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Council for Licensed Conveyancers

2019 Annual Financial Statements



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GOVERNANCE STATEMENT

For the Year ended 31 December 2019

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 31 October 2019. 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. The Council selects the Chairs, members of the Audit and Risk Committee and the Remuneration Committee on the recommendation of the appointments 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 31 October 2019. The minutes of all meetings of all Committees (or a report on the Minutes) are approved at the next meeting of the Committee. 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 2019

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 2019

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 2019

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 2019 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 (9 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 2019 year focused on the following areas:

- Professional disciplinary process
- Governance
- New Education Provision
- Licensing of new products
- Follow up (on previous recommendations)

The Internal Auditors' audit opinion for 2019 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 2019

Opinion

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2019 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 2019 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 2019

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.

General COVID-19 statement

The future of the world economy is unclear at this present time due to the ongoing COVID-19 outbreak and it is therefore difficult to evaluate all of the potential implications. Because not all future events or conditions can be predicted there is no guarantee of any entity's ability to continue as a going concern.

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 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 2019

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
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR
FITZROY HOUSE, CROWN STREET, IPSWICH
SUFFOLK IP1 3LG
26 March 2020

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 2019

		Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	Note	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Turnover	1	2 600 056	645 311	3 245 367	2 706 917	652 965	3 359 882
Operating costs	2	2 935 488	772 562	3 708 050	2 657 355	246 784	2 904 139
Operating (deficit)/surplus excluding exceptional items		(335 432)	(127 251)	(462 683)	49 562	406 181	455 743
Take on of aged balances		-	55 885	55 885	-	74 567	74 567
Take on of intervention funds		-	-	-	-	13 039	13 039
Operating (deficit)/surplus including exceptional items		(335 432)	(71 366)	(406 798)	49 562	493 787	543 349
Profit/(Loss) on disposal of fixed assets		160	-	160	(5 162)	-	(5 162)
Bank interest receivable		14 975	33 236	48 211	9 940	25 464	35 404
Other income		-	-	-	3 000	-	3 000
(Deficit)/Surplus on ordinary activities before taxation		(320 297)	(38 130)	(358 427)	57 340	519 251	576 591
Tax on surplus on ordinary activities	5	2 845	6 315	9 160	1 896	4 873	6 769
(Deficit)/Surplus for the financial year and total comprehensive income		(323 142)	(44 445)	(367 587)	55 444	514 378	569 822

There were no recognised gains and losses for 2019 and 2018 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2019 (2018: Nil).

The CLC has intentionally run a planned deficit in 2019. The deficit has been generated through a reduction in Practice Fee contribution rates, which is being done to utilise excess reserves (see Practice Fund – Reserve policy note on page 15).

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 2019

	Note	Practice Fund 2019 £	Compensation Fund 2019 £	Total 2019 £	Practice Fund 2018 £	Compensation Fund 2018 £	Total 2018 £
Fixed assets							
Intangible assets	6	5 839	-	5 839	13 997	-	13 997
Tangible assets	6	8 809	-	8 809	4 342	-	4 342
		<u>14 648</u>	<u>-</u>	<u>14 648</u>	<u>18 339</u>	<u>-</u>	<u>18 339</u>
Current assets							
Debtors	7	1 270 212	441 677	1 711 889	1 870 146	563 838	2 433 984
Cash at bank		3 965 121	6 008 863	9 973 984	4 020 334	6 152 749	10 173 083
Cash investments		-	1 034 924	1 034 924	-	1 026 167	1 026 167
		<u>5 235 333</u>	<u>7 485 464</u>	<u>12 720 797</u>	<u>5 890 480</u>	<u>7 742 754</u>	<u>13 633 234</u>
Creditors: amounts falling due within one year	8	2 270 441	439 548	2 709 989	2 606 137	617 157	3 223 294
Net current assets		<u>2 964 892</u>	<u>7 045 916</u>	<u>10 010 808</u>	<u>3 284 343</u>	<u>7 125 597</u>	<u>10 409 940</u>
Total assets less current liabilities		<u>2 979 540</u>	<u>7 045 916</u>	<u>10 025 456</u>	3 302 682	7 125 597	10 428 279
Provision for liabilities	9	-	1 972 933	1 972 933	-	2 008 169	2 008 169
Net assets		<u>2 979 540</u>	<u>5 072 983</u>	<u>8 052 523</u>	<u>3 302 682</u>	<u>5 117 428</u>	<u>8 420 110</u>
Representing							
Accumulated balance		<u>2 979 540</u>	<u>5 072 983</u>	<u>8 052 523</u>	<u>3 302 682</u>	<u>5 117 428</u>	<u>8 420 110</u>

Approved by the Council on 26 March 2020



J Paraskeva (Chair)



S Kumar (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 2019

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Total Reserves £
At 1 January 2018	3 247 238	4 603 050	7 850 288	7 850 288
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>
Deficit for the financial year and total comprehensive income	(323 142)	(44 445)	(367 587)	(367 587)
At 31 December 2019	<u>2 979 540</u>	<u>5 072 983</u>	<u>8 052 523</u>	<u>8 052 523</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.

The CLC has intentionally run a planned deficit in 2019. The deficit has been generated through a reduction in Practice Fee contribution rates, which is being done to utilise excess reserves (see Practice Fund – Reserve policy note on page 15).

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2019

	Note	2019 £	2018 £
Net cash (utilised in)/generated from operating activities	10	(230 500)	634 943
Cash flows from investing activities			
Interest received		48 211	35 404
Payments to acquire fixed assets		(8 248)	(20 628)
Sale of tangible assets		196	-
Net cash flow from investing activities		40 159	14 776
Net (decrease)/increase in cash and cash equivalents		(190 341)	649 719
Cash and cash equivalents at 1 January		11 199 249	10 549 530
Cash and cash equivalents at 31 December	10	11 008 908	11 199 249

Net debt analysis

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	10 173 082	(199 099)	9 973 984
Cash investments	1 026 167	8 757	1 034 924
Cash and cash equivalents	11 199 249	(190 342)	11 008 908

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 2019

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 2019.

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 £539. 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 2019

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.

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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2019

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 2019

1. Turnover

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Practice fees	2 005 426	-	2 005 426	2 111 025	-	2 111 025
Individual Licensing	564 761	-	564 761	550 792	-	550 792
Licensing administration fee	23 419	-	23 419	42 950	-	42 950
Miscellaneous income	6 450	3 000	9 450	2 150	-	2 150
Income - Licensing	2 600 056	3 000	2 603 056	2 706 917	-	2 706 917
Compensation Fund contributions	-	642 311	642 311	-	652 965	652 965
Income – Compensation Fund	-	642 311	642 311	-	652 965	652 965
Total	2 600 056	645 311	3 245 367	2 706 917	652 965	3 359 882

All turnover is from the rendering of services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. Operating costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019	2019	2019	2018	2018	2018
	£	£	£	£	£	£
Staff cost	1 495 839	-	1 495 839	1 303 850	-	1 303 850
Employment costs	1 495 839	-	1 495 839	1 303 850	-	1 303 850
Council Members	116 150	-	116 150	118 439	-	118 439
Governance costs	116 150	-	116 150	118 439	-	118 439
Licensing costs	9 966	-	9 966	9 687	-	9 687
Monitoring & Inspections	48 022	-	48 022	61 603	-	61 603
Compensation Fund grant provisions	-	313 672	313 672	-	75 942	75 942
Intervention	1 237	79 529	80 766	1 288	49 814	51 102
Communications	212 051	531	212 582	255 098	-	255 098
Insurance cost	43 460	-	43 460	43 191	-	43 191
Legal & Professional Fees	-	371 545	371 545	-	120 983	120 983
Adjudication costs	14 874	-	14 874	2 650	-	2 650
Travel costs	25 464	-	25 464	23 327	-	23 327
Regulatory & Public relations cost	355 074	765 277	1 120 351	396 844	246 739	643 583
FCA fees	11 266	-	11 266	11 583	-	11 583
LSB Operating cost recharge	28 649	-	28 649	26 910	-	26 910
OLC recharge	401 904	-	401 904	330 729	-	330 729
OpBas	5 000	-	5 000	-	-	-
Fees and recharges	446 819	-	446 819	369 222	-	369 222
Premises cost	305 677	-	305 677	241 206	-	241 206
General office administration cost	17 699	-	17 699	21 465	-	21 465
Legal & Professional fees	94 501	-	94 501	92 775	-	92 775
IT Infrastructure & software	54 643	6 024	60 667	60 724	-	60 724
External Auditor fees	15 552	-	15 552	15 552	-	15 552
Internal Auditor fees	21 343	-	21 343	18 970	-	18 970
Finance costs	287	1 261	1 548	311	45	356
Depreciation	11 904	-	11 904	17 997	-	17 997
Administration expenses	521 606	7 285	528 891	469 000	45	469 045
	2 935 488	772 562	3 708 050	2 657 355	246 784	2 904 139

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 2019

3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Attendance costs	102 943	-	102 943	103 600	-	103 600
Travel and subsistence	13 207	-	13 207	8 539	-	8 539
Staff training and recruitment	-	-	-	6 300	-	6 300
	<u>116 150</u>	<u>-</u>	<u>116 150</u>	<u>118 439</u>	<u>-</u>	<u>118 439</u>

At the end of the year there were 10 Council members (2018: 10).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Salaries						
Staff salaries	1 092 640	-	1 092 640	993 151	-	993 151
National insurance contributions	128 466	-	128 466	116 875	-	116 875
Defined contribution pension scheme	99 775	-	99 775	91 282	-	91 282
Other staff benefits	18 876	-	18 876	16 228	-	16 228
Staff training and recruitment	78 037	-	78 037	44 325	-	44 325
Temporary staff costs	78 045	-	78 045	41 989	-	41 989
	<u>1 495 839</u>	<u>-</u>	<u>1 495 839</u>	<u>1 303 850</u>	<u>-</u>	<u>1 303 850</u>

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 Ave No.	2019 Ave No.	2019 Ave No.	2018 Ave No.	2018 Ave No.	2018 Ave No.
Key management	4	-	4	4	-	4
Direct staff	14	-	14	13	-	13
	<u>18</u>	<u>-</u>	<u>18</u>	<u>17</u>	<u>-</u>	<u>17</u>

Key management remuneration

	2019 £	2018 £
Key management emoluments	410 191	427 205
Key management defined contribution pension scheme payments	46 568	48 543
	<u>456 759</u>	<u>475 748</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. Taxation on ordinary activities

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019	2019	2019	2018	2018	2018
	£	£	£	£	£	£
Analysis of charge for the year						
Current tax:						
UK corporation tax based on interest income for the year at 19%	2 845	6 315	9 160	1 889	4 838	6 727
Under provision in prior Year	-	-	-	7	35	42
	<u>2 845</u>	<u>6 315</u>	<u>9 160</u>	<u>1 896</u>	<u>4 873</u>	<u>6 769</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:

(Deficit)/Surplus on ordinary activities before taxation	<u>(320 297)</u>	<u>(38 130)</u>	<u>(358 427)</u>	<u>57 340</u>	<u>519 251</u>	<u>576 591</u>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(60 856)	(7 245)	(68 101)	10 895	98 658	109 553
Effect of:						
Net income not chargeable for tax purposes	63 701	13 560	77 261	(9 006)	(93 820)	(102 826)
Under provision in prior year	-	-	-	7	35	42
Current tax charge for the year	<u>2 845</u>	<u>6 315</u>	<u>9 160</u>	<u>1 896</u>	<u>4 873</u>	<u>6 769</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6. Fixed assets

Practice fund	Office Equipment		Computer Equipment		Total
	£	£	Tangible	Intangible	
			£	£	
Cost					
At 31 December 2018	12 134	15 766	177 795		205 695
Additions	381	7 866	-		8 247
Disposals	(34)	(4 269)	-		(4 303)
At 31 December 2019	<u>12 481</u>	<u>19 363</u>	<u>177 795</u>		<u>209 639</u>
Accumulated depreciation					
At 31 December 2018	10 369	13 189	163 798		187 356
Charge for the year	782	2 964	8 158		11 904
Written out on disposals	-	(4 269)	-		(4 269)
At 31 December 2019	<u>11 151</u>	<u>11 884</u>	<u>171 956</u>		<u>194 991</u>
Net book value					
At 31 December 2019	<u>1 330</u>	<u>7 479</u>	<u>5 839</u>		<u>14 648</u>
At 31 December 2018	<u>1 765</u>	<u>2 577</u>	<u>13 997</u>		<u>18 339</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7. Debtors

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Trade debtors	1 279 906	291 632	1 571 538	1 707 984	563 118	2 271 102
Compensation fund fees	(150 045)	150 045	-	(720)	720	-
Prepayments and accrued income	140 351	-	140 351	162 882	-	162 882
	<u>1 270 212</u>	<u>441 677</u>	<u>1 711 889</u>	<u>1 870 146</u>	<u>563 838</u>	<u>2 433 984</u>

8. Creditors: amounts falling due within one year

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2019 £	2019 £	2019 £	2018 £	2018 £	2018 £
Trade creditors	16 537	-	16 537	25 698	-	25 698
Corporation tax	2 845	6 315	9 160	1 889	4 838	6 727
Other taxation and social security	45 829	-	45 829	40 913	-	40 913
Accruals and deferred income	2 205 230	433 233	2 638 463	2 537 637	612 319	3 149 956
	<u>2 270 441</u>	<u>439 548</u>	<u>2 709 989</u>	<u>2 606 137</u>	<u>617 157</u>	<u>3 223 294</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9. Provision for liabilities

Compensation Fund	Provision for compensation grants 2019 £	Provision for compensation grants 2018 £
Provisions		
Balance brought forward	2 008 169	2 028 234
New provisions for the year	401 871	81 307
Amounts paid during the year	(350 979)	(95 636)
Reversal of unused provisions	(86 128)	(5 736)
Balance carried forward	<u>1 972 933</u>	<u>2 008 169</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 (2018: £1,864,374).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10. Notes to the statement of cash flows

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

	2019 £	2018 £
(Deficit)/Surplus for the year	(367 587)	569 822
Adjustments to reconcile (deficit)/surplus for the year to net cash flow from operating activities		
Depreciation of fixed assets	11 904	17 996
(Decrease) in provisions	(35 236)	(20 065)
(Profit)/Loss on disposal of tangible fixed assets	(160)	5 162
Interest received	(48 211)	(35 404)
Tax on surplus from operating activities	9 160	6 769
Working Capital Movements		
Increase in debtors	722 095	8 593
(Decrease)/Increase in creditors	(515 738)	85 391
Cash from operations	<u>(223 773)</u>	<u>638 264</u>
Taxation		
Corporation tax paid	(6 727)	(3 321)
Net cash (outflow)/inflow from operating activities	<u>(230 500)</u>	<u>634 943</u>

(b) Cash and cash equivalents

	2019 £	2018 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	9 973 984	10 173 083
Cash investments	1 034 924	1 026 167
Cash and cash equivalents	<u>11 008 908</u>	<u>11 199 250</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. 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 (2018: £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.

12. Related party transactions

The Council for Licensed Conveyancers is under the day to day control of the Chief Executive Officer who reports to the Council. The Council was established under the Administration of Justice Act 1985 as a body corporate. There are no related party transactions to report.

13. Operating leases commitments

The following operating lease payments are committed to be paid:

	2019 £	2018 £
Less than one year	312 736	298 666
Between two and five years	160 262	449 988
More than 5 years	-	-
	<u>472 998</u>	<u>748 654</u>

Premises and certain scanners, printers and copiers are now leased under operating leases. During the year £313,683 (2018 £133,729) was recognised as an expense in the income statement in the form of operating leases.

14. Monies held in respect of former practices

As at 31 December 2019 the Council held £647,089 (2018: £660,138) 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 2019 holds £3,699,610 (2018: £58,206) 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.

15. Post Balance Sheet events

Since the year end, the UK, and the whole world, has been struck by the COVID-19 virus. As a non-adjusting post balance sheet event this does not have an effect on the financial position shown by these financial statements.

The CLC has a strong balance sheet due to the readily accessible cash reserves held by the organisation. Having reviewed the budgets for the year to 31 December 2020 and taking in to account the potential financial implications of the COVID-19 Pandemic the Council has concluded that there is not a material uncertainty regarding the CLC's ability to continue to meet all of its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

COUNCIL AND COMMITTEE MEMBERS

For the year ended 31 December 2019

Chair	Dame J Paraskeva	Lay Member
Members	Mr A Clark	Professional Member (to 30 April 2019)
	Mr A Cogbill	Lay Member
	Ms S Debney	Professional Member
	Ms H Foster	Lay Member
	Ms T Perchard	Lay Member
	Ms A Pierce	Professional Member
	Mr Q Quayle	Lay Member
	Ms S Szarka	Professional Member
	Mr C Wilby	Lay Member
Ms S Kumar	Chief Executive (from 31 October 2019)	

Committees of Council

Appointments Committee

Chair	Dame J Paraskeva
Members	Mr A Clark (to 30 April 2019)
	Ms A Pierce (from 2 May 2019)
	Mr C Wilby

Audit and Risk Committee

Chair	Ms H Foster
Members	Mr A Clark (to 30 April 2019)
	Mr R Cryer (Independent member)
	Ms A Pierce
	Ms T Perchard
	Ms S Debney (from 2 May 2019)

Remuneration Committee

Chair	Mr A Clark (to 30 April 2019)
	Mr C Wilby (from 2 May 2019)
Members	Mr A Cogbill
	Mr Q Quayle
	Ms S Debney (from 2 May 2019)

Adjudication Panel

Chair	Ms E Boothroyd (to 31 August 2019)
	Ms V Goodfellow (from 1 September 2019)

Panel Members

Ms H Hildebrand
Mr I Melville (to 31 August 2019)
Mr R Morris (to 31 August 2019)
Mr E Percival (to 31 August 2019)
Ms C Tetlow
Mr J Wilson

Ms C Fewings (from 1 September 2019)
 Ms H Riley (from 1 September 2019)
 Mr J Jones (from 1 September 2019)
 Mr P Brooks (from 1 September 2019)
 Mr R Mckellar (from 1 September 2019)

Council and Committee attendance

	Council	Appointments Committee	Audit and Risk Committee	Remuneration Committee
Dame J Paraskeva	9/9	3/3		
Mr A Clark (to 30 April 2019)	3/3	2/2	3/3	2/2
Mr A Cogbill	9/9			3/3
Mr R Cryer			5/5	
Ms S Debney	9/9		2/2	1/1
Ms H Foster	9/9		5/5	
Ms T Perchard	8/9		5/5	
Ms A Pierce	7/9	1/1	5/5	
Mr Q Quayle	8/9			3/3
Ms S Szarka	6/9			
Mr C Wilby	8/9	3/3		1/1
Ms S Kumar (from 31 October 2019)	1/1			

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 19 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