

The Council for Licensed Conveyancers

2018 Annual Financial Statements



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GOVERNANCE STATEMENT

For the Year ended 31 December 2018

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 and Committees are held in private, however minutes of Council meetings 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 2018

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 2018

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 principal 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 principal risk register.

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

The risk management process within the CLC consists of the identification of principal 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 2018

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 2018 to enable effective scrutiny and reporting 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.

The Audit and Risk Committee meet with both the external and internal auditors independently of officers of the CLC.

The external audit report provides assurance that the financial statements represent a fair and true view in accordance with the responsibilities of the Council. The external audit has been conducted by Scrutton Bland LLP since 2011 (8 years). In 2016 the CLC put the external audit out to tender and reappointed Scrutton Bland. Scrutton Bland provide tax services in addition to the statutory audit. At present there are no plans to tender for replacement auditors. The Audit and Risk Committee are satisfied with the independence and effectiveness of the audit for the following reasons:

- Tax services provided are minor
- Knowledge of the organisation
- Quality of work, responsiveness and ability to meet deadlines.

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 2018 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 2018 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 2018

Opinion

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2018 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).

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 2018 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 2018

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 Council's 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 2018

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.

Use of our Report

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.

Scrutton Bland LLP

SCRUTTON BLAND LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR
FITZROY HOUSE, CROWN STREET, IPSWICH,
SUFFOLK IP1 3LG
28 March 2019

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 2018

		Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	Note	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
Turnover	1	2 706 917	652 965	3 359 882	2 635 518	618 715	3 254 233
Operating costs	2	2 657 355	246 784	2 904 139	2 442 815	216 121	2 658 936
Operating surplus excluding exceptional items		<u>49 562</u>	<u>406 181</u>	<u>455 743</u>	192 703	402 594	595 297
Take on of aged balances		-	74 567	74 567	-	89 554	89 554
Take on/(payment) of intervention funds		-	13 039	13 039	-	(79 757)	(79 757)
Operating surplus including exceptional items		<u>49 562</u>	<u>493 787</u>	<u>543 349</u>	192 703	412 391	605 094
(Loss) on disposal of fixed assets		(5 162)	-	(5 162)	(12 821)	-	(12 821)
Bank interest receivable		9 940	25 464	35 404	3 434	13 808	17 242
Other income		3 000	-	3 000	4 480	3 633	8 113
Surplus on ordinary activities before taxation		<u>57 340</u>	<u>519 251</u>	<u>576 591</u>	187 796	429 832	617 628
Tax on surplus on ordinary activities	5	1 896	4 873	6 769	(1 603)	2 624	1 021
Surplus for the financial year and total comprehensive income		<u><u>55 444</u></u>	<u><u>514 378</u></u>	<u><u>569 822</u></u>	<u>189 399</u>	<u>427 208</u>	<u>616 607</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2018 (2017: 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 2018

	Note	Practice Fund 2018 £	Compensation Fund 2018 £	Total 2018 £	Practice Fund 2017 £	Compensation Fund 2017 £	Total 2017 £
Fixed assets							
Intangible assets	6	13 997	-	13 997	12 598	-	12 598
Tangible assets	6	4 342	-	4 342	8 270	-	8 270
		<u>18 339</u>	<u>-</u>	<u>18 339</u>	<u>20 868</u>	<u>-</u>	<u>20 868</u>
Current assets							
Debtors	7	1 870 146	563 838	2 433 984	2 491 722	(49 145)	2 442 577
Cash at bank		4 020 334	6 152 749	10 173 083	3 309 521	6 221 175	9 530 696
Cash investments		-	1 026 167	1 026 167	-	1 018 834	1 018 834
		<u>5 890 480</u>	<u>7 742 754</u>	<u>13 633 234</u>	<u>5 801 243</u>	<u>7 190 864</u>	<u>12 992 107</u>
Creditors: amounts falling due within one year	8	2 606 137	617 157	3 223 294	2 574 873	559 580	3 134 453
Net current assets		<u>3 284 343</u>	<u>7 125 597</u>	<u>10 409 940</u>	<u>3 226 370</u>	<u>6 631 284</u>	<u>9 857 654</u>
Total assets less current liabilities		3 302 682	7 125 597	10 428 279	3 247 238	6 631 284	9 878 522
Provision for liabilities	9	-	2 008 169	2 008 169	-	2 028 234	2 028 234
Net assets		<u>3 302 682</u>	<u>5 117 428</u>	<u>8 420 110</u>	<u>3 247 238</u>	<u>4 603 050</u>	<u>7 850 288</u>
Representing							
Accumulated balance		3 302 682	5 117 428	8 420 110	3 247 238	4 603 050	7 850 288
		<u>3 302 682</u>	<u>5 117 428</u>	<u>8 420 110</u>	<u>3 247 238</u>	<u>4 603 050</u>	<u>7 850 288</u>

Approved by the Council on 28 March 2019


J Paraskeva (Chair)


S Ward (Acting Chief Executive Officer)

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 2018

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Total Reserves £
At 1 January 2017	3 057 839	4 175 842	7 233 681	7 233 681
Surplus for the financial year and total comprehensive income	189 399	427 208	616 607	616 607
At 31 December 2017	<u>3 247 238</u>	<u>4 603 050</u>	<u>7 850 288</u>	<u>7 850 288</u>
Surplus for the financial year and total comprehensive income	55 444	514 378	569 822	569 822
At 31 December 2018	<u>3 302 682</u>	<u>5 117 428</u>	<u>8 420 110</u>	<u>8 420 110</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 2018

	Note	2018 £	2017 £
Net cash generated from operating activities	11	634 943	586 481
Cash flows from investing activities			
Interest received		35 404	17 242
Payments to acquire fixed assets		(20 628)	(681)
Net cash flow from investing activities		14 776	16 561
Net increase in cash and cash equivalents		649 719	603 042
Cash and cash equivalents at 1 January		10 549 530	9 946 488
Cash and cash equivalents at 31 December	11	11 199 249	10 549 530

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 2018

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 131 Finsbury Pavement, Moorgate, London, EC2A 1NT.

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 2018.

Basis of preparation

The Financial Statements have been prepared under the historical cost convention, 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 £770. 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 2018

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 2018

Taxation

The charge for taxation is based on interest income.

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.

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 revenue of the Compensation Fund are restricted and are limited to compensation claims and direct costs of intervention. The Chief Executive Officer specifically authorises expenditure on the Compensation Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Turnover

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018	2018	2018	2017	2017	2017
	£	£	£	£	£	£
Practice fees	2 111 025	-	2 111 025	2 041 515	-	2 041 515
Individual Licensing	550 792	-	550 792	554 226	-	554 226
Licensing administration fee	42 950	-	42 950	36 292	-	36 292
CPD income	-	-	-	825	-	825
Miscellaneous income	2 150	-	2 150	2 660	-	2 660
Income - Licensing	2 706 917	-	2 706 917	2 635 518	-	2 635 518
Compensation Fund contributions	-	652 965	652 965	-	618 715	618 715
Income – Compensation Fund	-	652 965	652 965	-	618 715	618 715
Total	2 706 917	652 965	3 359 882	2 635 518	618 715	3 254 233

All turnover is from the rendering of services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. Operating costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018	2018	2018	2017	2017	2017
	£	£	£	£	£	£
Staff cost	1 303 850	-	1 303 850	1 165 963	-	1 165 963
Employment costs	1 303 850	-	1 303 850	1 165 963	-	1 165 963
Council Members	118 439	-	118 439	119 738	-	119 738
Governance costs	118 439	-	118 439	119 738	-	119 738
Licensing costs	9 687	-	9 687	23 854	-	23 854
Monitoring & Inspections	61 603	-	61 603	61 272	-	61 272
Compensation Fund grant provisions	-	75 942	75 942	-	75 268	75 268
Intervention	1 288	49 814	51 102	4 921	41 852	46 773
Communications	255 098	-	255 098	244 043	-	244 043
Insurance cost	43 191	-	43 191	47 037	601	47 638
Legal & Professional Fees	-	120 983	120 983	2 683	93 678	96 361
Adjudication costs	2 650	-	2 650	11 159	-	11 159
Travel costs	23 327	-	23 327	20 225	-	20 225
Regulatory & Public relations cost	396 844	246 739	643 583	415 194	211 399	626 593
FCA fees	11 583	-	11 583	11 170	-	11 170
LSB Operating cost recharge	26 910	-	26 910	25 633	-	25 633
OLC recharge	330 729	-	330 729	285 657	-	285 657
Fees and recharges	369 222	-	369 222	322 460	-	322 460
Premises cost	241 206	-	241 206	150 503	-	150 503
General office administration cost	21 465	-	21 465	38 281	-	38 281
Legal & Professional fees	92 775	-	92 775	75 802	-	75 802
IT Infrastructure & software	60 724	-	60 724	64 566	4 692	69 258
External Auditor fees	15 552	-	15 552	15 552	-	15 552
Internal Auditor fees	18 970	-	18 970	21 660	-	21 660
Finance costs	311	45	356	302	30	332
Depreciation	17 997	-	17 997	52 794	-	52 794
Administration expenses	469 000	45	469 045	419 460	4 722	424 182
	2 657 355	246 784	2 904 139	2 422 815	216 121	2 658 936

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 2018

3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
Attendance costs	103 600	-	103 600	102 677	-	102 677
Travel and subsistence	8 539	-	8 539	10 881	-	10 881
Staff training and recruitment	6 300	-	6 300	6 180	-	6 180
	<u>118 439</u>	<u>-</u>	<u>118 439</u>	<u>119 738</u>	<u>-</u>	<u>119 738</u>

At the end of the year there were 10 Council members (2017: 10).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
Salaries						
Staff salaries	993 151	-	993 151	821 880	-	821 880
National insurance contributions	116 875	-	116 875	96 546	-	96 546
Defined contribution pension scheme	91 282	-	91 282	69 528	-	69 528
Other staff benefits	16 228	-	16 228	14 312	-	14 312
Staff training and recruitment	44 325	-	44 325	56 790	-	56 790
Temporary staff costs	41 989	-	41 989	106 907	-	106 907
	<u>1 303 850</u>	<u>-</u>	<u>1 303 850</u>	<u>1 165 963</u>	<u>-</u>	<u>1 165 963</u>

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018 Ave No.	2018 Ave No.	2018 Ave No.	2017 Ave No.	2017 Ave No.	2017 Ave No.
Key management	4	-	4	4	-	4
Direct staff	13	-	13	10	-	10
	<u>17</u>	<u>-</u>	<u>17</u>	<u>14</u>	<u>-</u>	<u>14</u>

Key management remuneration

	2018 £	2017 £
Key management emoluments	427 205	387 016
Key management defined contribution pension scheme payments	48 543	43 291
	<u>475 748</u>	<u>430 307</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

5. Taxation on ordinary activities

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018	2018	2018	2017	2017	2017
	£	£	£	£	£	£
Analysis of charge for the year						
Current tax:						
UK corporation tax based on interest income for the year at 19%	1 889	4 838	6 727	653	2 624	3 277
Under/(over) provision in prior Year	7	35	42	(2 256)	-	(2 256)
	<u>1 896</u>	<u>4 873</u>	<u>6 769</u>	<u>(1 603)</u>	<u>2 624</u>	<u>1 021</u>

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%. The differences are explained below:

Surplus on ordinary activities before taxation	<u>57 340</u>	<u>519 251</u>	<u>576 591</u>	<u>187 796</u>	<u>429 832</u>	<u>617 628</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	10 895	98 658	109 553	35 681	81 668	117 349
Effect of:						
Net income not chargeable for tax purposes	(9 006)	(93 820)	(102 826)	(35 028)	(79 044)	(114 072)
Under/(over) provision in prior year	7	35	42	(2 256)	-	(2 256)
Current tax charge for the year	<u>1 896</u>	<u>4 873</u>	<u>6 769</u>	<u>(1 603)</u>	<u>2 624</u>	<u>1 021</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. Fixed assets

Practice fund	Fixtures & fittings	Office Equipment	Computer Equipment		Total
			Tangible	Intangible	
			£	£	
Cost					
At 31 December 2017	2 220	29 367	19 761	273 313	324 661
Additions	-	2 114	3 578	14 936	20 628
Disposals	(2 220)	(19 347)	(7 573)	(110 454)	(139 594)
At 31 December 2018	<u>-</u>	<u>12 134</u>	<u>15 766</u>	<u>177 795</u>	<u>205 695</u>
Accumulated depreciation					
At 31 December 2017	1 480	21 883	19 715	260 715	303 793
Charge for the year	-	3 411	1 047	13 537	17 995
Written out on disposals	(1 480)	(14 925)	(7 573)	(110 454)	(134 432)
At 31 December 2018	<u>-</u>	<u>10 369</u>	<u>13 189</u>	<u>163 798</u>	<u>187 356</u>
Net book value					
At 31 December 2018	<u>-</u>	<u>1 765</u>	<u>2 577</u>	<u>13 997</u>	<u>18 339</u>
At 31 December 2017	<u>740</u>	<u>7 484</u>	<u>46</u>	<u>12 598</u>	<u>20 868</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

7. Debtors

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
Trade debtors	1 707 984	563 118	2 271 102	2 197 803	-	2 197 803
Compensation fund fees	(720)	720	-	49 145	(49 145)	-
Prepayments and accrued income	162 882	-	162 882	244 774	-	244 774
	<u>1 870 146</u>	<u>563 838</u>	<u>2 433 984</u>	<u>2 491 722</u>	<u>(49 145)</u>	<u>2 442 577</u>

8. Creditors: amounts falling due within one year

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
Trade creditors	25 698	-	25 698	44 716	-	44 716
Corporation tax	1 889	4 838	6 727	653	2 624	3 277
Other taxation and social security	40 913	-	40 913	-	-	-
Accruals and deferred income	2 537 637	612 319	3 149 956	2 529 504	556 956	3 086 460
	<u>2 606 137</u>	<u>617 157</u>	<u>3 223 294</u>	<u>2 574 873</u>	<u>559 580</u>	<u>3 134 453</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

9. Provision for liabilities

Compensation Fund	Provision for compensation grants 2018 £	Provision for compensation grants 2017 £
Provisions		
Balance brought forward	2 028 234	1 988 985
New provisions for the year	81 307	126 011
Amounts paid during the year	(95 636)	(35 695)
Reversal of unused provisions	(5 736)	(51 067)
Balance carried forward	<u>2 008 169</u>	<u>2 028 234</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 (2017: £1,864,374).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

10. Financial Instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at amortised cost	2 271 102	2 197 803
	<u>2 271 102</u>	<u>2 197 803</u>
Financial liabilities		
Financial liabilities measured at amortised cost	374 344	386 143
	<u>374 344</u>	<u>386 143</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

	2018 £	2017 £
Surplus for the year	569 822	616 607
Adjustments to reconcile surplus for the year to net cash flow from operating activities		
Depreciation of fixed assets	17 996	52 794
(Decrease)/Increase in provisions	(20 065)	39 249
Loss on disposal of tangible fixed assets	5 162	12,821
Interest received	(35 404)	(17 242)
Tax on surplus from operating activities	6 769	1 021
Working Capital Movements		
Decrease/(increase) in debtors	8 593	(234 944)
Increase in creditors	85 391	185 260
Cash from operations	<u>638 264</u>	<u>655 566</u>
Taxation		
Corporation tax paid	(3 321)	(69 085)
Net cash inflow from operating activities	<u>634 943</u>	<u>586 481</u>

(b) Cash and cash equivalents

	2018 £	2017 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	10 173 082	9 530 696
Cash investments	1 026 167	1 018 834
Cash and cash equivalents	<u>11 199 249</u>	<u>10 549 530</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 Officer 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:

	2018 £	2017 £
Less than one year	298 666	2 464
Between two and five years	449 988	-
More than 5 years	-	-
	<u>748 654</u>	<u>2 464</u>

Premise costs and certain scanners, printers and copiers are now leased under operating leases. During the year £133,729 (2017 £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 2018 the Council held £660,138 (2017: £647,099) 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 beneficiary was 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 2018 holds £58,206 (2017: £137,262) 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 2018

Council Members

The following members were appointed to the Council.

Chair	Dame J Paraskeva	Lay Member
Members	Mr A Clark	Professional Member
	Mr A Cogbill	Lay Member
	Ms S Debney	Professional Member (from 1 May 2018)
	Ms H Foster	Lay Member (In the Chair at 1 November 2018 meeting)
	Mr R Gurney	Professional Member (to 30 April 2018)
	Ms T Perchard	Lay Member
	Ms A Pierce	Professional Member
	Mr Q Quayle	Lay Member
	Ms S Szarka	Professional Member (from 1 August 2018)
Mr C Wilby	Lay Member	

Committees of Council

Appointments Committee

Chair	Dame J Paraskeva Mr A Clark (when Chair not in attendance)
Members	Ms H Foster Mr C Wilby

Audit and Risk Committee

Chair	Ms H Foster
Members	Mr A Clark Mr R Cryer (Independent member) Ms A Pierce Ms T Perchard

Remuneration Committee

Chair	Mr A Clark
Members	Mr A Cogbill Mr R Gurney (to 30 April 2018) Mr Q Quayle

Adjudication Panel

Chair	Ms E Boothroyd
Panel Members	Ms H Hildebrand Mr I Melville Mr R Morris Mr E Percival Ms C Tetlow Mr J Wilson

COUNCIL AND COMMITTEE MEMBERS (CONTINUED)

For the year ended 31 December 2018

Council and Committee attendance

	Council	Appointments Committee	Audit and Risk Committee	Remuneration Committee
Dame J Paraskeva	7/8	1/3		
Mr A Clark	8/8	3/3	5/5	2/2
Mr A Cogbill	8/8			2/2
Mr R Cryer			4/5	
Ms S Debney	4/4			
Ms H Foster	7/8	2/2	5/5	
Mr R Gurney	4/4			
Ms T Perchard	8/8		4/5	
Ms A Pierce	5/8		5/5	
Mr Q Quayle	8/8			2/2
Ms S Szarka	1/2			
Mr C Wilby	8/8	3/3		

Executive Team

The Chief Executive Officer 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 Officer is supported by a staff team of 16 employees.

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