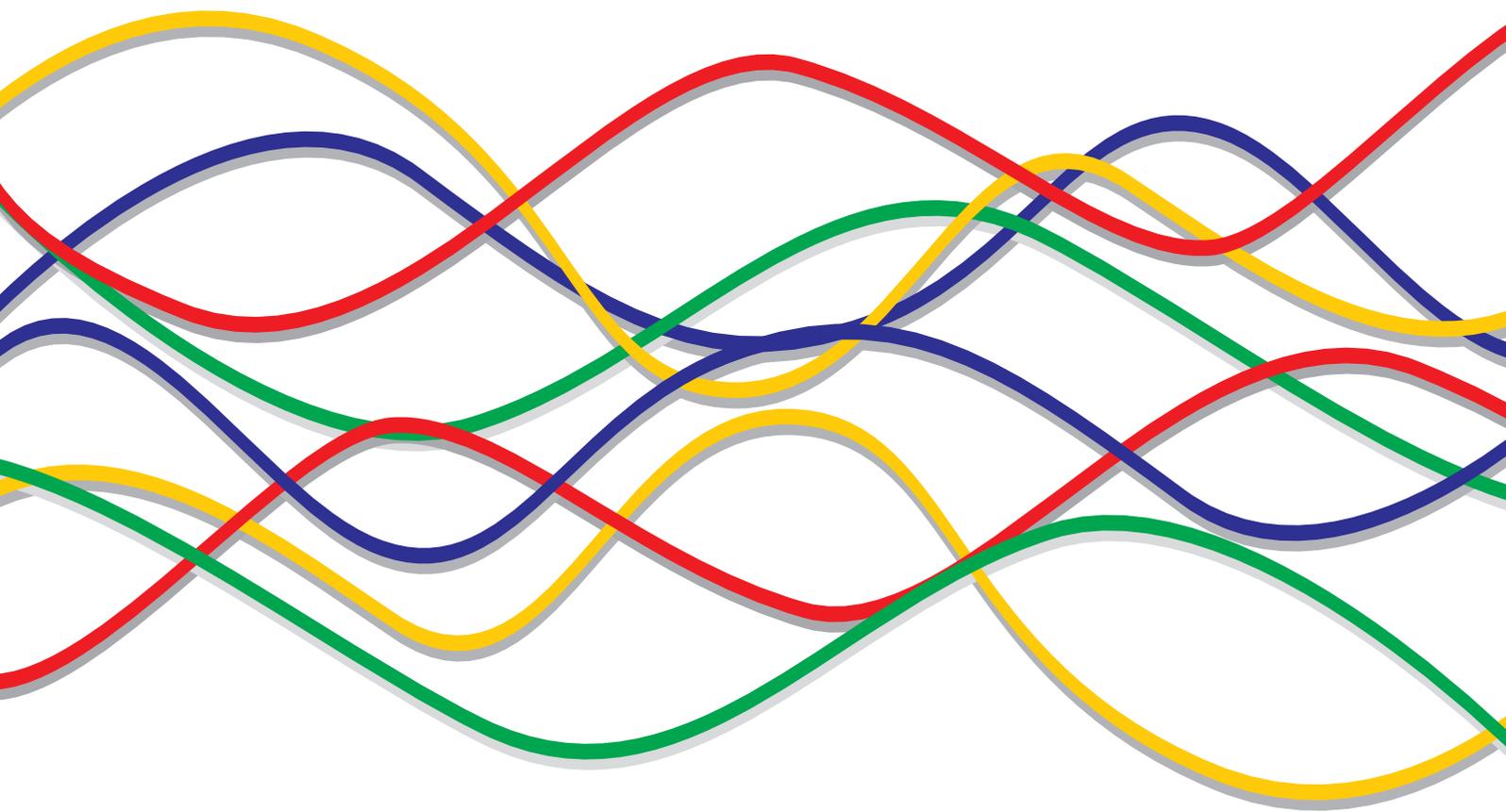




Council for  
**Licensed  
Conveyancers**



# **Financial Statements 2013**



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# Foreword by Anna Bradley, Chair

## Welcome to the CLC's Financial Statements for 2013.

2013 was a year of significant development for the Council for Licensed Conveyancers and we have strengthened our position in the context of ongoing change in the legal sector.

Our new Chief Executive Sheila Kumar arrived at the beginning of the year and began a programme of reviewing and refreshing our work. She undertook reviews of working methods and costs which resulted in some ongoing efficiency gains that have brought savings and strengthened controls over ongoing expenditure.

The Council and executive undertook a fundamental review of the organisation's strategy based on a review of developments across the sector, feedback from those we regulated and careful consideration of how change in the delivery and regulation of legal services may continue. We confirmed that we wish to continue to exploit the strengths that flow from our specialisation as a regulator of conveyancing and other closely-aligned legal services and the regulated community's specialised training, education and service delivery.

This clear focus on property law and related matters does not mean that there will be no change for the CLC. We currently have applications with the Ministry of Justice for changes to our powers to allow us to give 'stand-alone' licenses to carry out probate work without the prior need for a conveyancing licence. We are also pressing on the Ministry of Justice the need for some changes and improvements across legal services that will enable the sector to take full advantage of the freedoms promised by the Legal Services Act 2007 and improve consumer protection, in particular a review of the compensation arrangements.

There was a clear and strong focus on engagement with our stakeholders and licensees from the beginning of Sheila's tenure. We worked hard to improve our visibility with key stakeholders in financial services, regulation and policy-making in Westminster and Whitehall and engaged more with those we regulate. In addition to meetings with, for example, the Minister and shadow minister responsible for legal services, the Council for Mortgage Lenders, individual banks and building societies, we also undertook a

series of roadshows during 2013 which were attended by nearly one quarter of all licensed conveyancers.

At the turn of 2013/14 we commissioned a stakeholder survey to assess our efforts and early indications are that stakeholders of all descriptions feel better informed about the work and views of the CLC. We await the final report of this work with anticipation; it will help us not only to understand how best to speak to and influence our key stakeholders, but also give us a fresh understanding of what the regulated community believes it needs from us.

During 2013 we enhanced promotion of the Licensed Conveyancer qualification. This was particularly in response to feedback from employers that they were finding it difficult to secure sufficient qualified conveyancers to meet increasing demand flowing from the upturn in the housing market. An advertising campaign trial in 2013 targeting especially law students and new graduates has helped swell the numbers of new students embarking on the CLC course. Attention is now turning to reaching school-leavers, particularly with the launch of a new apprenticeship in conveyancing planned for the autumn of 2014. The CLC is facilitating an Apprenticeship Trailblazer consortium of employers of Licensed Conveyancers that is developing the new apprenticeship as part of a government scheme led by the Department of Business, Innovation and Skills.

Despite an upturn in the housing market, there have also been challenges resulting from the recent past pressures on conveyancers. 2013 saw an increase in interventions – the closing down of practices to protect consumers. This is the most difficult and extreme of our regulatory powers and inevitably strains our resources as we step in to manage the handover of live transactions to other Licensed Conveyancers for completion.

Despite the additional burdens on the CLC as a result of those interventions, the savings achieved over the year mean that we ended 2013 in line with our budget provision. Overall then a good, if challenging, year for the CLC and one which we leave with a clear strategy and plan for the next period.

Anna Bradley,  
Chair, CLC



# Governance and financial statements

## Governance statement

The Council for Licensed Conveyancers (CLC) is the regulatory body for the profession of licensed conveyancers, probate and Alternative Business Structures. The CLC was initially established under the terms of the Administration of Justice Act 1985 and also operates within the terms of the Courts and Legal Services Act 1990.

The CLC is a Designated Professional Body under Part XX of the Financial Services and Markets Act 2000 (FSMA 2000). As such the CLC has made the Licensed Conveyancers' Designated Professional Body Rules 2004 (replaced by the CLC Acting as Insurance Intermediaries Code and Guidance from 6 October 2011) to regulate licensed conveyancer practices in the provision of the Regulated Activities specified under Part II (Specified Activities) of the FSMA 2000 (Regulated Activities) Order 2001 in relation to which the General Prohibition imposed by section 19 FSMA 2000 does not apply as a result of Section 327 FSMA 2000.

## Council and Committee Meetings

Meetings of the Council take place six times each year, and are conducted in accordance with the CLC Standing Orders made on 6 May 2009.

The Chair and members of the Council were appointed by a panel consisting of up to five individuals supported by the Appointments Commission. The Council selects the Chairs and members of the Audit Committee and the Remuneration Committee.

Other business considered by the Council at meetings includes:

- (a) Matters of policy;
- (b) The making of Rules for which function the Council is not entitled to delegate;
- (c) Approval of Annual Report and Financial Statements;
- (d) Approval of contributions by licensed conveyancers to the Compensation Fund, practice fees and all licence fees;
- (e) Noting the reports and minutes of committees;

- (f) Making decisions in relation to matters which have not been delegated to the Chief Executive or officers of the CLC, or to any of its committees.

Meetings of each Committee take place on a regular basis throughout the year, on such dates as determined by the Chair of the particular committee. Meetings of these Committees are conducted in accordance with Standing Orders for Committees made on 6 May 2009. The Minutes of all meetings of all Committees (or a report on the Minutes) are approved at the next meeting of the Committee. Thereafter they are submitted to the next meeting of the Council for noting. Each Council member has an opportunity to raise queries on any item in the minutes.

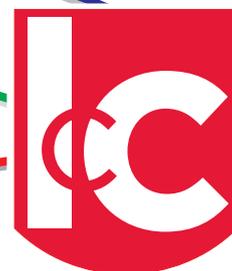
The meetings of the Council and Committees are held in private except for the Discipline and Appeals Committee and disciplinary hearings of the Adjudication Panel.

## Responsibilities of the Council

The Council is responsible for the strategic direction of the CLC.

New Rules or changes to existing Rules made by the Council require the approval of the Legal Services Board. The Council is also required in accordance with Schedule 3 Paragraph 11 of the Administration of Justice Act 1985 to:

- Keep proper accounts of all sums received or paid by it and proper records in relation to those accounts;
- Appoint auditors to the Council each of whom shall be a member of one or more relevant bodies of Accountants;
- Cause their accounts to be audited annually by auditors to the Council; and, as soon as is practical after the accounts for any period have been audited, to cause them to be published and send a copy of them to the Lord Chancellor, together with a copy of any report of the auditors thereon.



# Statement of internal control

## Responsibilities

The Council for Licensed Conveyancers (CLC) is required to maintain a sound system of internal control that supports the achievement of the CLC's policies, aims and objectives whilst safeguarding the CLC's funds and assets.

## The System of Internal Control

The system of internal control is designed to manage the risk of failure to the achievement of the CLC's policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CLC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control is complemented by a business plan, annual budget, financial regulations and a scheme of delegation, all of which have been reviewed and approved by Council.

## Risk Management

During 2013 the CLC reviewed its risk management arrangements regularly and iteratively.

The CLC's risk management policy sets out the CLC's approach to the management of risk at a strategic and operational level and within projects. The risk management policy also sets out the CLC's appetite for risk, which is to promote a more innovative, less risk averse culture in which taking calculated risks in pursuit of opportunities to benefit the CLC is encouraged. The CLC's risk management policy identifies the specific risk management responsibilities of the Council, Audit Committee, Chief Executive, Management, Employees and Contractors.

The responsibilities for risk management are:

Role	Responsibilities
Council	<ul style="list-style-type: none"><li>• Overall responsibility for effective management of risk within the CLC</li></ul>
Chief Executive	<ul style="list-style-type: none"><li>• Accountable to the Council for the effective management of risk within the CLC</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• Providing assurance to the Council on the effectiveness of the risk management policy and its implementation</li></ul>
Directors	<ul style="list-style-type: none"><li>• Implementing the risk management policy within their departments</li></ul>
Managers	<ul style="list-style-type: none"><li>• Implementing the risk management policy within their areas of responsibility</li></ul>
Employees	<ul style="list-style-type: none"><li>• Awareness and understanding of risk management policy</li><li>• Take a risk management approach to their work</li></ul>
Contractors	<ul style="list-style-type: none"><li>• Awareness and understanding of risk management policy</li><li>• Take a risk management approach to their work</li></ul>

The risk management process within the CLC consists of the identification of risks facing the CLC's business and their classification in terms of likely occurrence and consequences.

Priority is given to mitigating the highest risks and these are reviewed at Council meetings.

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## Review of Effectiveness

The CLC's Audit Committee (the Committee) comprises three Non-Executive Council members and one Independent member and met four times during the year ended 31 December 2013 under appropriate terms of reference that are reviewed and approved annually by the Council. The Chair of the Committee reports to the Chair of the Council and to the Council concerning internal controls on financial and operational matters. In addition, reports and assurance statements are provided by directors and managers to the Committee on actions being taken and to be taken to manage risks in their areas of responsibility, including risks associated with major projects being undertaken by the CLC. The Committee provides an annual report to the Council.

The CLC's internal auditors submit regular reports, which include an independent opinion on the adequacy and effectiveness of the CLC's system of internal control together with recommendations for improvement. Weaknesses were found in the internal control systems during the year which are summarised below. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and comments made by the external auditors in their management letter and other reports. The Committee ensures that corrective action is taken to address weaknesses identified.

## Significant Control Issues

There was substantial change among senior management during the final quarter of 2012 and the first quarter of 2013 that had the potential to impact adversely on the control environment. The provision of internal audit during this period was also problematical. Following the departure of the Director of Corporate Services in 2012 the Committee received draft reports from the internal auditors providing reasonable assurance that core financial systems were robust, but no assurance on the adequacy of certain controls on the processes and systems of underlying operations that had not kept pace with organisational change in the Finance, HR and IT functions. However, following the appointment of the Chief Executive and interim Director of Finance in early 2013 substantial progress was made by 31 December 2013 in addressing weaknesses identified previously.

A number of reports on IT related issues during the year identified significant weaknesses in operations and infrastructure. However, most operational issues were scheduled to be resolved during the implementation of a Customer Relationship Management system that remains work in progress. When this project is completed satisfactorily, the issues brought to light during the 2013 audits will have been dealt with by the end of quarter 2, 2014.

Notwithstanding the control issues referred to above, the Committee notes appreciatively the considerable remedial work undertaken by executive directors, management and staff during a period of rapid organisational change. The Committee is satisfied that the controls and procedures have generally improved the mitigation of the risk of failure to the achievement of the CLC's policies, aims and objectives.

# Independent Auditor's Report to the Members of the Council

Year ended 31 December 2013

## Independent Auditors' Report to Members of the Council

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2013 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the CLC's members, as a body, in accordance with the Administration of Justice Act 1985. Our audit work has been undertaken so that we might state to the CLC's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CLC and the CLC's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the Council and Auditor

As explained more fully in the Statement of the Council's Responsibilities on page 4, the CLC is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the Audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CLC's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the CLC; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chair's Foreword, Governance Statement and Statement of Internal Control to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the CLC's affairs as at 31 December 2013 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Administration of Justice Act 1985.



MARK SMITH (Senior Statutory Auditor)  
For and on behalf of SCRUTTON BLAND  
Chartered Accountants and Statutory Auditor  
Sanderson House, Museum Street, Ipswich, Suffolk IP1 1HE  
15th May 2014

# Income and Expenditure Account

Year ended 31 December 2013

	Note	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
Income	1	2,229,317	783,290	3,012,607	1,938,713	1,267,577	3,206,290
Direct costs	2	1,130,373	947,761	2,078,134	1,162,605	731,945	1,894,550
<b>Gross surplus/(deficit)</b>		<b>1,098,944</b>	<b>(164,471)</b>	<b>934,473</b>	<b>776,108</b>	<b>535,632</b>	<b>1,311,740</b>
Support costs	3	931,486	69,067	1,000,553	1,176,482	124,202	1,300,684
Operating surplus/(deficit)		<b>167,458</b>	<b>(233,538)</b>	<b>(66,080)</b>	<b>(400,374)</b>	<b>411,430</b>	<b>11,056</b>
Interest receivable		25,484	54,600	80,084	29,751	55,225	84,976
Surplus/(deficit) on ordinary activities before taxation		192,942	(178,938)	14,004	(370,623)	466,655	96,032
Tax on surplus on ordinary activities	6	(4,940)	(12,973)	(17,913)	(6,202)	(9,274)	(15,476)
Surplus/(Deficit) for the financial year		<b>188,002</b>	<b>(191,911)</b>	<b>(3,909)</b>	<b>(376,825)</b>	<b>457,381</b>	<b>80,556</b>

All of the activities of the Council are classed as continuing.

Other recognised gains and losses for the year are set out in the statement of total recognised gains and losses.

Certain costs have been represented as direct costs as opposed to support costs as it is considered that this more appropriately represents the nature of the activities undertaken.

Comparatives have been represented to ensure comparability.

The notes on pages 13 to 23 and the accounting policies set out on pages 11 to 12 form part of these financial statements

# Statement of Total Recognised Gains and Losses

Year ended 31 December 2013

	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
Surplus/(deficit) for the financial year	188,002	(191,911)	(3,909)	(376,825)	457,381	80,556
Unrealised gain on revaluation of freehold properties	32,350	-	32,350	-	-	-
Total gains and (losses) recognised since the last annual report	<b>220,352</b>	<b>(191,911)</b>	<b>28,441</b>	<b>(376,825)</b>	<b>457,381</b>	<b>80,556</b>

The notes on pages 13 to 23 and the accounting policies set out on pages 11 to 12 form part of these financial statements

# Balance Sheet

## Year ended 31 December 2013

	Note	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
<b>Fixed assets</b>							
Tangible assets	7	855,192	-	855,192	834,386	-	834,386
<b>Current assets</b>							
Debtors	8	1,423,199	971,496	2,394,695	1,226,275	601,811	1,828,086
Investments - cash deposits		1,239,244	2,814,601	4,053,845	1,214,972	2,749,974	3,964,946
Cash at bank and in hand		802,490	763,107	1,565,597	644,505	878,182	1,522,687
		<b>3,464,933</b>	<b>4,549,204</b>	<b>8,014,137</b>	<b>3,085,752</b>	<b>4,229,967</b>	<b>7,315,719</b>
<b>Creditors: Amounts falling due within one year</b>	9	<b>2,068,689</b>	<b>372,588</b>	<b>2,441,277</b>	<b>1,889,054</b>	<b>322,447</b>	<b>2,211,501</b>
<b>Net current assets</b>		<b>1,396,244</b>	<b>4,176,616</b>	<b>5,572,860</b>	<b>1,196,698</b>	<b>3,907,520</b>	<b>5,104,218</b>
<b>Total assets less current liabilities</b>		<b>2,251,436</b>	<b>4,176,616</b>	<b>6,428,052</b>	<b>2,031,084</b>	<b>3,907,520</b>	<b>5,938,604</b>
<b>Provisions for liabilities</b>							
Provisions	11	-	1,168,713	1,168,713	-	707,706	707,706
<b>Net assets</b>		<b>2,251,436</b>	<b>3,007,903</b>	<b>5,259,339</b>	<b>2,031,084</b>	<b>3,199,814</b>	<b>5,230,898</b>
<b>Representing:</b>							
Accumulated balance	12	1,473,046	3,007,903	4,480,949	1,285,044	3,199,814	4,484,858
Revaluation reserve	13	478,390	-	478,390	446,040	-	446,040
Contingency Fund reserve	14	300,000	-	300,000	300,000	-	300,000
		<b>2,251,436</b>	<b>3,007,903</b>	<b>5,259,339</b>	<b>2,031,084</b>	<b>3,199,814</b>	<b>5,230,898</b>

Approved by the Council on 1st May 2014



A Bradley, Chairman



S Kumar, Chief Executive Officer

The notes on pages 13 to 23 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

# Cash Flow Statement

Year ended 31 December 2013

	Note	2013 £	2013 £	2012 £
Net cash inflow from operating activities	18		149,294	908,806
<b>Returns on investments and servicing of finance</b>				
Interest received		80,084		84,976
<b>Net cash inflow from returns on investments and servicing of finance</b>			80,084	84,976
<b>Taxation</b>			(17,020)	(15,234)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets		(94,251)		(81,079)
Receipts from sale of fixed assets		13,702		756
<b>Net cash outflow from capital expenditure and financial investment</b>			(80,549)	(80,323)
<b>Management of liquid resources</b>				
Movement on current asset investments		(88,899)		214,145
<b>Net cash (outflow)/inflow from management of liquid resources</b>			(88,899)	214,145
<b>Increase/(decrease) in cash</b>	18		42,910	1,112,370

The notes on pages 13 to 23 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

# Accounting Policies

Year ended 31 December 2013

## Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold property.

## Income

License fees and student registration fees are treated as income in the year to which they relate.

Distance learning is treated as income at the time the course material is delivered.

Other course fees and examination fees are recognised as income in the year when the course or examination is held.

Other income is accounted for in the year to which it relates.

The Compensation Fund is governed by The Council for Licensed Conveyancers Compensation Fund Rules. Under such Rules, each license holder must pay a contribution to the fund of such an amount as the Council may determine from time to time. The Fund so generated is primarily to be used to compensate any party for any proven loss suffered as a direct result of the action of a license holder in their capacity as a Licensed Conveyancer.

The annual contribution is currently based on a percentage of the licensed conveyancer's practice declared turnover for the previous year, subject to a minimum contribution of £500.

Income from interventions reflects balances on the Licensed Conveyancer's client money accounts where the CLC have intervened and it is considered that the likelihood of identifying the beneficiary is remote. This falls to be accounted for as income following the passing of a resolution by Council in April 2012.

Interest received during the accounting year is taken into account in determining the contribution rate. Interest received during the accounting year and any recoveries from defaulting licensed conveyancers are added to the Fund.

## Investments

Current asset investments relate to deposits held in bank accounts that do not permit penalty free access to cash within at least a 24 hour period.

## Fixed assets

All fixed assets are initially recorded at cost. Freehold properties are revalued triennially.

## Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, over its expected useful life. The rates used for the principal categories are:

Freehold premises	- 2% straight line
Office equipment, fixtures and fittings	- 33 1/3% straight line
Motor vehicles	- 25% straight line

## Taxation

The charge for taxation is based on interest income for the year. The charge takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation on all timing differences. The rate of tax used is that which is expected to be applied when the liability is expected to crystallise, based on tax rates that have been enacted by the balance sheet date. Deferred taxation assets are recognised when their recoverability is sufficiently certain.

## Pension Contributions

The CLC operates a defined contribution Group Personal Pension Scheme available to all its employees. The funds of the Scheme are separate from those of the Council. Contributions are paid by the CLC and employees. The pension charge represents contributions payable by the CLC for the year. The CLC's liability is limited to the amount of the contribution. The CLC contributes 5% of the employee's salary into the pension scheme.

## Compensation Fund

The Compensation Fund is governed by The Council for Licensed Conveyancers Compensation Fund Rules. The Compensation Fund is a fund of last resort, held on a separate trust, with the reserves balance being represented by separately identifiable assets and liabilities. Whilst under the control of the CLC, the Compensation Fund cannot be used to pay costs that would ordinarily be incurred through the Operations Account.

## Compensation Fund - Reserve Policy

The CLC considers that the level of Reserves in the Compensation Fund is sufficient to meet the expectations of, and provide confidence to, clients, as well as the mortgage lenders. The level of reserves required is calculated annually and a minimum level of £2,000,000 in Reserves was set for 2013.

## Claims on the Compensation Fund

The Compensation Fund is established and administered by the CLC in accordance with rules made under sections 21 and 38(1) of the Administration of Justice Act 1985. The Fund is maintained with the intention of providing a fund to meet claims arising as a consequence of dishonesty/ fraud and failure to account by licensed conveyancers, in their capacity as a licensed conveyancer, or where there is a claim relating to negligence not covered under the terms of any insurance policy. The Compensation Fund is one of last resort and grants are authorised at the absolute discretion of the CLC in the context of the CLC's Compensation Fund Operating Framework and guidance issued by the CLC subject to the oversight of the Court. Provisions for grants payable from the compensation fund are brought into the financial statements when it is considered probable that a financial settlement will be made to settle a claim on the compensation fund.

The CLC has arranged insurance in connection with grants out of the Fund under the terms of the combined Professional Indemnity Run Off and Compensation Fund Policy, which also provides cover for practices which closed before 1 July 2008. The combined policy has a limit of indemnity of £2,000,000 including costs and expenses for each claim. The retention (excess) in place for each claim is £500,000 capped at £2,500,000 in aggregate for each insurance period.

With effect from 1 July 2008, the CLC has made contributions out of the Compensation Fund on a case by case basis to the cost to closed or closing practices of taking out Run Off Insurance cover with Master Policy Underwriters. This provides a 6 year extension of cover in return for a single premium on similar terms to the Master Policy cover. Failure of Practices to take out run off cover exposes the Compensation Fund to potential claims.

## Commissions

The CLC receives periodic payments for commissions including profit commission under the Master Policy Scheme where appropriate. These commissions which are from previous insurance periods are used exclusively for the direct benefit of the profession and are recognised as income at the point receipt is virtually certain.

## Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets or financial liabilities.

## Representation of comparatives

Within the Income and Expenditure account certain costs have been represented as direct costs as opposed to support costs as it is considered that this more appropriately reflects the nature of the activities undertaken. The comparatives for direct costs and support costs have been represented to reflect the reallocation to ensure comparability. The costs represented as direct costs include a proportion of staff salaries, based on an estimate of the commitment of members of staff in the various activities of the Council for Licensed Conveyancers. The representation of costs has had no effect on the surplus or deficit in either year.

# Notes to the Financial Statements

Year ended 31 December 2013

I. Income	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
Practice Fees	1,431,549	-	1,431,549	1,181,773	-	1,181,773
Alternative Business Structure Fees (ABS)	5,106	-	5,106	27,305	-	27,305
Probate Licence Fees	5,876	-	5,876	5,662	-	5,662
Manager Licence Fees	130,895	-	130,895	128,270	-	128,270
Employed Licence Fees	353,787	-	353,787	335,052	-	335,052
Income - Licencing	1,927,213	-	1,927,213	1,678,062	-	1,678,062
Student Registration Fees	54,292	-	54,292	58,190	-	58,190
Examination Fees	23,880	-	23,880	28,870	-	28,870
Distance Learning Fees	174,001	-	174,001	132,737	-	132,737
CPD Correspondence	10,275	-	10,275	10,975	-	10,975
Revision Day Fees	14,350	-	14,350	9,940	-	9,940
Probate Course Fees	88	-	88	2,650	-	2,650
Income - Education	276,886	-	276,886	243,362	-	243,362
Administration Fees	25,143	-	25,143	16,790	-	16,790
Miscellaneous Income	75	-	75	499	107	606
Income - Other	25,218	-	25,218	17,289	107	17,396
Compensation Fund Contributions	-	376,417	376,417	-	339,187	339,187
Additional Contributions Raised Through Commissions	-	406,873	406,873	-	362,580	362,580
Interventions	-	-	-	-	565,703	565,703
Income - Compensation Fund	-	783,290	783,290	-	1,267,470	1,267,470
<b>Total</b>	<b>2,229,317</b>	<b>783,290</b>	<b>3,012,607</b>	<b>1,938,713</b>	<b>1,267,577</b>	<b>3,206,290</b>

2. Direct Costs	Practice	Compensation	Total	Practice	Compensation	Total
	Fund	Fund		Fund	Fund	
	2013	2013	2013	2012	2012	2012
	£	£	£	£	£	£
Direct Licencing Salary Costs	540,272	-	540,272	540,855	-	540,855
LSB/OLC Running Costs	250,152	-	250,152	253,957	-	253,957
Intervention Costs	86,869	-	86,869	100,117	-	100,117
Adjudication Panel Costs	2,496	-	2,496	-	-	-
Travel Expenses	4,569	-	4,569	4,131	-	4,131
Direct Licencing Costs	<b>884,358</b>	-	<b>884,358</b>	899,060	-	899,060
Direct Education Salary Costs	163,057	-	163,057	179,547	-	179,547
Course Costs	62,661	-	62,661	60,340	-	60,340
Examination Costs	20,297	-	20,297	23,658	-	23,658
Direct Education Costs	<b>246,015</b>	-	<b>246,015</b>	263,545	-	263,545
Compensation Grants	-	540,426	540,426	-	383,119	383,119
Legal & Professional	-	65,065	65,065	-	17,270	17,270
Insurance Costs	-	342,270	342,270	-	331,556	331,556
Direct Compensation Costs	-	<b>947,761</b>	<b>947,761</b>	-	731,945	731,945
	<b>1,130,373</b>	<b>947,761</b>	<b>2,078,134</b>	1,162,605	731,945	1,894,550

Provisions for payments for the compensation grants to be made are recognised at the point at which it is considered that it is probable a payment will be made within 12 months. In 2013 we have changed the way we allocate salary costs to better represent the actual running of the CLC, we have also represented the 2012 figures to match this allocation. The reallocation of costs has resulted in a transfer of £1,078,607 from support costs to direct costs.

3. Support Costs	Practice	Compensation	Total	Practice	Compensation	Total
	Fund	Fund		Fund	Fund	
	2013	2013	2013	2012	2012	2012
	£	£	£	£	£	£
Support Salaries	427,420	-	427,420	641,092	-	641,092
Council and Committee Costs (Note 4)	90,895	-	90,895	72,114	-	72,114
Premises Costs	55,834	-	55,834	72,230	-	72,230
Postage, Stationery, ITC & Phone	65,733	-	65,733	89,493	-	89,493
Travel & Subsistence	13,830	-	13,830	12,364	-	12,364
Professional Fees	77,263	-	77,263	210,995	-	210,995
General Expenses	106,002	42	106,044	91,923	-	91,923
Communications & Marketing	54,151	-	54,151	5,036	-	5,036
Bank Charges	17,911	-	17,911	9,703	15	9,718
Depreciation	89,077	-	89,077	92,238	-	92,238
Bad Debt Provision	2,118	277	2,395	3,481	-	3,481
Service charge (to)/from compensation fund	(68,748)	68,748	-	(124,187)	124,187	-
	<b>931,486</b>	<b>69,067</b>	<b>1,000,553</b>	<b>1,176,482</b>	<b>124,202</b>	<b>1,300,684</b>

The Compensation Fund is charged for the cost of overheads related to its use of the Operations resources. The charge is set by applying an allocation rate to the total shared overhead costs.

4. Council and Committee Costs

	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
Attendance costs	72,781	-	72,781	57,252	-	57,252
Travel and subsistence	11,382	-	11,382	10,634	-	10,634
Meeting costs	6,732	-	6,732	4,228	-	4,228
	<b>90,895</b>	<b>-</b>	<b>90,895</b>	<b>72,114</b>	<b>-</b>	<b>72,114</b>

A review of Council fees was carried out in the light of substantially increased requirements, resulting in an increase in the number of days spent by council members and the Chair. Council and Committee costs include amounts paid for attending and travelling to Council, Committee and other business meetings. Meeting Costs include all expenditure associated with the Council and Committee meetings, including the venue hire and refreshments. The Chairperson's fees for the year were £20,800 (2012 : £15,700)

5. Staff costs and directors' remuneration

	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
<b>Direct Salaries</b>						
Staff salaries	531,091	-	531,091	497,649	-	497,649
National insurance contributions	61,658	-	61,658	55,970	-	55,970
Staff benefits	43,205	-	43,205	38,641	-	38,641
Staff training & recruitment	1,302	-	1,302	-	-	-
Temporary staff costs	66,073	-	66,073	128,142	-	128,142
Total	<b>703,329</b>	<b>-</b>	<b>703,329</b>	<b>720,402</b>	<b>-</b>	<b>720,402</b>
<b>Support Salaries</b>						
Staff salaries	226,020	-	226,020	258,155	-	258,155
Payments in lieu of notice and compensation for loss of office	-	-	-	121,119	-	121,119
National insurance contributions	23,089	-	23,089	40,148	-	40,148
Staff benefits	7,925	-	7,925	11,499	-	11,499
Staff training & recruitment	25,513	-	25,513	42,567	-	42,567
Temporary staff costs	144,873	-	144,873	167,604	-	167,604
Total	<b>427,420</b>	<b>-</b>	<b>427,420</b>	<b>641,092</b>	<b>-</b>	<b>641,092</b>

In 2013 we have changed the way we allocate salary costs to better represent the actual running of the CLC. We have also represented the 2012 figures to match this allocation.

### 5. Staff costs and directors' remuneration (continued)

The average number of staff employed during the financial year amounted to:

	Practice Fund 2013 no.	Compensation Fund 2013 no.	Total 2013 no.	Practice Fund 2012 no.	Compensation Fund 2012 no.	Total 2012 no.
Management	7	-	7	7	-	7
Direct staff	10	-	10	10	-	10
Support staff	5	-	5	5	-	5
	<b>22</b>	<b>-</b>	<b>22</b>	<b>22</b>	<b>-</b>	<b>22</b>

### Executive directors' remuneration

	2013 £	2012 £
Aggregate remuneration	222,446	189,703
Payments in lieu of notice	-	73,619
Compensation for loss of office	-	47,500
Remuneration receivable	<b>222,446</b>	<b>310,822</b>

The number of directors who accrued benefits under defined contribution pension schemes was as follows:

	2013 no.	2012 no.
Defined contribution pension schemes	<b>2</b>	<b>3</b>

6. Taxation on ordinary activities

	Practice Fund 2013	Compensation Fund 2013	Total 2013	Practice Fund 2012	Compensation Fund 2012	Total 2012
	£	£	£	£	£	£
Analysis of charge for the year						
Current tax:						
UK corporation tax based on interest income for the year at 20% (2012 - 20%)	5,110	10,920	16,030	6,133	8,991	15,124
Under/(over) provision in prior year	(170)	2,053	1,883	69	283	352
	<b>4,940</b>	<b>12,973</b>	<b>17,913</b>	<b>6,202</b>	<b>9,274</b>	<b>15,476</b>

7. Tangible Fixed Assets

Practice Fund	Freehold Land and Buildings	Motor Vehicles	Computer Equipment	Office Equipment & Fittings	Total
	£	£	£	£	£
At 31 December 2012	745,000	84,517	247,714	118,842	1,196,073
Additions	-	-	94,251	-	94,251
Disposals	-	(28,107)	(13,399)	(2,021)	(43,527)
Revaluation	10,000	-	-	-	10,000
At 31 December 2013	<b>755,000</b>	<b>56,410</b>	<b>328,566</b>	<b>116,821</b>	<b>1,256,797</b>

Depreciation

At 31 December 2012	11,175	57,086	179,969	113,457	361,687
Charge for the year	11,175	11,373	61,714	4,815	89,077
Written out on disposals	-	(18,738)	(6,050)	(2,021)	(26,809)
Transfer on Revaluation	(22,350)	-	-	-	(22,350)
At 31 December 2013	<b>-</b>	<b>49,721</b>	<b>235,633</b>	<b>116,251</b>	<b>401,605</b>

Net Book Value

At 31 December 2013	<b>755,000</b>	<b>6,689</b>	<b>92,933</b>	<b>570</b>	<b>855,192</b>
At 31 December 2012	733,825	27,431	67,745	5,385	834,386

### 7. Tangible Fixed Assets (continued)

Freehold land and buildings were revalued for the year ended 31 December 2013 at existing use value by S S Millar, MRICS of Kemsley LLP at £600,000 for 16-18 Glebe Road and £155,000 for Unit 4, Buckingham Court.

In respect of certain fixed assets stated at valuations, the comparable historic cost and depreciation values are as follows:

	2013 £	2012 £
Historical cost	501,242	501,242
Historical accumulated depreciation	(145,810)	(138,291)
Historical net book value	355,432	362,951

### 8. Debtors

	Practice Fund 2013 £	Compensation Fund 2013 £	Total 2013 £	Practice Fund 2012 £	Compensation Fund 2012 £	Total 2012 £
Trade debtors	1,319,354	338,965	1,658,319	1,082,878	281,456	1,364,334
Inter divisional account	7,448	(7,448)	-	34,091	(34,091)	-
Prepayments and accrued income	96,397	639,979	736,376	109,306	354,446	463,752
	1,423,199	971,496	2,394,695	1,226,275	601,811	1,828,086

9. Creditors: Amounts falling due within one year

	Practice Fund 2013	Compensation Fund 2013	Total 2013	Practice Fund 2012	Compensation Fund 2012	Total 2012
	£	£	£	£	£	£
Bank overdrafts	-	-	-	5,565	-	5,565
Trade creditors	70,394	-	70,394	43,395	-	43,395
Corporation tax	5,097	10,920	16,017	6,132	8,992	15,124
Other taxation and social security	23,409	-	23,409	21,242	-	21,242
Accruals and deferred income	1,969,789	361,668	2,331,457	1,812,720	313,455	2,126,175
	<b>2,068,689</b>	<b>372,588</b>	<b>2,441,277</b>	<b>1,889,054</b>	<b>322,447</b>	<b>2,211,501</b>

The bank overdraft in 2012 was secured against 16-18 Glebe Road.

10. Related party transactions

The Council for Licensed Conveyancers is under the day to day control of the Chief Executive who reports to Council Members. The Council was established under the Administration of Justice Act 1985 as a body corporate and the Council consider the Ultimate Controlling Party to be the Lord Chancellor.

Although controlled by the Lord Chancellor, the Council do not consider that it would be helpful to disclose transactions with the various parts of the Government as related party transactions.

11. Provisions for liabilities

Compensation Fund

Provisions	Provision for grants payable 2013	Aged balances 2013	Total 2013
	£	£	£
Balance brought forward	267,700	440,006	707,706
New Provisions for the year	637,777	65,930	703,707
Amounts paid during the year	(17,668)	-	(17,668)
Reversal of unused provisions	(225,032)	-	(225,032)
Balance carried forward	<b>662,777</b>	<b>505,936</b>	<b>1,168,713</b>

The provision for grants payable represents an estimate of the present value of an annual grant awarded that ceases to be payable following death of the second of the two beneficiaries and a provision for grants payable in respect of claims against the compensation fund.

The Council has a policy of allowing practices to send the Council monies to which it is not possible to find the rightful recipient. These monies would be repaid to the rightful owner if they ever materialised.

The new provisions relate to the practices that the CLC have intervened into during the year. Further details are set out in note 16.

## Notes to the Financial Statements | Year ended 31 December 2013

12. Accumulated balance	Practice	Compensation	Total	Practice	Compensation	Total
	Fund	Fund		Fund	Fund	
	2013	2013	2013	2012	2012	2012
	£	£	£	£	£	£
Balance brought forward	1,285,044	3,199,814	4,484,858	1,661,869	2,742,433	4,404,302
Surplus/(Deficit) for the financial year	188,002	(191,911)	(3,909)	(376,825)	457,381	80,556
Balance carried forward	1,473,046	3,007,903	4,480,949	1,285,044	3,199,814	4,484,858

13. Revaluation reserve	Practice	Compensation	Total	Practice	Compensation	Total
	Fund	Fund		Fund	Fund	
	2013	2013	2013	2012	2012	2012
	£	£	£	£	£	£
Balance brought forward	446,040	-	446,040	446,040	-	446,040
Revaluation of fixed assets	32,350	-	32,350	-	-	-
Balance carried forward	478,390	-	478,390	446,040	-	446,040

14. Contingency fund reserve	Practice	Compensation	Total	Practice	Compensation	Total
	Fund	Fund		Fund	Fund	
	2013	2013	2013	2012	2012	2012
	£	£	£	£	£	£
Contingency fund reserve	300,000	-	300,000	300,000	-	300,000

The fund is set aside to meet any substantial unforeseen costs that may arise in connection with the Council's activities. A transfer of £nil (2012: £nil) was made from the Reserves in the year.

### 15. Capital commitments

Capital commitments at 31 December 2013 amounted to £nil (2012: £34,328).

### 16. Contingent assets and liabilities

The Compensation Fund is established and administered by the CLC in accordance with rules made under sections 21 and 38(1) of the Administration of Justice Act 1985. The Fund is maintained with the intention of providing a fund to meet claims arising as a consequence of dishonesty/fraud and failure to account by licensed conveyancers, or where there is a claim relating to negligence not covered under the terms of any insurance policy. The Compensation Fund is one of last resort; the purpose of which grants can be made is at the absolute discretion of the CLC in the context of the CLC's Compensation Fund Operating Framework and guidance issued by the CLC subject to the oversight of the Court. Provisions for payments to be made are recognised at the point at which it is considered that it is probable a payment will be made. Although the Council has received preliminary notice of some potentially significant claims on the Compensation Fund, it is the Council's belief that no further provision is needed for any claims on the basis that it is not probable that a transfer of economic benefit will be required.

Three cases previously determined by the CLC were subject to a Judicial Review hearing in January 2012 and the CLC received notice of the outcome of the Judicial Review on 22 June 2012. The Judge has ordered that the CLC reconsider the claimants' applications for grants of compensation, these being claims related to losses that were in connection with the practice (or purported practice) of an entity regulated by the CLC. The CLC will reconsider the claimants' applications as directed by the Judge in order to determine in the exercise of its absolute discretion in the context of the CLC's Compensation Fund Operating Framework and guidance issued by the CLC subject to the oversight of the Court, if any, payment should be made out of the Fund. The value of the claims that were subject to Judicial Review was £2,703,859. The CLC has deferred reconsideration of these applications pending the outcome of proceedings brought by the claimants against the insurers to the former practice.

During the year the CLC intervened into a number of practices. Two of the interventions made have resulted in significant claims which could result in a payment from the compensation fund, the total of the claims arising from the interventions are £1,351,952 and £2,940,325 respectively. These claims have been notified to and are currently being considered by the insurers of the Master Policy. It is the Council's opinion, based on a detailed review of the facts of each claim, that the claims will be covered by the policy. On this basis a provision has been made for the excesses payable under the Master Policy, amounting to £520,000.

### 17. Monies held in respect of former practices

As at 31 December 2013 the Council held £2,098,028 (2012: £68,497) on behalf of the persons beneficially entitled to them. These funds are held on statutory trust by the Council for Licensed Conveyancers and are therefore not included as an asset on the balance sheet.

18. Notes to the cash flow statement

Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities

	2013 £	2012 £
Operating (deficit)/surplus	(66,080)	11,056
Depreciation	89,077	92,236
Loss on disposal of fixed assets	3,015	3,481
(Increase)/decrease in debtors	(566,609)	378,105
Increase in creditors	228,884	127,610
Increase in provisions	461,007	296,318
Net cash inflow from operating activities	<u>149,294</u>	<u>908,806</u>

Reconciliation of net cash flow to movement in net funds

	2013 £	2012 £
Increase/(decrease) in cash in this period	42,910	1,112,370
Increase/(decrease) in current asset investments	88,899	(214,145)
Movement for the year	<u>131,809</u>	<u>898,225</u>
Net funds at 1 January 2013	5,487,633	4,589,408
Net funds at 31 December 2013	<u>5,619,442</u>	<u>5,487,633</u>

Analysis of change in net funds	At 1 January 2013 £	Cash flows £	At 31 December 2013 £
Cash in hand and at bank	1,522,687	42,910	1,565,597
Current asset investments	3,964,946	88,899	4,053,845
Net funds	<u>5,487,633</u>	<u>131,809</u>	<u>5,619,442</u>

# Council and committee members

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## Council members

The following members were appointed to the Council.

<b>Chair</b>	Ms A Bradley	Lay Member
	Mr A Clark	Licensed Conveyancer
	Mr R Gurney	Licensed Conveyancer
	Mr J Jones	Licensed Conveyancer
	Mr G Kidd	Lay Member
	Mr P Rowley	Lay Member
	Ms J Smith	Lay Member

## Committees of Council

Audit Committee

<b>Chair</b>	Mr P Rowley
<b>Members</b>	Mr A Clark Mr J Jones

**Associate Member** Ms H Foster  
"Associate Member" means a member of a Committee who is not a Council Member.

Remuneration Committee

<b>Chair</b>	Ms J Smith
<b>Members</b>	Mr R Gurney Mr A Clark

Adjudication Panel

<b>Chair</b>	Mr P Hinchliffe
<b>Deputy Chair</b>	Ms E Boothroyd
<b>Panel Members</b>	Ms M Coats Mr I Melville Mr R Morris Mr E Percival Mr J Wilson

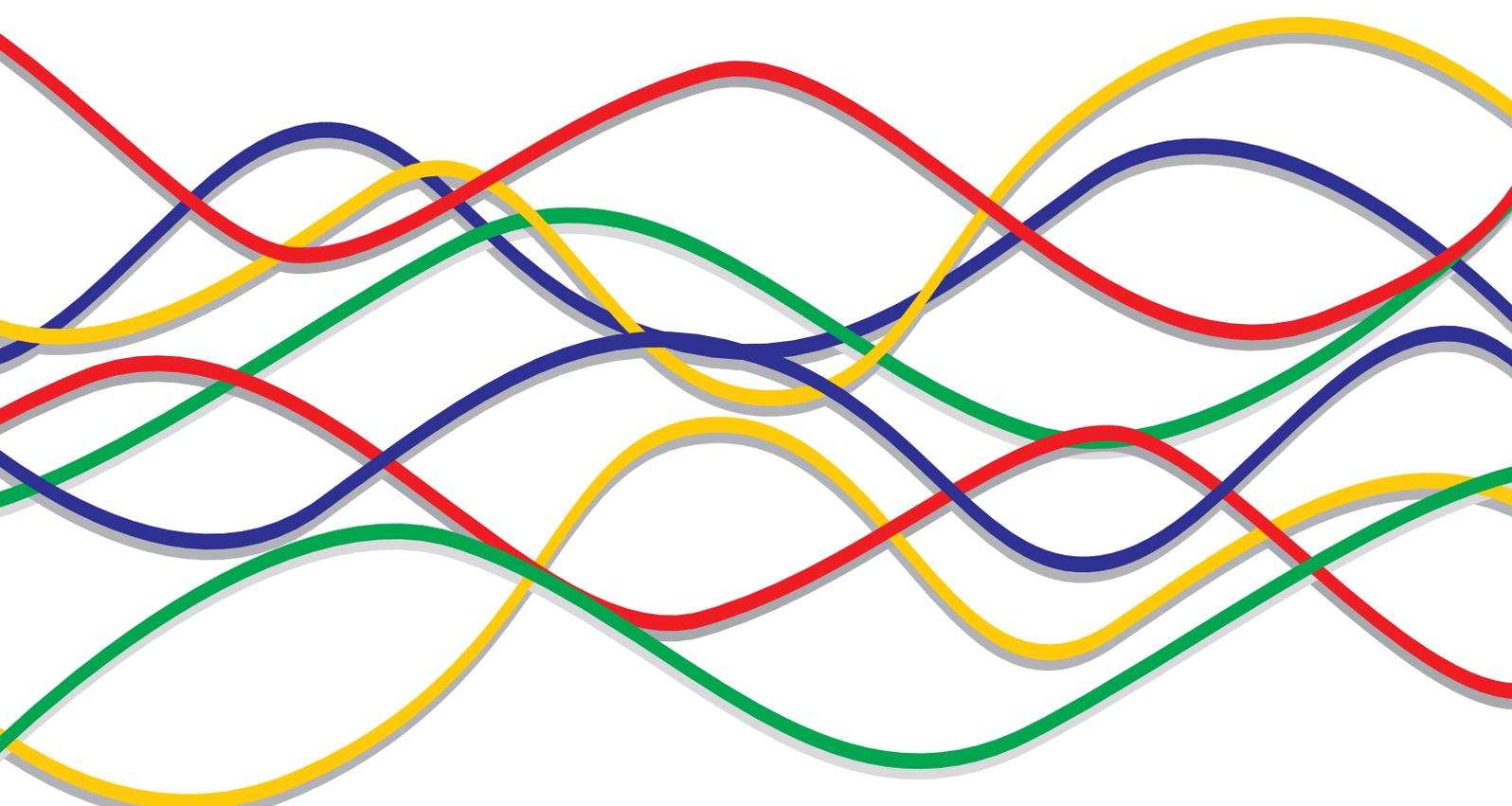
## Council and committee attendance

	Council	Audit Committee	Remuneration and Committee
<b>Council member attendance</b>			
Ms Anna Bradley	6/6		
Mr Alex Clark	6/6	4/4	4/4
Mr John Jones	6/6	4/4	
Mr George Kidd	6/6		
Mr Robert Gurney	6/6		3/4
Mr Peter Rowley	3/6	4/4	
Ms Jan Smith	4/6	1/1	4/4
<b>Non Council member committee members</b>			
Ms H Foster		4/4	

## Executive team

The Chief Executive is responsible for the day to day management of the CLC, for implementing the policy decisions of the Council and its Committees and for ensuring that the CLC undertakes its operations within the budget approved by the Council. The Chief Executive is supported by a staff team of 22 employees (21 full time equivalents).

<b>Chief Executive</b>	Sheila Kumar (from 9th January 2013)
<b>Interim Director of Finance</b>	Simon Faraway (from 6th March 2013)
<b>Director of Policy &amp; Standards</b>	Simon Blandy
<b>Director of Operations</b>	Wayne Pearson (until 31st January 2014)
<b>Interim Director of Communications</b>	Stephen Ward (from 2nd April 2013)



Council for  
**Licensed  
Conveyancers**

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