/statutory\\_decision\\_making/pdf/2016/20160601\\_Practising\\_Fee\\_Rules\\_2016.PDF](http://www.legalservicesboard.org.uk/Projects/statutory_decision_making/pdf/2016/20160601_Practising_Fee_Rules_2016.PDF)

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

- (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 layers and practice**

- 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 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

- 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:
    - the way in which charges have been determined is consistent with the 2010, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 Consultations 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.
  - 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. The CLC continues to work to develop a charging structure linked to regulatory activity and risk.

34. The CLC has not carried out a Regulatory and/or Equality Impact Assessment.

**Contact Details**

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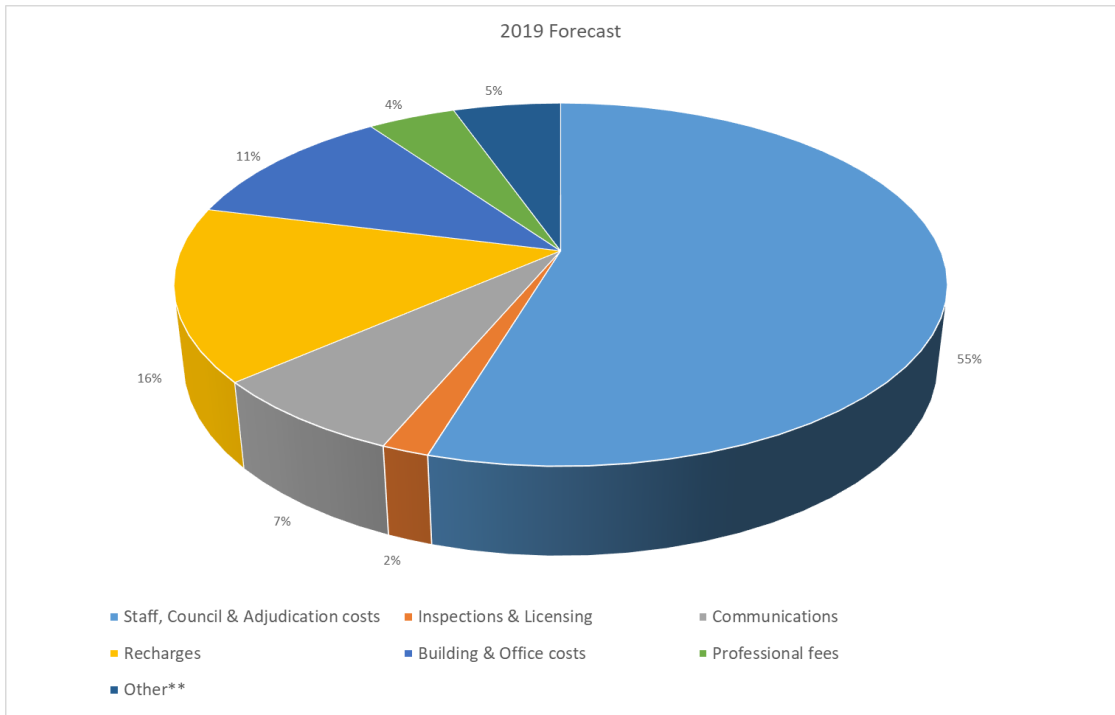
## Annex 1

CLC OPERATIONAL EXPENDITURE							
	2017 Actual (Audited)	2018 Actual (Audited)	2019 Forecast - actual figures to June	2020 Projection	Var %	Var £	Notes
Staff, Council & Adjudication costs	1,296,860	1,424,939	1,551,439	1,612,228	-3.9%	- 60,789	Inflationary increase and impact of increased headcount routine inspection cycle
Inspections & Licensing	85,126	71,290	48,708	60,000	-23.2%	- 11,292	
Communications	244,043	255,098	205,128	205,128	0.0%	-	
Recharges	322,460	369,222	437,715	459,601	-5.0%	- 21,886	Increased OLC costs
Building & Office costs	188,784	262,671	320,346	324,931	-1.4%	- 4,585	Inflationary increases
Insurance	47,037	43,191	42,996	42,996	0.0%	-	
IT Expenses	64,566	60,724	45,000	45,000	0.0%	-	
Travel & Subsistence	20,225	23,327	36,000	36,000	0.0%	-	
Professional fees	115,697	127,297	123,614	122,932	0.6%	682	
Subscriptions & Consultancy	4,921	1,288	1,030	1,050	-1.9%	- 20	
Tax & Finance charges	302	311	15,526	15,526	0.0%	-	
Depreciation	52,794	17,997	12,386	10,634	14.1%	1,752	
<b>Total Operating Expenses</b>	<b>2,442,815</b>	<b>2,657,355</b>	<b>2,839,888</b>	<b>2,936,026</b>	<b>-3.4%</b>	<b>- 96,138</b>	

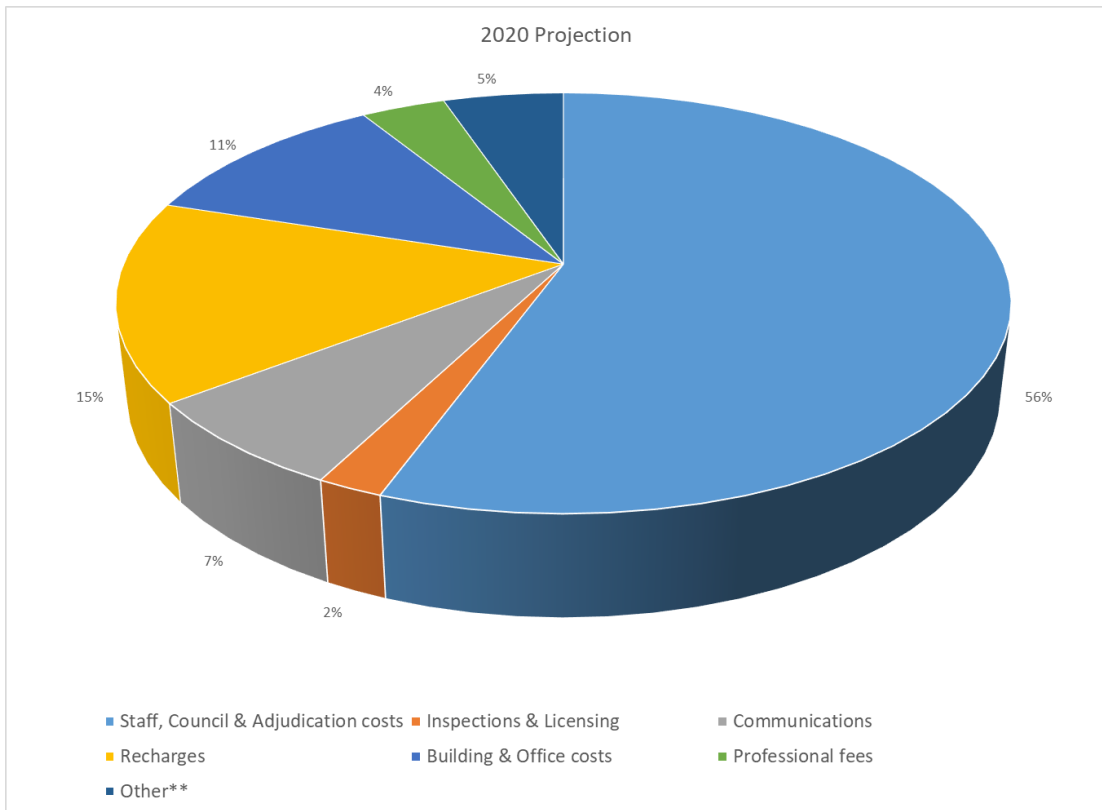
NB

Recharges - The Levy payable to the LSB and the Legal Ombudsman (LeO) for year starting 1 April 2019 is £29,141 (2018 actual £27,174) and £422,533 (2018 actual £340,015) totalling £451,674 (2018 actual £367,189), an increase of £84,485 (23%, following on an increase of £38,198 or 19% from 2017) and together accounting for 15% of the CLC's projected expenditure for 2020.

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



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



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

## Annex 2



### The CLC Fees Framework ~~2018~~ 2019

Made ~~10 September 2018~~ [date] 2019 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 2019 and shall come into force on 1 November ~~2018~~ 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	<del>539,770</del>	or	<del>1.1%</del> 0.77%	Of Turnover	Whichever is the greater
		Minimum Fee in Band			On Turnover in excess of	
100,001	500,000	<del>770,100</del>	plus	<del>1.0%</del> 0.70%	100,000	
500,001	3,000,000	<del>3,570,500</del>	plus	<del>0.9%</del> 0.63%	500,000	
Over	3,000,000	<del>19,320,27,600</del>	plus	<del>0.8%</del> 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	<del>0.4%</del> 0.16%	<del>£312,500</del>
£500,001	£3,000,000	<del>£1,140</del> <del>£2,100</del>	plus	<del>0.3%</del> 0.12%	£500,000
Over	£3,000,000	<del>£4,140</del> <del>£9,600</del>	plus	<del>0.2%</del> 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

**Comparing the Practice Fee payable in 2018 with 2019 proposal**

Turnover	Practice Fee 2018	Practice Fee 2019	Variance with 2018-2019	% variance with 2018-2019
30,000	770	539	(231)	(30)
50,000	770	539	(231)	(30)
150,000	1,600	1,120	(480)	(30)
550,000	5,550	3,885	(1,665)	(30)
1,500,000	14,100	9,870	(4,230)	(30)
3,500,000	31,600	22,120	(9,480)	(30)
15,000,000	123,600	86,520	(37,080)	(30)

**Comparing the Practice Fee and Compensation Fund contributions payable  
2018-2019**

Turnover	Practice Fee	Comp Fund Contribution	Total
30,000	770	500	1,270
50,000	770	500	1,270
150,000	1,600	700	2,300
550,000	5,550	2,250	7,800
1,500,000	14,100	5,100	19,200
3,500,000	31,600	10,600	42,200
15,000,000	123,600	33,600	157,200

**Comparing the Practice Fee and Compensation Fund contributions payable 2019-2020  
against 2018-2019**

Turnover	Practice Fee	Comp Fund Contribution	Total	Variance with 2018-2019	% variance with 2018-2019
30,000	539	500	1,039	(231)	-22%
50,000	539	500	1,039	(231)	-22%
150,000	1,120	580	1,700	(600)	-35%
550,000	3,885	1,200	5,085	(2,715)	-53%
1,500,000	9,870	2,340	12,210	(6,990)	-57%
3,500,000	22,120	4,540	26,660	(15,540)	-58%
15,000,000	86,520	13,740	100,260	(56,940)	-57%

**Annex 4**  
**Information to the profession**  
**CLC regulatory charges**  
**2019-2020**

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 2019.

**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 a consultation on the current fee structure which ended on 21 June 2019<sup>9</sup>. The consultation was promoted in newsletters to the profession, on the website and in direct emails. The CLC received five responses to the Consultation (see Summary of Responses<sup>10</sup>).

**Licence and Practice Fee and Compensation Fund contributions payable for year starting 1 November 2019**

4. Examples of the effect the Practice Fee rates and Compensation Fund contributions will have on practices are set out at Annex **[NUMBER<sup>11</sup>]** .
6. The CLC has published its Strategy for 2018-2022<sup>12</sup> which set out its strategic objectives:
  - Empower consumers to make informed choices of conveyancing and probate lawyers
  - Adapt regulation to the changing market

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<sup>9</sup> <https://www.clc-uk.org/wp-content/uploads/2018/05/20180517-CLC-Consultation-Paper-Practice-Fees-2018.pdf>

<sup>10</sup> [to be inserted]

<sup>11</sup> Annex 3 CLC Regulatory Fees application

<sup>12</sup> <https://www.clc-uk.org/wp-content/uploads/2018/01/CLC-A4-Strategy-Singles-AW-HiRes-1.pdf>

- Be the regulator of choice in our specialist areas

The 2019 Business Plan<sup>13</sup> is aligned with those objectives.

- The CLC's Council reviews the fee rates for Practice fees and Compensation Fund contributions annually. The Practice fee rate was reduced by 20% in 2016, left unchanged in 2017 and was reduced by a further 10% in 2018. The Compensation Fund Contribution rate has not been amended since 2011.
- The 2016 and 2018 Practice Fee reductions were made to reduce revenue to match planned expenditure and reduce the accumulation of reserves. The Compensation Fund contribution rates have not been amended in the past as the CLC has intentionally been increasing reserve levels.
- In the Consultation Paper it published in May 2019, the CLC confirmed that it was considering reducing Practice Fee rates paid by CLC-regulated firms further, by up to 20%, and contributions to the Compensation Fund by up to 60%. It proposed that the individual licence fee charged to CLC lawyers providing conveyancing and/or probate services will remain unchanged at £400.
- The Council has resolved that with effect from 1 November 2019 and subject to the approval of the Legal Services Board it should reduce the Practice rates by 30%<sup>14</sup> (building on the 20% reduction made in 2016 and 10% reduction in 2018) as part of its longer-term plan to:
  - manage a reduction in the level of reserves in the practice fund
  - reduce the regulatory cost burden on CLC practices.
- Over the following three years the deficit will reduce with the fund breaking even in year 5 (a fee rate reduction of 20%, as proposed in the Fee Consultation would result in a surplus in year 3). The projections were based on the following key assumptions agreed by the CLC Council:

	<b>Assumption</b>	<b>Value used</b>
1	Existing practices annual turnover growth	6%
2	Net new practices coming into CLC regulation (net of closing practices)	<ul style="list-style-type: none"> <li>• £30m in 2020</li> <li>• £6m each year from 2021 to 2025</li> </ul>
3	Individual license holders	Net growth of 100 per annum and with no change to the annual license fee (£400)
4	Inflation rate	2%
5	Salary inflation	2.5%
6	Headcount	20 heads (maintain current levels)

<sup>13</sup><https://www.clc-uk.org/wp-content/uploads/2017/12/CLC-Business-Plan-2018-for-publication.pdf>

<sup>14</sup> See CLC Fees Framework 2019 at [LINK]

7	Operating expenditure	Remaining broadly in line with current spending levels
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12. The Council considered whether it should reduce the Practice Fee rates by more than 30% and concluded that it was not prudent at this point taking account of the factors identified at paragraph 11 above. Further, it would increase unnecessarily the risk to the financial wellbeing of the CLC and the likelihood that it may need in subsequent years to reverse any reductions made, leading to uncertainty in the level of regulatory fees.
13. The Council will review the regulatory fee rates in 2020 to consider whether a further reduction is achievable taking account in particular of market conditions at that time. Conversely, if assumptions are not being met, remedial actions will be assessed and implemented.
14. Annex [NUMBER<sup>15</sup>] compares actual expenditure for 2017 and 2018, the expenditure forecast outturn for 2019 and the expenditure projection for 2020. The changes shown in percentage and monetary terms compare the 2019 expenditure forecast with the expenditure projection for 2020 with brief explanations of the significant variances.
15. The projected total funding requirement for 2020 is £2,936,026 (compared to £2,839,888 forecast outturn for 2019 and £2,657,355 for 2018). It is estimated that setting the Practice Fee at the rates proposed will generate an income of £1,737,905 based on the turnover of those practices currently regulated by the CLC. Taken with the Licence Fee and Other Income there will be a Total Projected Income for 2020 of £2,344,069, leading to a projected shortfall of income against expenditure of £591,957.

	2019		2020	
Income				
Practice Fee	2,000,927		1,737,905	
Licence Fee	571,166		572,000	
Other Income	48,192		34,164	
Reserves	219,603		591,957	
		2,839,888		2,936,026
Expenditure				
Permitted Purposes				
Regulatory Costs	(2,402,173)		(2,476,425)	
Levy	(437,715)		(459,601)	
Total Expenditure		(2,839,888)		(2,936,026)
Surplus/Deficit		0		0

16. The Compensation Fund is projected to make a surplus of £315,963 in 2020.

<sup>15</sup> Annex 1 CLC Regulatory Fees Application

<b>Compensation Fund</b>	
Contributions	388,553
less Compensation Fund Costs	(96,590)
Surplus/(Shortfall)	315,963

17. The other Fees chargeable are as follows (these are unchanged from 2018-2019):

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