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## GOVERNANCE STATEMENT

For the Year ended 31 December 2017

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### Governance statement

The Council for Licensed Conveyancers (CLC) is the regulatory body for the profession of licensed conveyancers. It licenses Recognised Bodies and Alternative Business Structures providing conveyancing and probate services. 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 and the Legal Services Act 2007, subject to the oversight of the Legal Services Board.

The CLC is a Designated Professional Body under Part XX of the Financial Services and Markets Act 2000 (FSMA 2000). As such the CLC is authorised 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 at least twice each year, and are conducted in accordance with the CLC standing orders made on 20 February 2014. Refer to page 27 for attendance records.

The Chair and Members of the Council were appointed by a panel consisting of up to five individuals including an independent person. The Council selects the Chairs, members of the Audit and Risk Committee and the Remuneration Committee.

The business considered by the Council at meetings includes:

- Matters of policy;
- The making of Rules;
- Approval of the Annual Report;
- Approval of the Annual Financial Statements;
- Approval of contributions by CLC Practices and Licensed Conveyancers to the Compensation Fund, practice fees and all licence fees;
- Noting the reports and making appropriate actions from the minutes of committees.
- Delegation of authority to the executive.

- Review of performance against the budget and business plan.

The 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 20 February 2014. 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 are held in private, however minutes are published on the CLC website. Disciplinary hearings of the Adjudication Panel are open to the public.

### Responsibilities of the Council

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

The Council exercises oversight over the executive by regularly monitoring progress against the approved budget and business plan. The executive reports performance against budget and business plan to the Council on at least a quarterly basis. The Council takes an active role in developing and setting the CLC objectives and budget.

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 account 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 eligible for appointment as a statutory auditor under part 42 of the Companies Act 2006;
- Cause their Financial Statements to be audited annually by auditors to the Council; and, as soon as is practical after the Financial Statements for any period have been audited, to cause them to be published and a copy of them sent to the Lord Chancellor, together with a copy of any report of the auditors.

## GOVERNANCE STATEMENT (CONTINUED)

For the Year ended 31 December 2017

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The Council, in preparing accounts that show a true and fair view, are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CLC will continue in operation;
- safeguard the assets and to take reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT OF INTERNAL CONTROL

For the Year ended 31 December 2017

### Responsibilities

The Council for Licensed Conveyancers (CLC) maintains 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 strategic plan, business plan, annual budget, financial regulations and a scheme of delegation, all of which have been reviewed and approved by Council.

### Risk management

The CLC maintains both an operational risk register and a strategic risk register.

The management team have custody of the operational risk register and review the risks and controls monthly. If the risk rating on any of these risks increases to high, it would be referred to the Audit and Risk Committee for inclusion on the strategic risk register.

The strategic risk register is reviewed each quarter by the Audit and Risk Committee and any changes are reported to Council.

The responsibilities for risk management are:

Role	Responsibilities
Council	<ul style="list-style-type: none"> <li>Overall responsibility for effective management of strategic 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 and Risk Committee	<ul style="list-style-type: none"> <li>Providing assurance to the Council on the effectiveness of the strategic risk register</li> </ul>
Directors	<ul style="list-style-type: none"> <li>Implementing the risk management within their departments</li> </ul>
Managers	<ul style="list-style-type: none"> <li>Implementing the risk management within their areas of responsibility</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Awareness and understanding of risk management</li> <li>Take a risk management approach to their work</li> </ul>
Contractors	<ul style="list-style-type: none"> <li>Agree appropriate contract terms that minimise risk to CLC through their actions</li> <li>Demonstrate an awareness and understanding of risk management generally</li> <li>In appropriate cases to explicitly report on risk in the context of CLC as relevant to the services they are providing</li> </ul>

The risk management process within the CLC consists of the identification of strategic risks facing the organisation, controls to mitigate these risks and their classification in terms of likelihood and impact.

## STATEMENT OF INTERNAL CONTROL (CONTINUED)

For the Year ended 31 December 2017

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### Review of effectiveness

The CLC's Audit and Risk Committee (the Committee) is made up of four Non-Executive Council Members and an independent member. The Committee met five times during the year ended 31 December 2017 to enable effective scrutiny and effectively report at each Council meeting.

The CEO produces a quarterly Governance Statement to the Committee which includes Statements of Internal Control by each of the Directors 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 Chair reports to the Chair of the Council and to the Council concerning internal controls on financial and operational matters and provides an annual report to the Council.

Internal Audit Reports provide an independent opinion on the adequacy and effectiveness of the CLC's system of internal control together with recommendations for improvement. Recommendations made by Internal Audit have been accepted and implemented where appropriate.

Internal audit coverage for the 2017 year focused on the following areas:

- Payroll & Expenses
- Governance
- A Fraud Health-check
- Inspections
- Risk Management
- IT Governance
- Follow up (on previous recommendations)

The Internal Auditors' audit opinion for 2017 was that the CLC has an adequate and effective framework for risk management, governance and internal control.

### Conclusion

From the work undertaken by the Committee, together with the Internal audit reviews and the annual report, the Committee has gained assurance that the CEO and her executive team are addressing key areas of change effectively, strengthening internal controls and improving management information.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL

For the Year ended 31 December 2017

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### Opinion

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income including the Profit and Loss Account, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Members of the Council for Licensed Conveyancers, 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 Members of the Council for Licensed Conveyancers 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 Council for Licensed Conveyancers and the Council for Licensed Conveyancers' members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Council for Licensed Conveyancers' affairs as at 31 December 2017 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Administration of Justice Act 1985.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council for Licensed Conveyancers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL (CONTINUED)

For the Year ended 31 December 2017

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### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Councils' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council for Licensed Conveyancers' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Council are responsible for the other information. The other information comprises the information included in the Annual Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Council for Licensed Conveyancers and its environment obtained in the course of the audit, we have not identified material misstatements in the Governance Statement or the Statement of Internal Control.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL (CONTINUED)

For the Year ended 31 December 2017

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### Responsibilities of the Council

As explained more fully in the Statement of the Council's Responsibilities set out on page 2, the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council are responsible for assessing the Council for Licensed Conveyancers ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scrutton Bland LLP

SCRUTTON BLAND LLP  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR  
FITZROY HOUSE, CROWN STREET, IPSWICH,  
SUFFOLK IP1 3LG  
28 March 2018

Scrutton Bland LLP is eligible to act as an Auditor in terms of section 1212 of the Companies Act 2006.

## STATEMENT OF COMPREHENSIVE INCOME INCLUDING THE PROFIT AND LOSS ACCOUNT

For the Year ended 31 December 2017

	Note	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
		2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
Turnover	1	2 635 518	618 715	3 254 233	2 948 636	550 343	3 498 979
Operating costs	2	2 442 815	216 121	2 658 936	2 465 815	565 627	3 031 442
Operating surplus/(deficit) excluding exceptional items		<u>192 703</u>	<u>402 594</u>	<u>595 297</u>	<u>482 821</u>	<u>(15 284)</u>	<u>467 537</u>
Take on of aged balances	9	-	89 554	89 554	-	724 931	724 931
(Payment)/take on of intervention funds	15	-	(79 757)	(79 757)	-	726 856	726 856
Operating surplus including exceptional items		<u>192 703</u>	<u>412 391</u>	<u>605 094</u>	<u>482 821</u>	<u>1 436 503</u>	<u>1 919 324</u>
(Loss)/Profit on write-off of fixed assets		(12 821)	-	(12 821)	948 318	-	948 318
Bank interest receivable		3 434	13 808	17 242	6 835	21 297	28 132
Other income		4 480	3 633	8 113			
Surplus on ordinary activities before taxation		<u>187 796</u>	<u>429 832</u>	<u>617 628</u>	<u>1 437 974</u>	<u>1 457 800</u>	<u>2 895 774</u>
Tax on surplus on ordinary activities	5	(1 603)	2 624	1 021	65 566	4 320	69 886
Surplus for the financial year and total comprehensive income		<u><u>189 399</u></u>	<u><u>427 208</u></u>	<u><u>616 607</u></u>	<u><u>1 372 408</u></u>	<u><u>1 453 480</u></u>	<u><u>2 825 888</u></u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2017 (2016: Nil).

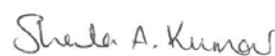
The notes on pages 16 to 25 and the accounting policies set out on pages 13 to 15 form part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Practice Fund 2017 £	Compensation Fund 2017 £	Total 2017 £	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £
<b>Fixed assets</b>							
Intangible assets	6	12 598	-	12 598	65 787	-	65 787
Tangible assets	6	8 270	-	8 270	20 015	-	20 015
		<u>20 868</u>	<u>-</u>	<u>20 868</u>	<u>85 802</u>	<u>-</u>	<u>85 802</u>
<b>Current assets</b>							
Debtors	7	2 491 722	(49 145)	2 442 577	1 737 946	469 687	2 207 633
Cash at bank		3 309 521	6 221 175	9 530 696	3 725 386	5 207 477	8 932 863
Cash investments		-	1 018 834	1 018 834	-	1 013 625	1 013 625
		<u>5 801 243</u>	<u>7 190 864</u>	<u>12 992 107</u>	<u>5 463 332</u>	<u>6 690 789</u>	<u>12 154 121</u>
<b>Creditors:</b> amounts falling due within one year	8	<b>2 574 873</b>	<b>559 580</b>	<b>3 134 453</b>	2 491 295	525 962	3 017 257
Net current assets		<u>3 226 370</u>	<u>6 631 284</u>	<u>9 857 654</u>	<u>2 972 037</u>	<u>6 164 827</u>	<u>9 136 864</u>
Total assets less current liabilities		<b>3 247 238</b>	<b>6 631 284</b>	<b>9 878 522</b>	3 057 839	6 164 827	9 222 666
Provision for liabilities	9	-	2 028 234	2 028 234	-	1 988 985	1 988 985
Net assets		<u>3 247 238</u>	<u>4 603 050</u>	<u>7 850 288</u>	<u>3 057 839</u>	<u>4 175 842</u>	<u>7 233 681</u>
<b>Representing</b>							
Accumulated balance		<b>3 247 238</b>	<b>4 603 050</b>	<b>7 850 288</b>	3 057 839	4 175 842	7 233 681
		<u>3 247 238</u>	<u>4 603 050</u>	<u>7 850 288</u>	<u>3 057 839</u>	<u>4 175 842</u>	<u>7 233 681</u>

Approved by the Council on 28 March 2018

**J Paraskeva (Chair)**

**S Kumar (Chief Executive)**

The notes on pages 16 to 25 and the accounting policies set out on pages 13 to 15 form part of these Financial Statements.

## STATEMENT OF CHANGES IN RESERVES

For the Year ended 31 December 2017

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Practice Fund Revaluation Reserve £	Total Reserves £
At 1 January 2016	1 685 431	2 722 362	4 407 793	478 390	4 886 183
Surplus for the financial year and total comprehensive income	1 372 408	1 453 480	2 825 888	-	2 825 888
Revaluation reserve realised	-	-	-	(478 390)	(478 390)
At 31 December 2016	<u>3 057 839</u>	<u>4 175 842</u>	<u>7 233 681</u>	-	<u>7 233 681</u>
Surplus for the financial year and total comprehensive income	189 399	427 208	616 607	-	616 607
At 31 December 2017	<u><u>3 247 238</u></u>	<u><u>4 603 050</u></u>	<u><u>7 850 288</u></u>	-	<u><u>7 850 288</u></u>

The notes on pages 16 to 25 and the accounting policies set out on pages 13 to 15 form part of these Financial Statements.

## STATEMENT OF CASH FLOWS

For the Year ended 31 December 2017

	Note	2017 £	2016 £
Net cash generated from operating activities	11	<b>586 481</b>	1 709 291
Cash flows from investing activities			
Interest received		<b>17 242</b>	28 132
Payments to acquire fixed assets		<b>(681)</b>	(55 192)
Receipts from sale of fixed assets		-	1 200 430
Net cash flow from investing activities		<b>16 561</b>	1 173 370
Net increase in cash and cash equivalents		<b>603 042</b>	2 882 661
Cash and cash equivalents at 1 January		<b>9 946 488</b>	7 063 827
<b>Cash and cash equivalents at 31 December</b>	11	<b>10 549 530</b>	9 946 488

The notes on pages 16 to 25 and the accounting policies set out on pages 13 to 15 form part of these Financial Statements.

## ACCOUNTING POLICIES

For the year ended 31 December 2017

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### Organisation information

The Council for Licensed Conveyancers is a body corporate established by the Administration of Justice Act 1985. The Council for Licensed Conveyancers' principal place of business is 49-51 East Road, Old Street, London, N1 6AH.

### Statement of compliance

The Financial Statements have been prepared in compliance with FRS 102 as it applies to the Financial Statements for the year ended 31 December 2017.

### Basis of preparation

The Financial Statements have been prepared under the historical cost convention, with the exception of freehold property, which was held at deemed cost, and in accordance with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and the Republic of Ireland and the Administration of Justice Act 1985.

The Financial Statements are presented in Sterling (£) and are rounded to the nearest £1.

### Significant judgements and estimates

The preparation of Financial Statements in conformity with adopted Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 resource 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.

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. Provisions for Compensation Fund claims are based on management's latest available estimates and judgements. 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.

### Going Concern

Having considered the CLC's forecasts and projections, the Council are satisfied that the CLC has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the Council continue to adopt the going concern basis in preparing the financial statements.

### Income

#### Regulatory income

- The Practice Fund levies an annual practice fee on all practices under CLC regulation. The fee is based on a percentage of the declared turnover of the practice subject to a minimum fee of £856. The percentage charged is reviewed by the Council annually.
- Individuals licensed by the CLC as Licensed Conveyancers or Probate practitioners pay a fixed annual fee to renew their license.
- The Compensation Fund is governed by The Council for Licensed Conveyancers Compensation Fund Operating Framework. Under the framework, each CLC regulated practice must pay a contribution to the fund of such an amount as the Council may determine from time to time. The annual contribution is currently based on a percentage of the declared turnover of the practice, subject to a minimum contribution of £500.

## ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2017

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### Intervention income

- Following the conclusion of an intervention, there are frequently funds left in the practices client account for which the CLC is unable to identify the beneficiary. In such cases the funds may become income and are recorded as income from interventions. Interest received during the accounting year and any recoveries from defaulting licensed conveyancers are added to the Fund.

### Aged balance income

- The CLC has a policy of allowing practices to send funds regarded as aged balances (monies to which it is not possible for them to find the rightful recipient) to the CLC. These monies are paid into the Compensation Fund and are payable to the rightful owner on application to the CLC.

### Other income

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

### Cash at bank and in hand

Cash at bank and in hand includes deposits held in bank accounts that permit penalty free access to cash within three months or less. Cash deposits with a term greater than three months are classified as Cash Investments.

### Fixed assets

All fixed assets are initially recorded at cost. Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### 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:

Office equipment, fixtures & fittings - 33 1/3% straight line

Computer equipment – 33 1/3% straight line

### Intangibles

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

### Amortisation

Amortisation is charged so as to allocate the cost of intangibles less their residual values over the estimated useful lives, using the straight-line method. Amortisation is charged to operating costs in the Statement of Comprehensive Income including the Profit and Loss Account. The rates used for the principal categories are:

Computer equipment – 33 1/3% straight line.

### Debtors

Short term debtors are measured at transaction price, less any impairment or provision for irrecoverable amounts.

### Creditors

Short term creditors are measured at the transaction price.

## ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2017

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### Taxation

The charge for taxation is based on interest income and profit on sale of the property sold during the previous year. The charge takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes, including making provision for taxation where assets are carried at a valuation.

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 crystallize, based on tax rates that have been enacted on 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. A salary sacrifice scheme is operated by the CLC and all employees are eligible to join.

### Financial Instruments

The CLC only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

### Practice fund

The Practice Fund includes the usual operating costs of the organisation. Income is primarily generated from practice fees paid by CLC regulated practices, with the remaining revenue generated from individual license fees.

### Practice fund - Reserve policy

The Council has adopted a policy to hold a minimum of £1m in reserves.

### Compensation Fund

The Compensation Fund is governed by the Council for Licensed Conveyancers' Compensation Fund Operating Framework. The Fund is represented by separately identifiable assets and liabilities.

### Compensation Fund – Reserve policy

The CLC considers that the level of the Compensation Fund reserves is sufficient for the purposes for which the fund was established. The Council has adopted a policy to hold a minimum of £2m in reserves.

### Provision for grants on the Compensation Fund

Provisions for claims payable from the Compensation Fund are brought into the Financial Statements when it is considered probable that a financial settlement will be made on a claim against the Compensation Fund.

The CLC 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 provided cover for practices which closed before 1 July 2008. The combined policy had a limit of indemnity of £2,000,000 including costs and expenses for each grant. The retention (excess) in place for each grant was £500,000 capped at £2,500,000 in aggregate for each insurance period.

In October 2014 the Council resolved not to renew the insurance arrangement on the Compensation Fund. Expenditure against the revenues of the Compensation Fund is restricted and limited to compensation claims and direct costs of intervention. The Chief Executive specifically authorises expenditure on the Compensation Fund.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. Turnover

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017	2017	2017	2016	2016	2016
	£	£	£	£	£	£
Practice fees	2 041 515	-	2 041 515	2 122 632	-	2 122 632
Individual Licensing	554 226	-	554 226	535 394	-	535 394
Licensing administration fee	36 292	-	36 292	45 143	-	45 143
CPD income	825	-	825	6 375	-	6 375
Miscellaneous income	2 660	-	2 660	5 110	-	5 110
<b>Income - Licensing</b>	<b>2 635 518</b>	<b>-</b>	<b>2 635 518</b>	<b>2 714 654</b>	<b>-</b>	<b>2 714 654</b>
Student registration fees	-	-	-	65 912	-	65 912
Examination fees	-	-	-	45 235	-	45 235
Distance learning fees	-	-	-	100 155	-	100 155
Revision income	-	-	-	15 775	-	15 775
Education administration fees	-	-	-	6 905	-	6 905
<b>Income – Education</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233 982</b>	<b>-</b>	<b>233 982</b>
Compensation Fund contributions	-	618 715	618 715	-	550 343	550 343
<b>Income – Compensation Fund</b>	<b>-</b>	<b>618 715</b>	<b>618 715</b>	<b>-</b>	<b>550 343</b>	<b>550 343</b>
<b>Total</b>	<b>2 635 518</b>	<b>618 715</b>	<b>3 254 233</b>	<b>2 948 636</b>	<b>550 343</b>	<b>3 498 979</b>

All turnover is from the rendering of services.

With effect from 1 December 2016 the CLC transferred responsibility for supervision of the CLC's education and training standards to the Scottish Qualifications Authority (SQA), an Awarding Organisation approved by the Office of Qualifications and Examinations Regulation (Ofqual).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 2. Operating costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
Staff cost	1 165 963	-	1 165 963	1 108 484	-	1 108 484
<b>Employment costs</b>	<b>1 165 963</b>	<b>-</b>	<b>1 165 963</b>	<b>1 108 484</b>	<b>-</b>	<b>1 108 484</b>
Council Members	119 738	-	119 738	101 086	-	101 086
<b>Governance costs</b>	<b>119 738</b>	<b>-</b>	<b>119 738</b>	<b>101 086</b>	<b>-</b>	<b>101 086</b>
Licensing costs	23 854	-	23 854	21 524	-	21 524
Monitoring & Inspections	61 272	-	61 272	56 585	-	56 585
Compensation fund grant provisions	-	75 268	75 268	-	472 066	472 066
Intervention	4 921	41 852	46 773	61 970	-	61 970
Public relations	244 043	-	244 043	192 503	-	192 503
Insurance cost	47 037	601	47 638	55 292	6 156	61 448
Legal & Professional Fees	2 683	93 678	96 361	-	87 405	87 405
Adjudication costs	11 159	-	11 159	10 368	-	10 368
Travel costs	20 225	-	20 225	13 778	-	13 778
<b>Regulatory &amp; Public relations cost</b>	<b>415 194</b>	<b>211 399</b>	<b>626 593</b>	<b>412 020</b>	<b>565 627</b>	<b>977 647</b>
FCA fees	11 170	-	11 170	11 220	-	11 220
LSB Operating cost recharge	25 633	-	25 633	25 390	-	25 390
OLC recharge	285 657	-	285 657	226 258	-	226 258
<b>Fees and recharges</b>	<b>322 460</b>	<b>-</b>	<b>322 460</b>	<b>262 868</b>	<b>-</b>	<b>262 868</b>
Distance Learning costs	-	-	-	52 321	-	52 321
Exam costs	-	-	-	31 081	-	31 081
Revision costs	-	-	-	8 351	-	8 351
Consultancy fees	-	-	-	65 758	-	65 758
<b>Education costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157 511</b>	<b>-</b>	<b>157 511</b>
Premises cost	150 503	-	150 503	159 915	-	159 915
General office administration cost	38 281	-	38 281	36 800	-	36 800
Legal & Professional fees	75 802	-	75 802	17 530	-	17 530
IT Infrastructure & software	64 566	4 692	69 258	87 637	-	87 637
External Auditor fees	15 552	-	15 552	15 180	-	15 180
Internal Auditor fees	21 660	-	21 660	20 609	-	20 609
Finance costs	302	30	332	4 881	-	4 881
Depreciation	52 794	-	52 794	81 294	-	81 294
<b>Administration expenses</b>	<b>419 460</b>	<b>4 722</b>	<b>424 182</b>	<b>423 846</b>	<b>-</b>	<b>423 846</b>
	<b>2 442 815</b>	<b>216 121</b>	<b>2 658 936</b>	<b>2 465 815</b>	<b>565 627</b>	<b>3 031 442</b>

Provision for payments to be made from the Compensation Fund are recognised at the point at which it is considered that it is probable that a payment will be made.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
Attendance costs	102 677	-	102 677	93 169	-	93 169
Travel and subsistence	10 881	-	10 881	7 917	-	7 917
Training and recruitment	6 180	-	6 180	-	-	-
	<u>119 738</u>	<u>-</u>	<u>119 738</u>	<u>101 086</u>	<u>-</u>	<u>101 086</u>

At the end of the year there were 10 Council members (2016: 10).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
<b>Salaries</b>						
Staff salaries	821 880	-	821 880	797 879	-	797 879
National insurance contributions	96 546	-	96 546	91 042	-	91 042
Defined contribution pension scheme	69 528	-	69 528	47 734	-	47 734
Other staff benefits	14 312	-	14 312	13 142	-	13 142
Staff training and recruitment	56 790	-	56 790	51 645	-	51 645
Temporary staff costs	106 907	-	106 907	107 042	-	107 042
	<u>1 165 963</u>	<u>-</u>	<u>1 165 963</u>	<u>1 108 484</u>	<u>-</u>	<u>1 108 484</u>

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 No.	2017 No.	2017 No.	2016 No.	2016 No.	2016 No.
Key management	4	-	4	4	-	4
Direct staff	10	-	10	12	-	12
	<u>14</u>	<u>-</u>	<u>14</u>	<u>16</u>	<u>-</u>	<u>16</u>

### Key management remuneration

	2017 £	2016 £
Key management emoluments	387 016	352 274
Key management defined contribution pension scheme payments	43 291	28 728
	<u>430 307</u>	<u>381 002</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 5. Taxation on ordinary activities

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
<b>Analysis of charge for the year</b>						
Current tax:						
UK corporation tax based on interest income for the year at 19% (2016 – 20%)	653	2 624	3 277	1 367	4 259	5 626
Capital gain on property sale	-	-	-	65 715	-	65 715
(Over) / under provision in prior year	(2 256)	-	(2 256)	-	61	61
Movement in deferred tax	-	-	-	(1 516)	-	(1 516)
	<b>(1 603)</b>	<b>2 624</b>	<b>1 021</b>	<b>65 566</b>	<b>4 320</b>	<b>69 886</b>

#### Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are explained below:

Surplus on ordinary activities before taxation	<b>187 796</b>	<b>429 832</b>	<b>617 628</b>	<b>1 437 974</b>	<b>1 457 800</b>	<b>2 895 774</b>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016: 20%)	<b>35 681</b>	<b>81 668</b>	<b>117 349</b>	<b>287 595</b>	<b>291 560</b>	<b>579 155</b>
Effect of:						
Net income not chargeable for tax purposes	<b>(184 362)</b>	<b>(416 024)</b>	<b>(600 386)</b>	<b>(220 513)</b>	<b>(287 301)</b>	<b>(507 814)</b>
(Over)/ under provision in prior year	<b>(2 256)</b>	-	<b>(2 256)</b>	-	61	61
Changes in deferred tax provision as a result of change in indexation	-	-	-	(1 516)	-	(1 516)
Current tax charge for the year	<b>(1 603)</b>	<b>2 624</b>	<b>1 021</b>	<b>65 566</b>	<b>4 320</b>	<b>69 886</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 6. Fixed assets

Practice fund	Fixtures & fittings	Office Equipment	Computer Equipment		Total
			Tangible	Intangible	
			£	£	
Cost					
At 31 December 2016	2 220	28 756	20 686	429 747	481 409
Additions	-	611	70	-	681
Write-offs	-	-	(995)	(156 434)	(157 429)
At 31 December 2017	<u>2 220</u>	<u>29 367</u>	<u>19 761</u>	<u>273 313</u>	<u>324 661</u>
Accumulated depreciation					
At 31 December 2016	740	12 222	18 685	363 960	395 607
Charge for the year	740	9 661	2 025	40 368	52 794
Write-offs	-	-	(995)	(143 613)	(144 608)
At 31 December 2017	<u>1 480</u>	<u>21 883</u>	<u>19 715</u>	<u>260 715</u>	<u>303 793</u>
Net book value					
At 31 December 2017	<u>740</u>	<u>7 484</u>	<u>46</u>	<u>12 598</u>	<u>20 868</u>
At 31 December 2016	<u>1 480</u>	<u>16 534</u>	<u>2 001</u>	<u>65 787</u>	<u>85 802</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 7. Debtors

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
Trade debtors	2 197 803	-	2 197 803	2 042 074	-	2 042 074
Compensation fund fees	49 145	(49 145)	-	(469 687)	469 687	-
Prepayments and accrued income	244 774	-	244 774	165 559	-	165 559
	<b>2 491 722</b>	<b>(49 145)</b>	<b>2 442 577</b>	<b>1 737 946</b>	<b>469 687</b>	<b>2 207 633</b>

### 8. Creditors: amounts falling due within one year

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
Trade creditors	44 716	-	44 716	36 845	8 400	45 245
Corporation tax	653	2 624	3 277	67 082	4 259	71 341
Other taxation and social security	-	-	-	32 412	-	32 412
Accruals and deferred income	2 529 504	556 956	3 086 460	2 354 956	513 303	2 868 259
	<b>2 574 873</b>	<b>559 580</b>	<b>3 134 453</b>	<b>2 491 295</b>	<b>525 962</b>	<b>3 017 257</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 9. Provision for liabilities

Deferred tax liabilities are provided for at 19% (2016: 20%) in the financial statements as set out below:

Practice fund	Deferred taxation 2017 £	Deferred taxation 2016 £
<b>Provision for freehold land and building revaluation</b>		
Balance brought forward	-	1 516
Reversal of unused provisions on sale of property	-	(1 516)
Balance carried forward	-	-

Compensation fund	Provision for grants payable 2017 £	Aged balances 2017 £	Total 2017 £	Provision for grants payable 2016 £	Aged balances 2016 £	Total 2016 £
<b>Provisions</b>						
Balance brought forward	1 988 985	-	1 988 985	1 541 686	654 529	2 196 215
New provisions for the year	126 011	-	126 011	477 565	70 402	547 967
Amounts paid during the year	(35 695)	-	(35 695)	(24 766)	-	(24 766)
Reversal of unused provisions	(51 067)	-	(51 067)	(5 500)	-	(5 500)
Balance transferred to revenue	-	-	-	-	(724 931)	(724 931)
Balance carried forward	<u>2 028 234</u>	<u>-</u>	<u>2 028 234</u>	<u>1 988 985</u>	<u>-</u>	<u>1 988 985</u>

Provision for grants payable represents claims on the Compensation Fund. The grants are at the discretion of the CLC. The basis of the provision for grants is set out in the accounting policies.

During 2013 the CLC intervened into several practices. Two of the interventions have resulted in significant claims which could result in a payment from the Compensation Fund, the estimated claims arising from the interventions are £1,089,924 and £3,003,905 respectively. On the basis that the Compensation Fund insurance policy will settle these claims a provision was made in 2017 for the excesses, amounts in excess of the maximum claim payable and interest that is likely to be payable by the CLC. The estimate of the amount payable by the CLC is £1,864,374 (2016: £1,864,374).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 10. Financial Instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at amortised cost	2 197 803	2 042 074
	<u>2 197 803</u>	<u>2 042 074</u>
Financial liabilities		
Financial liabilities measured at amortised cost	386 143	281 449
	<u>386 143</u>	<u>281 449</u>

Financial assets at amortised cost comprise trade debtors (note 7)

Financial liabilities measured at amortised cost comprise trade creditors and accruals (note 8)

### 11. Notes to the statement of cash flows

#### (a) Reconciliation of operating surplus to net cash outflow from operating activities

	2017 £	2016 £
Surplus for the year	616 607	2 825 888
Adjustments to reconcile surplus for the year to net cash flow from operating activities		
Depreciation of fixed assets	52 794	79 597
Increase/(decrease) in provisions	39 249	(208 746)
Loss/(profit) on disposal of tangible fixed assets	12,821	(948 318)
Interest received	(17 242)	(28 132)
Tax on surplus from operating activities	1 021	69 886
Working Capital Movements		
(Increase)/decrease in debtors	(234 944)	51 837
Increase/(decrease) in creditors	185 260	(126 333)
Cash from operations	<u>655 566</u>	<u>1 715 679</u>
Taxation		
Corporation tax paid	(69 085)	(6 388)
Net cash inflow from operating activities	<u>586 481</u>	<u>1 709 291</u>

#### (b) Cash and cash equivalents

	2017 £	2016 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	9 530 696	8 932 863
Cash investments	1 018 834	1 013 625
Cash and cash equivalents	<u>10 549 530</u>	<u>9 946 488</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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### 12. Contingent liabilities

As directed by the Judge in Judicial Review proceedings, the CLC is in the process of reconsidering specific applications for grants from its Compensation Fund to determine whether or not any payment should be made from the Fund, in line with relevant legislation, rules, policies and guidance. Payments out of the Fund are made at the CLC's absolute discretion, exercised in accordance with public law principles. The claimants have notified the CLC that they are seeking payments totalling £3,107,472 (exclusive of any consequential claims for interest and costs). At this early stage of review the CLC has not determined whether any payment will be made, or the amount of any payment, and it is impracticable for the CLC to express any view in relation to those claims. The timing of determinations in relation to applications for payments out of the Fund will depend on a range of factors including their nature and complexity.

### 13. 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. There are no related party transactions to report.

### 14. Operating leases commitments

The following operating lease payments are committed to be paid:

	2017 £	2016 £
Less than one year	2 464	4 927
Between two and five years	-	2 464
More than 5 years	-	-
	<u>2 464</u>	<u>7 391</u>

Certain scanners, printers and copiers are leased under operating leases. During the year £4,975 (2016 £4,975) was recognised as an expense in the income statement in the form of operating leases.

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

As at 31 December 2017 the Council held £647,099 (2016: £726,856) of monies on behalf of the persons beneficially entitled to them. In accordance with our policy these funds were added to the Compensation Fund as the Interventions were substantially completed, and the beneficiaries were not identified.

The Council is holding trust account monies from various practices that have either closed or have been intervened into during the year and at 31 December 2017 holds £137,262 (2016: £0) of monies on behalf of the persons beneficially entitled to them. These funds are held on statutory trust and are therefore not included as an asset on the statement of financial position.

## COUNCIL AND COMMITTEE MEMBERS

For the year ended 31 December 2017

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### Council Members

The following members were appointed to the Council.

Chair	Janet Paraskeva	Lay Member
Members	Alex Clark	Professional Member
	Heather Foster	Lay Member
	Robert Gurney	Professional Member
	John Jones	Professional Member (to 30 April 2017)
	Teresa Perchard	Lay Member
	Andrea Pierce	Professional Member
	Jan Smith	Lay Member (to 30 April 2017)
	Quinton Quayle	Lay Member
	Alan Cogbill	Lay Member
Colin Wilby	Lay Member (from 1 May 2017)	

### Committees of Council

#### Audit and Risk Committee

Chair	Heather Foster
Members	Alex Clark
	John Jones (to 30 April 2017)
	Teresa Perchard
	Richard Cryer (Independent Member)
	Andrea Pierce (from 1 May 2017)

#### Remuneration Committee

Chair	Jan Smith (to 30 April 2017)
	Alex Clark (from 1 May 2017)
Members	Robert Gurney
	Alan Cogbill (from 1 May 2017)
	Quinton Quayle (from 1 May 2017)

#### Appointments Committee (Established September 2017)

Chair	Janet Paraskeva
Members	Alex Clark
	Colin Wilby

## COUNCIL AND COMMITTEE MEMBERS (CONTINUED)

For the year ended 31 December 2017

### Adjudication Panel

Chair	Emma Boothroyd
Panel Members	Ian Melville Richard Morris Edward Percival John Wilson Carolyn Tetlow Harsha Hildebrand

### Council and Committee attendance

	Council	Audit and Risk Committee	Remuneration Committee	Appointments Committee
Janet Paraskeva	8/8		1/1	2/2
Alex Clark	8/8	5/5	3/3	2/2
Heather Foster	7/8	5/5		
Robert Gurney	8/8		3/3	
John Jones	4/4	3/3		
Teresa Perchard	7/8	4/5		
Andrea Pierce	7/8	2/2		
Jan Smith	4/4		2/2	
Q Quayle	8/8		2/2	
Alan Cogbill	8/8		3/3	
Colin Wilby	6/6			1/2
Richard Cryer		3/5		

### 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 13 employees.

Chief Executive	Sheila Kumar
Director of Regulatory Standards	Simon Blandy
Director of Strategy and External Relations	Stephen Ward
Director of Finance and Operations	Jason Hinrichsen