



**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
September 2010**

Introduction

1. This Application should be read in conjunction with the Application the CLC has made under Part 3 schedule 4 Legal Services Act 2007 (LSA) in August 2010 (the August Application) and the supplemental application made in September 2010 (the Supplemental Application). This paper does not repeat the matters set out in the August Application which contains much of the information the CLC is required to provide for this application under s.51 LSA.
2. The August Application sets out the CLC's scheme of charging which has been determined following Consultation, and the Supplemental Application asks the LSB to approve the CLC's determination that the contribution to the CLC's Compensation Fund for the licence year commencing 1 November 2010 is set at nil.
3. The CLC is required to obtain approval from the Legal Services Board under s.51 Legal Services Act 2007 for the rates of the practising and other fees it proposes to charge to the profession for its 2010/2011 licence year.

Regulated Community

4. As at 20 September 2010 the CLC regulates 1,121 licensed conveyancers (292 Managers and 829 employed licensees) and 201 practices. 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 has the effect of reducing their regulatory costs (since licence fees for employed licensed conveyancers will be reduced from £480 to £400). Further, the CLC does not regulate any non-commercial body which undertakes either conveyancing or probate services.

Setting the CLC's Budget

5. The CLC's budget is determined as follows:
 - Consider resource needs to meet the 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.
 - Compare to previous years to establish trends and identify any anomalies.

- Forward draft budgets to the Director of Corporate Services for agreement, then submit to the Senior Management Team for approval.
- Table at Audit Committee for challenge and subsequent approval.
- Table at Council meeting 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 two years budget (2010 and 2011), 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.

Current Regulatory Fees

6. Manager licensed conveyancers pay £880 per annum for a licence and employed licensed conveyancers £480 per annum. These charges have been unchanged since 1 September 1999.
7. In addition, Practices have been required to make contributions to the CLC's Compensation Fund calculated as a percentage of the turnover (this has been at a base rate of 1.5% since 2007/2008).

Charging Scheme from 1 November 2010

8. As set out in the August Application the Charging Scheme adopted by the CLC for the licence year 2010/2011 is as follows:
 - Licence Fee – the same fee is charged to all Licensed Conveyancers
 - Practice Fee – payable by each Practice regulated by the CLC. The fee determined is a percentage (as determined by the CLC and approved by the LSB) of the turnover of that Practice. The income received will fund the regulatory activities of the CLC, but not any costs attributed to the Compensation Fund
 - Compensation Fund contribution - payable by each Practice regulated by the CLC. The fee determined is a percentage (as determined by the CLC and approved by the LSB) of the turnover of that Practice. The income

received will be applied solely for the purpose of maintaining, managing and administering the Fund.

Fees payable for the year from 1 November 2010

9. The draft Fees Rules 2010 setting out the rates applicable are at Annex 1. An explanation for the fees charged at item 1 and 4 is set out at paragraphs 20-22 of the August Application. The Fees Rules 2003, the Probate Rules 2008 and the Licensing Rules 2009 provide authority for the remainder of the fees charged. The proposals the CLC makes for the other Fees chargeable are as follows:

	Fee	Current	Proposed	Relevant rule Fees Rules 2010	Comment
1.	Recognised Body	£500 – first £250 subsequent	Variable contribution	4	This fee is replaced by the new Practice Fee
2.	First Manager Licence	£50	£150	2(3)	Fee increased to include the cost of attending Compliance Workshop for which the CLC does not currently charge
3.	Probate Licence	£75	£75	3	Currently fee prescribed by Probate Rules 2008
4.	Failure to submit Accountant's Report in time	nil	£100	2(2)	Permitted by rule 2.5(c) Licensing Rules 2009
5.	Duplicate licence	£50	£50	2(4)	Currently permitted under Fees Rules 2004
6.	Amendment to licence	£75	£75	2(5)	Currently permitted under Fees Rules 2004
7.	Non-licensed conveyancer Manager	£100	Nil	-	Included within the Practice Fee
8.	First registration	£250	£150	5	Application fee currently included in the fee payable on first registration – see 1 above

Projected Licence Fee Income

As reported in the CLC's Report and Accounts for 2008	As reported in the CLC's Report and Accounts for 2009	Applying existing fee structure Assuming 292 Managers paying licence fee of £880 & 829 employees paying licence fee of £480	Applying new fee structure Assuming 1,121 licensed conveyancers paying fee of £400
577,600	575,389	654,880	448,400

10. The reduction in the licence fee income will be offset by an increase in the Practice Fee Income.
11. Further, as explained in the Licence and Practice Fee Consultation Paper, the illustrations given of Practice and Compensation Fund contributions were based on a total income requirement of £1,972,363. The Council has determined to cap the CLC's total requirement for the 2010/2011 licence year at £1,800,000 on the basis that there will be a nil contribution to the Compensation Fund.
12. The CLC has agreed to set Licence Fees for all licensed conveyancers (whether they are Managers or employees) at £400. The Practice Fee will be set at a base rate of 2.0% of turnover and there will be a nil contribution to the Compensation Fund. The net effect is an increase of £243,165 (or 14.4%) over the income the CLC would have received had the licence fees remained unchanged and the Compensation Fund contribution remained at 1.5% (the Practice Fee has been introduced for the first time in 2010-2011 licence year). As explained in the comments on the budget at paragraph 14, this increase is not attributable to an increase in the net costs incurred by the CLC itself, but by the contribution the CLC will now be required to make to the running costs of the Office for Legal Complaints (also called the Legal Ombudsman).
13. The provisional budget for 2011 (determined in accordance with the process set out at paragraph 5) 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. As explained at paragraphs 2-5 of the August Application all items of the CLC's expenditure are applied exclusively for permitted purposes. The CLC is in the process of introducing rapid change in a number of areas:
 - New Governance arrangements came into effect on 1 May 2010 when the Chair and six members (all appointed) assumed office with effect from 1

May 2010 in place of a larger Council. A review of the responsibilities of the committees and the executive is due to be completed later this year.

- A principles based and outcomes focused approach to regulation is due to come into force by autumn 2011 in parallel with a re-worked risk-based approach to regulation.
- The new systems of working will be underpinned by a Management Information System which will enable the CLC to test and evidence the benefits of the new ways of working in line with the requirements of the LSB.

Any one of these initiatives introduced whilst still ensuring that the regulatory standards of the profession are maintained would be considered demanding. The CLC is acutely aware of the effect the current economic climate has had and continues to have on those it regulates and for that reason has sought to manage the changes it has introduced in ways which limit to the extent possible the increase in the regulatory charges.

14. The net increase in budgeted expenditure for 2011 is £228,243 (or 9.7%) in comparison with the budgeted expenditure for 2010. To a large extent this is accounted for by the contribution the CLC is now required to make to the costs of the Legal Ombudsman (see below). The movements in the budget items are within 5% of 2010 budgeted expenditure with the exception of the following:

- The allowance for the Qualifications Management Charge has increased from £79,594 in 2010 to £81,654 in 2011, a increase of 51%.

Note: The costs of the Education Department are treated as a separate unit of expenditure. The income attributed to the Education Department, with the exception of Student Registration Fees, is also treated separately from the other income received by the CLC. The income attributed to the Education Department includes Examination Fees, Distance Learning Income, CPD Correspondence Income, Revision Day Income and Probate Course Income. However, some of the costs of the Education Department are met out of the CLC's central funds and charged back to the Education Department as the Qualification Management Charge.

- Committee costs budgeted at £124,200 for 2010 compared to £96,200 for 2011 - this saving is directly attributable to the introduction of the new Governance Framework with effect from 1 May 2010.
- Budgeted Repairs, renewals and depreciation are due to increase by £10,500 (or 6.5%) to take account of additional planned expenditure.
- Run off costs are due to increase by £20,000 (or 8.7%) – these costs relate to the contributions which the CLC has made in previous years towards the premiums for six year run off cover for practices which have closed, but which fall to be accounted for in the year in which they are deemed to be incurred. This policy is currently the subject of review. As a

- result of that review, the contribution which the CLC agrees to make in 2011 may be substantially less than in previous years, or it may be withdrawn completely.
- Contingency Fund to decrease by £40,000 (or 18.1%) – in part this is offset by the increase in surplus which will be put into reserves.
 - The provision for LSB/OLC set up and running costs is set at £337,206 for 2011, as against £110,403 for 2010.
 - Over the last three years the CLC has made provision for the set up costs of the LSB and the OLC.
 - The LSB published its Levy Consultation for 2010-2011 year in July 2010. This proposes that contributions made by Approved Regulators to the costs of the LSB should be determined as a ratio of regulated individuals to the total number of regulated individuals. On this basis out of a total £4,931,000 the CLC's proposed contribution is £34,803 or 0.51%.
 - The Consultation Paper further proposes that contributions to the costs of the OLC should be determined as a ratio of complaints attributable to the regulated community of an Approved Regulator to the total of number complaints received.
 - The LSB has determined in respect of the OLC's start up costs that the number of complaints attributable to the CLC is 227 against 14,938 (or 1.52%).
 - The OLC is due to start accepting complaints in October 2010, and provision has the 2010 budget has made provision for the CLC contribution to the OLC's costs (2 months for 2010 year).
 - The LSB's consultation paper states:
 - “The annual costs of the Legal Ombudsman are currently estimated at £19.9 million. However, for 2010-11, this figure would be less as the Legal Ombudsman scheme is expected to become operational in the second half of 2010...Also, as the likely operational costs will be less than a full year, an accurate estimate of the Approved Regulators' share of the Legal Ombudsman's 2010-11 operational costs can not be provided”.
 - On the basis of the limited information available the CLC's contribution to the Legal Ombudsman's costs will be £302,403 (or £1,332 per complaint received by the CLC).
 - Provision for applications to the LSB has increased by £50,000 (or 200%). In order to continue regulating those practices which are wholly or partially owned and managed by non-

lawyers after October 2011 the CLC needs to be recognised as a Licensing Authority entitled to license Alternative Business Structures. The CLC has also announced that it will make an application to regulate licensed conveyancers in the provision of advocacy and litigation services. The budgeted costs include provision for the fees which the CLC will have to pay to the LSB in order to make these applications, though there is also a provision for the CLC to obtain external advice.

- Provision for NARIC (National Recognition Information Centre for the United Kingdom) - The CLC has been working with NARIC to create an overarching qualifications and credit framework which will encompass all modules and stages within the complete CLC programme. The development of a qualification and credit framework will help to provide a coherent structure for the training programme and will clearly demonstrate how the programme components fit together. This will enable stakeholders to identify easily the different levels of achievement gained by individuals taking CLC modules. The framework will also allow stakeholders to accurately measure the value and transferability of study completed towards the CLC training programme and licence in terms of credit accumulation.

15. Although the base rate of 2.0% proposed for 2010/2011 for the practising fee is an increase from 1.5% base rate levied as contributions to its Compensation Fund since 2007/2008 licence year, the CLC's ambition, subject to annual review, is to reduce the regulatory costs as a percentage of turnover payable by CLC regulated practices. However, that ambition will only be realised if 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.
16. As is apparent from its Corporate Strategy 2009-2014 and developed in its Business Plan 2010¹ the CLC's strategy is determined by the regulatory objectives. This is consistent with the approach developed by the Legal Services Board. The provisional expenditure budget for 2011 has been developed with these issues in mind.

	per 2008 Report and Accounts		Per 2011 Budget
Total Expenditure	1,972,363		2,574,902
Financed by Proposed Fee Structure as set out in		Financed by Revised Fee Structure	

¹ Accessible under Corporate Documents at www.clc-uk.org

Consultation Paper				
Licence Fees	£400 (assuming 1,000 LCs)	400,000	£400 (assuming 1121 LCs)	448,400
Compensation Fund	0.54%	500,000	Base rate nil	nil
Practice Fee (rates detailed below)	1.15%	1,072,363	Base rate 2.0%	1,485,392
Student Registration Fees				70,000
Other Income				82,500
Total Income		1,972,363		2,086,292
Net Income/ (Expenditure)		nil		(488,610)

Notes: Other Income comprises interest, application fees and advertising income

17. The net result will be a reduction in the CLC's Reserves on Operations to two months expenditure which the CLC is satisfied is appropriate and prudent.
18. The Consultation Paper suggested tiered rates based on turnover with 1.69% base rate for practice fee and 0.54% base rate for Compensation Fund – total rate 2.23%. Having considered the matters set out above, the CLC proposes to levy Practice Fee contributions from the profession at the following rates and, for the reasons set out in the Supplemental Application, to have a nil rate of contribution to the Compensation Fund for the year starting 1 November 2010, as follows:

Turnover Banding			Practice Fee payable				
			Minimum Fee in Band				
Between	0 and	£100,000	£1,200	or	2.2%	Of Turnover	Whichever is the greater
			Minimum Fee in Band			On Turnover in excess of	
Between	£100,001 and	£500,000	£2,200	plus	2.0%	£100,000	
Between	£500,001 and	£3,000,000	£10,200	plus	1.6%	£500,000	
Over	£3,000,000		£50,200	plus	1.4%	£3,000,000	

19. On the basis of declared turnover of the profession of £83.5 million the income generated applying the current formula with the proposed formula compared to income generated as reported in the CLC's published Report and Accounts for 2008 and 2009 will be as follows:

	2008 A/cs	2009 A/cs	1.5 (applying	2.0
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					current rates)			
		%		%		%		%
Practice Fee income	1,394,762	71	1,127,840	66	1,036,788	61	1,485,392	77
Licence Fees	577,600	29	575,389	34	654,880	39	448,400	23
Total	1,972,362	100	1,703,229	100	1,691,668	100	1,933,792	100

20. At paragraph 34 of the Consultation Paper it was proposed that the split between the regulatory costs for individuals (the licence fee) and for practices (the practice fee) should be split 70:30 on the assumption that this broadly reflected the focus of the CLC's activities. It also reflects the CLC's experience that the failure of an entity or practice is likely to lead to greater detriment to a wider cohort of consumer than the failure of an individual. The split in costs between individuals and entities will be a factor taken into account when the fee structure in subsequent years.
21. The CLC is mindful of its obligation to ensure that the overall regulatory costs for regulated practices are not burdensome. The CLC considers that the total regulatory costs inclusive of the licence fees with the Practice fees and professional indemnity insurance costs are proportionate taking into account the risks associated with this area of work and the regulatory approach adopted.
22. The CLC has not identified any specific impact of the changes in its fee structure, nor in the level of fees charged, on other Approved Regulators, all of which were invited to respond to the Consultation Paper. The SRA responded to specific questions posed in the Consultation Paper, but made no broader comment on the impact these changes might have on areas regulated by other Approved Regulators.

Applicability of the Regulatory Objectives

23. 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 necessarily 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 balance these demands in setting its overall income budget for 2011.

24. The CLC's experience is that the practices with less turnover have tended to ask for or require greater regulatory attention when compared to the fees they have paid than those practices with more turnover which have tended to have more developed systems of accountability. The increase in the minimum fee to £1,200 is a reflection of the greater attention which the CLC has given to practices with less turnover. To start in practice the minimum fees a licensed conveyancer has to pay to the CLC is £400 licence fee and £1,200 practice fee making a total of £1,600 (compared to the minimum payable in the year to 31 October 2010 of £880 licence fee and £500 contribution to the Compensation Fund making a total of £1,380, a difference of £220 (or 15%). Whilst it is in the interests of the wider community that there should be an independent strong, diverse and effective legal profession, the CLC is clear that it should so far as possible avoid one sector of the profession in effect subsidising another sector.

Better Regulation Principles

25. 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 CLC has set out clearly in the Consultation Paper, in this document and in the information it intends to publish to the profession (a draft is at Annex 2) the basis on which the structure of charges has been determined as well as the budget on which the income required from the profession has been determined. The information at Annex 2 will be circulated to all licence holders and practices together with a request for comments on the arrangements when they are asked to renew their licences and recognised body certificates with effect from 1 November 2010.
 - 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 the CLC has declared itself willing to consider in the future whether other charging structures are more appropriate.

Conclusion

26. The CLC has taken account of the different challenges of the various parts of its regulated population and of those they service and whilst no formal assessment has been undertaken has sought to take a balanced view. The CLC has reached no concluded view as to the fairest way of determining how the regulatory costs across the profession should be distributed. It may be that continuing to determine charges on the basis of turnover is the most appropriate. However, it will investigate whether other models of charging present a more equitable scheme.



The Council for Licensed Conveyancers' Fees Rules 2010

Made 2010 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. These Rules may be cited as the Council for Licensed Conveyancers' Fees Rules 2010 and shall come into force on [date] 2010 on which date the Council for Licensed Conveyancers' Fees Rules 2003 shall cease to have effect.

LICENSING RULES

2. The fees payable by virtue of the Licensed Conveyancers' Licensing Rules 2009 shall be as follows: -
 - (1) for a licence under rule 2.4(b): £400;
 - (2) the additional fee payable for failure to submit an Accountant's Report within the time limited under rule 2.5(c): £100;
 - (3) the additional fee under rule 2.5(d), when applying for a licence under rule 2.3(a), either 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;
 - (4) for a duplicate licence, where chargeable under Rule 2.10: £50.
 - (5) for an amendment of a licence under rule 3.4, rule 5.2 or rule 5.3: £75;

PROBATE RULES

3. The fee payable by virtue of rule 5.3(b) of the Licensed Conveyancers' Probate Rules 2008 shall be £75.

REGULATION OF PRACTICES (RECOGNISED BODIES) RULES

4. The fees payable by virtue of rule 7.4(a) of the Council for Licensed Conveyancers' Regulation of Practices (Recognised Bodies) Rules 2009 shall be determined by reference to the turnover declared by the Recognised Body for the purpose of determining the applicable annual premium payable in accordance with rule 4.1 of the Council for Licensed Conveyancers' Indemnity Rules 2009 as follows:

Turnover Banding			Practice Fee payable				
			Minimum Fee in Band				
Between	0 and	£100,000	£1,200	or	2.2%	Of Turnover	Whichever is the greater
			Minimum Fee in Band			On Turnover in excess of	
Between	£100,001 and	£500,000	£2,200	plus	2.0%	£100,000	
Between	£500,001 and	£3,000,000	£10,200	plus	1.6%	£500,000	
Over	£3,000,000		£50,200	plus	1.4%	£3,000,000	

5. The fee payable by virtue of rule 8.7 of the Council for Licensed Conveyancers' Regulation of Practices (Recognised Bodies) Rules 2009 shall be £150.

WAIVER

6. The Council may in writing waive or vary any of the provisions of these Rules and may revoke any waiver in any particular case.

Annex 2
Information to the profession
CLC regulatory charges
2010-2011

1. This notification sets out the CLC's determination about:
 - a. The licence and practice fee structure and the way in which Compensation Fund contributions payable by licence holders will be applied; and
 - b. the licence and practice fees and the contribution the CLC has determined are payable for the licence year starting on 1 November 2010.

The CLC's new 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. In summary, it was proposed that:
 - all licensed conveyancers should pay the same licence fee (provisionally set at £400) as against the current position where licensed conveyancers acting as Managers pay £880 and employed licensed conveyancers pay £480. This is intended to underline 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.
 - there should be a Practice Fee payable by CLC regulated practices to meet the costs incurred by the CLC in regulating entities.
 - the Compensation Fund contribution should be set at a level which meets the anticipated 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 will now be met by the Practice Fee.
3. The responses we received to the Consultation Paper indicated there was broad agreement to the proposals.
4. The CLC has decided to introduce the changes to the fees structure set out at paragraph 2 with effect from 1 November 2010.

Licence and Practice Fee and Compensation Fund contributions payable for year starting 1 November 2010

5. The CLC's Fees Rules 2010 are at Annex A.
6. Over the last three years the CLC has sought to mitigate the effect of the downturn in the housing market by leaving the licence fees and the

percentage contribution to the Compensation Fund unchanged at 1.5% despite the fact that in 2008 there was a substantial reduction in the turnover of the profession and as a result a substantial reduction in the income received by the CLC.

7. The CLC has agreed to set Licence Fees for all licensed conveyancers (whether they are Managers or employees) at £400. The Practice Fee will be set at a base rate of 2.0% of turnover and there will be a nil contribution to the Compensation Fund. The net effect is an increase of £243,165 (or 14.4%) over the income the CLC would have received had the licence fees remained unchanged and the Compensation Fund contribution remained at 1.5% (the Practice Fee has been introduced for the first time in 2010-2011 licence year). As explained in the comments on the budget at paragraph 12, this increase is not attributable to an increase in the net costs incurred by the CLC itself, but by the contribution the CLC will now be required to make to the running costs of the Office for Legal Complaints (also called the Legal Ombudsman).
8. Whilst there has been an increase in the regulatory costs charged to the profession in 2010-2011 year, the CLC's ambition, subject to annual review, is to reduce the regulatory costs as a percentage of turnover payable by CLC regulated practices. However, that ambition will only be realised if 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. It also presupposes that the CLC's contribution to the costs of the LSB and the OLC show a downward trend over the next two to three years.
9. The provisional expenditure budget for 2011 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. The CLC is in the process of introducing rapid change in a number of areas:
 - New Governance arrangements came into effect on 1 May 2010 when the Chair and six members (all appointed) assumed office with effect from 1 May 2010 in place of a larger Council. A review of the responsibilities of the committees and the executive is due to be completed later this year.
 - A principles based and outcomes focused approach to regulation is due to come into force by autumn 2011 in parallel with a re-worked risk-based approach to regulation.
 - The new systems of working will be underpinned by a Management Information System which will enable the CLC to test and evidence the benefits of the new ways of working in line with the requirements of the LSB.

Any one of these initiatives introduced whilst still ensuring that the regulatory standards of the profession are maintained would be considered demanding. The CLC is acutely aware of the effect the current economic climate has had

and continues to have on those it regulates and for that reason has sought to manage the changes it has introduced in ways which mitigate as far as possible the increase in the regulatory charges.

10. As is apparent from its Corporate Strategy 2009-2014 and developed in its Business Plan 2010² the CLC's strategy is determined by the regulatory objectives. This is consistent with the approach developed by the Legal Services Board. The provisional expenditure budget for 2011 has been developed with these issues in mind.

		per 2008 Report and Accounts	Per 2011 Budget	
Total Expenditure		1,972,363	2,574,902	
Financed by Proposed Fee Structure as set out in Consultation Paper			Financed by Revised Fee Structure	
Licence Fees	£400 (assuming 1,000 LCs)	400,000	£400 (assuming 1121 LCs)	448,400
Compensation Fund	0.54%	500,000	Base rate nil	nil
Practice Fee (rates detailed below)	1.15%	1,072,363	Base rate 2.0%	1,485,392
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Other Income				82,500
Total Income		1,972,363		2,086,292
Net Income/ (Expenditure)		nil	(488,610)	

Notes: Other Income comprises interest, application fees and advertising income

11. The net result will be a reduction in the CLC's Reserves on Operations to two months expenditure which the CLC is satisfied is appropriate and prudent.
12. The total budgeted expenditure for 2011 (set out at the end of this notification) at £2,574,902 is £228,243(or 9.7%) greater than the total budgeted expenditure for 2010. The most significant variances are as follows:
- The allowance for the Qualifications Management Charge has increased from £79,594 in 2010 to £81,654 in 2011, a increase of 51%.

² Accessible under Corporate Documents at www.clc-uk.org

Note: The costs of the Education Department are treated as a separate unit of expenditure. The income attributed to the Education Department, with the exception of Student Registration Fees, is also treated separately from the other income received by the CLC. The income attributed to the Education Department includes Examination Fees, Distance Learning Income, CPD Correspondence Income, Revision Day Income and Probate Course Income. However, some of the costs of the Education Department are met out of the CLC's central funds and charged back to the Education Department as the Qualification Management Charge.

- Committee costs budgeted at £124,200 for 2010 compared to £96,200 for 2011 - this saving is directly attributable to the introduction of the new Governance Framework with effect from 1 May 2010.
- Budgeted Repairs, renewals and depreciation are due to increase by £10,500 (or 6.5%) to take account of additional planned expenditure.
- Run off costs are due to increase by £20,000 (or 8.7%) – these costs relate to the contributions which the CLC has made in previous years towards the premiums for six year run off cover for practices which have closed, but which fall to be accounted for in the year in which they are deemed to be incurred. This policy is currently the subject of review. As a result of that review, the contribution which the CLC makes in 2011 may be substantially less than in previous years or it may be withdrawn completely.
- Contingency Fund to decrease by £40,000 (or 18.1%).
- The provision for LSB/OLC set up and running costs is set at £337,206 for 2011, as against £110,403 for 2010.
 - Over the last three years the CLC has made provision for the set up costs of the LSB and the OLC.
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- The OLC is due to start accepting complaints in October 2010, and provision has the 2010 budget has made provision for the CLC contribution to the OLC's costs (2 months for 2010 year).
 - The LSB's consultation paper states:
 - “The annual costs of the Legal Ombudsman are currently estimated at £19.9 million. However, for 2010-11, this figure would be less as the Legal Ombudsman scheme is expected to become operational in the second half of 2010...Also, as the likely operational costs will be less than a full year, an accurate estimate of the Approved Regulators' share of the Legal Ombudsman's 2010-11 operational costs can not be provided”.
 - On the basis of the limited information available the CLC's contribution to the Legal Ombudsman's costs will be £302,403 (or £1,332 per complaint received by the CLC).
 - Provision for applications to the LSB has increased by £50,000 (or 200%). In order to continue regulating those practices which are wholly or partially owned and managed by non-lawyers after October 2011 the CLC needs to be recognised as a Licensing Authority entitled to license Alternative Business Structures. The CLC has also announced that it will make an application to regulate licensed conveyancers in the provision of advocacy and litigation services. These costs are in large part provision for the fees which the CLC will have to pay to the LSB in order to make these applications, though there is also some provision for the CLC to obtain external advice.
 - Provision for NARIC (National Recognition Information Centre for the United Kingdom) - The CLC has been working with NARIC to create an overarching qualifications and credit framework which will encompass all modules and stages within the complete CLC programme. The development of a qualification and credit framework will help to provide a coherent structure for the training programme and will clearly demonstrate how the programme components fit together. This will enable stakeholders to identify easily the different levels of achievement gained by individuals taking CLC modules. The framework will also allow stakeholders to accurately measure the value and transferability of study completed towards the CLC training programme and licence in terms of credit accumulation.
13. The Consultation Paper proposed that there should be a tiered structure for the payment of the Practice Fee and contribution to the Compensation Fund based on turnover. Taking account of the requirement to generate total income of £1,932,592 the fee structure is as follows:

Turnover Banding			Practice Fee payable				
			Minimum Fee in Band				
Between	0 and	£100,000	£1,200	or	2.2%	Of Turnover	Whichever is the greater
			Minimum Fee in Band			On Turnover in excess of	
Between	£100,001 and	£500,000	£2,200	plus	2.0%	£100,000	
Between	£500,001 and	£3,000,000	£10,200	plus	1.6%	£500,000	
Over	£3,000,000		£50,200	plus	1.4%	£3,000,000	

14. The CLC has determined that for the year commencing 1 November 2010 the profession should make a nil contribution to the Compensation Fund. As explained at paragraph 2, this takes account of the change in the way in which application to the Compensation Fund are to be applied in meeting the anticipated costs of the maintenance, management and administration of the Compensation Fund, rather than the broader function of protecting the fund.
15. This is projected to generate income compared with previous years and the current charging structure as follows:

	2008 A/cs		2009 A/cs		1.5 (applying current rates)		2.0	
		%		%		%		%
Practice Fee income	1,394,762	71	1,127,840	66	1,036,788	61	1,485,392	77
Licence Fees	577,600	29	575,389	34	652,640	39	447,200	23
Total	1,972,362	100	1,703,229	100	1,689,428	100	1,932,592	100

16. The other Fees chargeable are as follows:

	Fee	Current	Proposed	Relevant rule Fees Rules 2010	Comment
1.	Recognised Body	£500 – first £250 subsequent	Variable contribution	4	This fee is replaced by the new Practice Fee
2.	First Manager Licence	£50	£150	2(3)	Fee increased to include the cost of attending Compliance Workshop for which the CLC does not currently charge
3.	Probate Licence	£75	£75	3	Currently fee prescribed by Probate Rules 2008
4.	Failure to submit Accountant's	nil	£100	2(2)	Permitted by rule 2.5(c) Licensing Rules

	Report in time				2009
5.	Duplicate licence	£50	£50	2(4)	Currently permitted under Fees Rules 2004
6.	Amendment to licence	£75	£75	2(5)	Currently permitted under Fees Rules 2004
7.	Non-licensed conveyancer Manager	£100	Nil	-	Included within the Practice Fee
8.	First registration	£250	£150	5	Application fee currently included in the fee payable on first registration – see 1 above

Expenditure

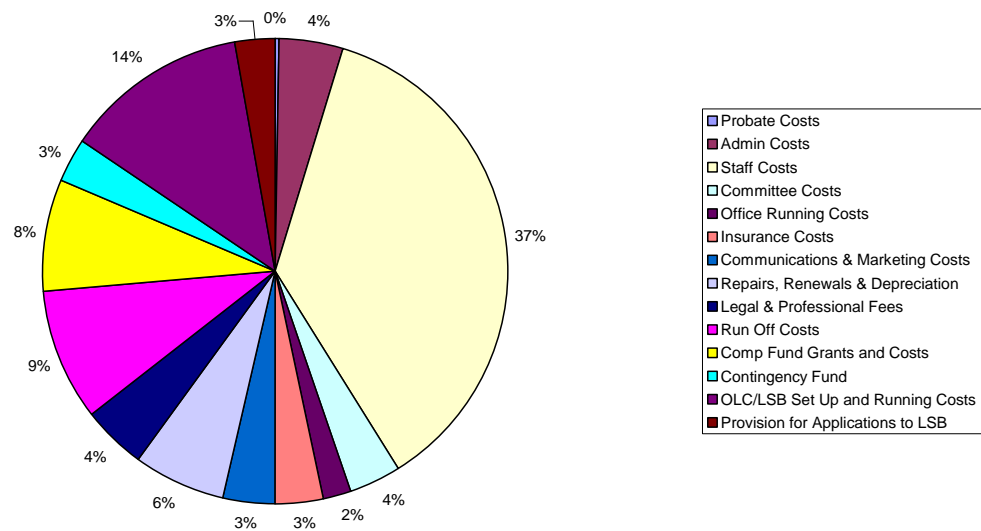


Table 1

Summary of Provisional Expenditure Budget for 2011	Budget for 2011	Change from 2010 budget	Change % from 2010 budget
Probate Costs	5,200	0	0.0%
Admin Costs	119,200	3,500	3.0%
Staff Costs	965,500	24,500	2.6%
Committee Costs	96,200	-28,000	-22.5%
Office Running Costs	55,800	2,500	4.7%
Insurance Costs	90,000	0	0.0%
Communications & Marketing Costs	91,700	0	0.0%
Repairs, Renewals & Depreciation	172,250	10,500	6.5%
Legal & Professional Fees	113,500	500	0.4%
Run Off Costs	249,000	20,000	8.7%
Comp Fund Grants and Costs	205,000	8,000	4.1%
Contingency Fund	81,000	-40,000	-33.1%
OLC/LSB Set Up and Running Costs	337,206	226,803	205.4%
Provision for Applications to LSB	75,000	50,000	200.0%
Provision for NARIC	0	-48,000	-100.0%
Less: Qualifications Management Charge	(81,654)	-2,060	-2.6%
Total Expenditure	2,574,902	228,243	9.7%

Annex B
Effect of Changes on Fees
paid by Practices with different levels of turnover

Based on turnover less than £30,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	contribution					
	% t/o	MC	% t/o	MC		
2009/2010	Base 1.5	500			500	
2010/2011	nil	nil	Base 2.0	1,200	1,200	
Increase/ (Decrease)					700	240

Turnover £50,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	contribution					
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	750			750	
2010/2011	nil	nil	Base 2.0	1,200	1,200	
Increase/ (Decrease)					450	160

Turnover £150,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	contribution					
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	2,250			2,250	
2010/2011	nil	nil	Base 2.0	3,200	3,200	
Increase/ (Decrease)					950	142

Turnover £550,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	contribution					
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	8,100			8,100	
2010/2011	nil	nil	Base 2.0	11,000	11,000	
Increase/ (Decrease)					2,900	136

Turnover £1,500,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	19,500			19,500	
2010/2011	nil	nil	Base 2.0	26,200	26,200	
Increase/ (Decrease)					6,700	134

Turnover £3,500,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	42,750			42,750	
2010/2011	nil	nil	Base 2.0	57,200	57,200	
Increase/ (Decrease)					14,450	134

Turnover £15,000,000	Compensation Fund		Practice Fee		Total	Percentage change from current position
	% t/o	Sum	% t/o	Sum		
2009/2010	Base 1.5	163,500			163,500	
2010/2011	nil	nil	Base 2.0	218,200	218,200	
Increase/ (Decrease)					54,700	133