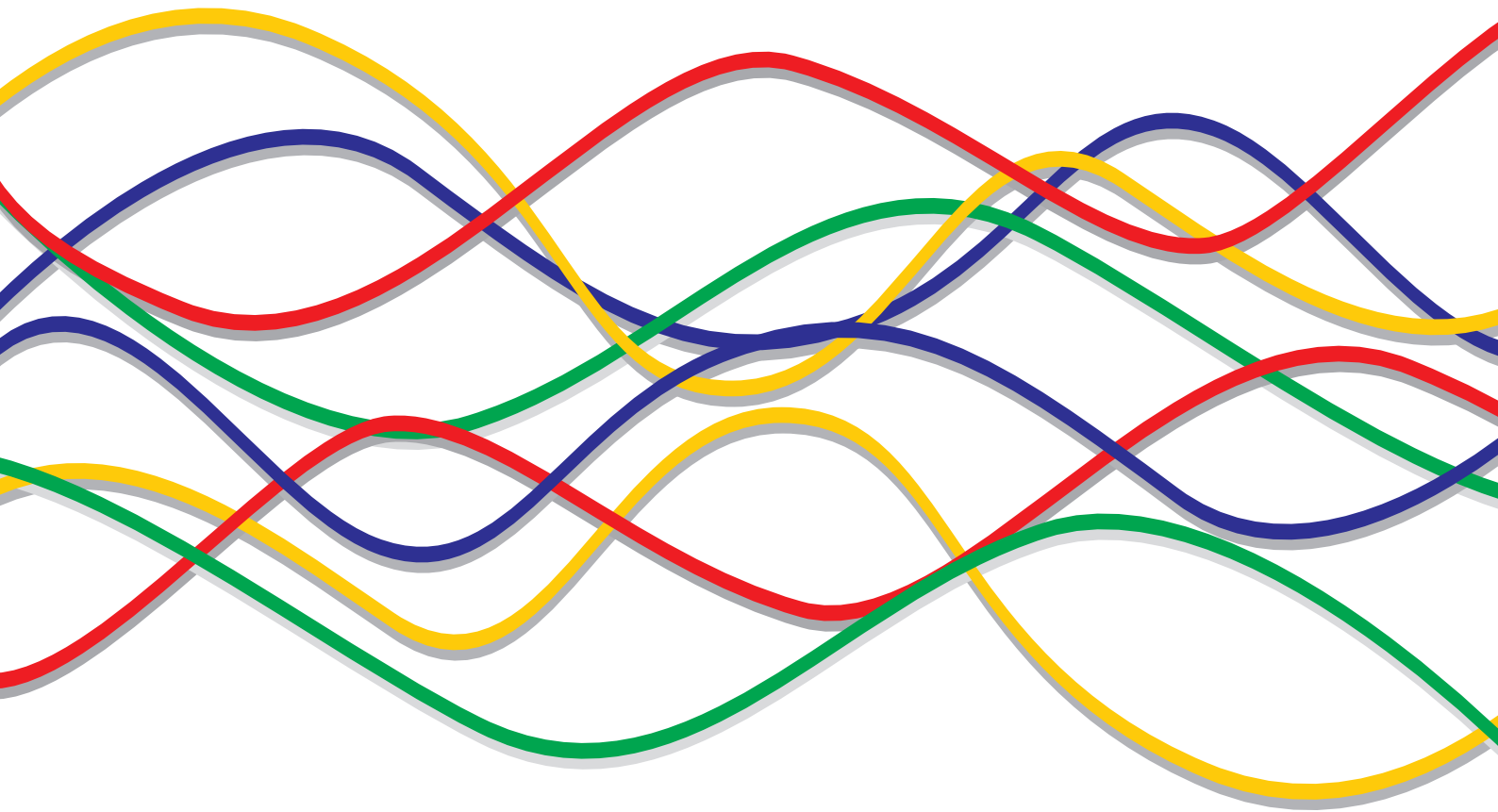




Council for
**Licensed
Conveyancers**



Financial Statements 2012



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Chair's Foreword

Welcome to the CLC's Financial Statements for 2012.

The continued challenging economic climate throughout 2012 has meant that our role in protecting consumers has been more important than ever. There has been the need to intervene in a number of practices and we continue to take forward our robust, risk-based monitoring and inspection regime to protect consumers.

We have also gone through a full year of Alternative Business Structure (ABS) applications. After having been the first regulator to licence an ABS, initial take-up was not as swift as anticipated. However, we have seen an increase in the number of applications in the latter half of the year, including a variety of ownership and business models.

We also undertook a self-assessment process of our operations and capability. This was a useful tool to take stock of our performance, involving all staff and our Board. We were pleased that the Legal Services Board agreed with our findings and action plans and applauded the process we adopted for the exercise. We have made good progress on implementing those plans. Further work includes continuing to embed our outcomes-focused regulatory approach and to undertake consumer research to see if that approach is sufficiently targeted.

The issue of Lenders' Panels we know has, and continues to be an area of concern for our licensed community. During the course of the year we have met with several of the large lenders to help them understand the value of CLC regulation and so ensure that Licensed

Conveyancers are not disadvantaged. We will continue to do this where necessary.

We also launched our Client Charter, which details what consumers can expect when accessing services from an individual or a business regulated by the CLC. It identifies the outcomes which clients have the right to expect and the options available to them if their expectations are not met.

Our aim is to extend the business opportunities open to Licensed Conveyancers and we will look carefully at new markets that may become reserved activities such as will-writing as well as applying to regulate aspects of litigation under the general scope of those legal services that consumers use on a regular basis.

Last year was also a year of change for us internally. We said goodbye to a number of staff and I take the opportunity here to thank them for all their contributions. We undertook recruitment for our Chief Executive and I am delighted that we start 2013 with Sheila Kumar in post.

I would like to thank our Council members and staff for all their hard work and dedication this year. We remain committed to protecting the public interest and providing consumer choice in the legal services market.

Anna Bradley,
Chair, CLC

“ The continued challenging economic climate throughout 2012 has meant that our role in protecting consumers has been more important than ever. ”



Governance and financial statements

Governance statement

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

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

Council and Committee meetings

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

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

Other business considered by the Council at meetings includes:

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

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

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

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

Responsibilities of the Council

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

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

- Keep proper accounts of all sums received or paid by it and proper records in relation to those accounts;
- Appoint auditors to the Council each of whom shall be a member of one or more relevant bodies of Accountants;
- Cause their 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 send a copy of them to the Lord Chancellor, together with a copy of any report of the auditors thereon.



Statement on internal control

Responsibilities

As the Council we have responsibility for maintaining a sound system of internal control that supports the achievement of the CLC's policies, aims and objectives while safeguarding its funds and assets.

The System of internal control

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

Risk Management

During 2012 the CLC continually reviewed its risk management arrangements.

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

The responsibilities for risk management are:

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

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

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

Review of Effectiveness

The CLC's Audit Committee, comprising three Non-Executive Council members and one Independent member met four times during the year ended 31 December 2012. The Chair of the Audit Committee reports to the Chair of the Council and to the Council concerning internal control on financial and operational matters. In addition, reports and assurance statements are provided by managers to the Audit Committee on actions being taken to manage risks in their areas of responsibility including risks associated with major projects being undertaken by the CLC. The Audit Committee provides an annual report to the Council.

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

Significant Control Issues

During Quarter 4 of 2012, at the request of the Interim Chief Executive and the Audit Committee, a number of deep dive reviews were done by the Internal Auditors. These covered Business Significant Risks and Risk Register, Main Financial Systems Arrangement, Information Communication Technology (ICT) Review of Data Protection Arrangements, ICT Review of Access Control Arrangements and Review of Governance – Performance Monitoring Arrangements. These reviews were commissioned following the departure of members of the senior management team to give assurance that everything was adequately controlled within that department responsible for the Finance, HR and IT functions.

All of the reports on IT related issues identified significant weaknesses in operations and infrastructure. By 31 December 2012, server and office software issues were resolved. Access Controls improvements were underway, and Data Protection Arrangements and any remaining operational issues were scheduled to be resolved during the implementation of a Customer Relationship Management System by end of April 2013. Providing this project is satisfactorily completed, all of the issues brought to light during these Quarter 4 2012 Audits will have been dealt with by the end of quarter 2, 2013. Earlier reviews in 2012 had been given reasonable or substantial assurances with the exception of the Business Continuity Plan which will be completed in 2013.

The single person support to IT with no contract in place was a key risk which was resolved by 31 December 2012. New servers and software applications were changed in November 2012 and a contract put in place with an alternative IT provider to do this work and cover ongoing maintenance. The new 'out of the box' CRM system which will go live in the first half 2013 uses a Microsoft platform and provides a robust solution. In addition, an outsourcing contract extension was put in place for the company that support CLC's financial system

Also during the last quarter 2012, other control issues were raised by the interim CEO and the interim finance support, in particular relating to VAT and Intervention Accounts were reported to Council, including several members of the Audit Committee on 6 December 2012. Due to the potential impact on the financial statements as at 31 December 2012, some recommendations of further work required were also included in the report to Council. The external auditors have been engaged to undertake some additional work with regard to the issues raised by the Interim CEO and interim finance support.

The general outturn for the year was good with income holding in line with expectations. However there was some unforeseen significant expenditure which had an impact on this year only. With improved controls and a more rigorous budget setting process in place, the CLC will be better able to manage costs in the future.

Independent Auditor's Report to the Members of the Council

Year ended 31 December 2012

Independent Auditors' Report to Members of the Council

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Council and Auditor

As explained more fully in the Statement of the Council's Responsibilities on page 3, the CLC is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CLC's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the CLC; and the overall presentation of the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the CLC's affairs as at 31 December 2012 and of its results for the year then ended;
- the financial statements have been prepared in accordance with the requirements of the Administration of Justice Act 1985; and
- the information given in the accompanying reports for the financial year for which the financial statements are prepared is consistent with the financial statements.



MARK SMITH
(Senior Statutory Auditor)
For and on behalf of
SCRUTTON BLAND
Chartered Accountants and Statutory Auditor

Sanderson House, Museum Street
Ipswich, Suffolk IP1 1HE
DATE 13 June 2013

Income and Expenditure Account

Year ended 31 December 2012

	Note	Operations	Compensation	Total	Operations	Compensation	Total
		Account	Fund		Account	Fund	
		2012	2012	2012	2011	2011	2011
		£	£	£	£	£	£
Income	1	1,938,713	1,267,577	3,206,290	2,218,542	601,183	2,819,725
Direct costs	2	83,998	731,945	815,943	107,575	612,366	719,941
Gross surplus/(deficit)		1,854,715	535,632	2,390,347	2,110,967	(11,183)	2,099,784
Administrative expenses - staff costs		1,361,494	-	1,361,494	1,082,348	-	1,082,348
Administrative expenses - other		893,595	124,202	1,017,797	872,172	108,049	980,221
Administrative expenses	3	2,255,089	124,202	2,379,291	1,954,520	108,049	2,062,569
Operating (deficit)/surplus		(400,374)	411,430	11,056	156,447	(119,232)	37,215
Interest receivable		29,751	55,225	84,976	37,406	37,836	75,242
(Deficit)/surplus on ordinary activities before taxation		(370,623)	466,655	96,032	193,853	(81,396)	112,457
Tax on surplus on ordinary activities	6	(6,202)	(9,274)	(15,476)	(7,083)	(6,891)	(13,974)
(Deficit)/surplus for the financial year		(376,825)	457,381	80,556	186,770	(88,287)	98,483

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

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

The notes on pages 13 to 22 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

Statement of Total Recognised Gains and Losses

Year ended 31 December 2012

	Operations	Compensation		Operations	Compensation	
	Account	Fund	Total	Account	Fund	Total
	2012	2012	2012	2011	2011	2011
	£	£	£	£	£	£
(Deficit)/surplus for the financial year	(376,825)	457,381	80,556	186,770	(88,287)	98,483
Unrealised loss on revaluation of freehold properties	-	-	-	(13,975)	-	(13,975)
Total gains and losses relating to the year	(376,825)	457,381	80,556	172,795	(88,287)	84,508
Prior year adjustment (note 18)	-	-	-	-	(376,400)	(376,400)
Total gains and losses recognised since the last annual report	(376,825)	457,381	80,556	172,795	(464,687)	(291,892)

The notes on pages 13 to 22 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

Balance Sheet

Year ended 31 December 2012

		Operations	Compensation		Operations	Compensation	
		Account	Fund	Total	Account	Fund	Total
		2012	2012	2012	2011	2011	2011
	Note	£	£	£	£	£	£
Fixed assets							
Tangible assets	7	834,386	-	834,386	849,780	-	849,780
Current assets							
Debtors	8	1,226,275	601,811	1,828,086	876,314	1,329,877	2,206,191
Investments - cash deposits		1,214,972	2,749,974	3,964,946	2,265,386	1,913,705	4,179,091
Cash at bank and in hand		644,505	878,182	1,522,687	100,834	309,483	410,317
		3,085,752	4,229,967	7,315,719	3,242,534	3,553,065	6,795,599
Creditors: Amounts falling due within one year	9	1,889,054	322,447	2,211,501	1,684,405	399,243	2,083,648
Net current assets		1,196,698	3,907,520	5,104,218	1,558,129	3,153,822	4,711,951
Total assets less current liabilities		2,031,084	3,907,520	5,938,604	2,407,909	3,153,822	5,561,731
Provisions for liabilities							
Provisions	11	-	707,706	707,706	-	411,388	411,388
Net assets		2,031,084	3,199,814	5,230,898	2,407,909	2,742,434	5,150,343
Representing:							
Accumulated balance	12	1,285,044	3,199,814	4,484,858	1,661,869	2,742,434	4,404,303
Revaluation reserve	13	446,040	-	446,040	446,040	-	446,040
Contingency Fund reserve	14	300,000	-	300,000	300,000	-	300,000
		2,031,084	3,199,814	5,230,898	2,407,909	2,742,434	5,150,343

Approved by the Council on 11th June 2013



A Bradley, Chairman



S Kumar, Chief Executive

The notes on pages 13 to 22 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

Cash Flow Statement

Year ended 31 December 2012

		2012	2012	2011
	Note	£	£	£
Net cash inflow from operating activities	19		908,806	42,146
Returns on investments and servicing of finance				
Interest received		84,976		75,242
Net cash inflow from returns on investments and servicing of finance			84,976	75,242
Taxation			(15,234)	(15,072)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(81,079)		(116,813)
Receipts from sale of fixed assets		756		1,374
Net cash outflow from capital expenditure and financial investment			(80,323)	(115,439)
Management of liquid resources				
Movement on current asset investments		214,145		(2,425,280)
Net cash inflow/(outflow) from management of liquid resources			214,145	(2,425,280)
Increase/(decrease) in cash	19		1,112,370	(2,438,403)

The notes on pages 13 to 22 and the accounting policies set out on pages 11 to 12 form part of these financial statements.

Accounting Policies

Year ended 31 December 2012

Basis of accounting

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

Income

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

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

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

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

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

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

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

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

Investments

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

Fixed assets

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

Depreciation

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

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

Taxation

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

Pension Contributions

The CLC operates a defined contribution Group Personal Pension Scheme available to all its employees. The funds of the Scheme are separate from those of the Council.

Contributions are paid by the CLC and employees. The pension charge represents contributions payable by the CLC for the year. The CLC's liability is limited to the amount of the contribution. The CLC contributes 5% of the employees salary into the pension scheme.

Compensation Fund

The Compensation Fund is governed by The Council for Licensed Conveyancers Compensation Fund Rules.

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

Compensation Fund - Reserve Policy

The CLC considers that the level of Reserves in the Compensation Fund is sufficient to meet the expectations of, and provide confidence to, clients, as well as the mortgage lenders. The level of reserves required is calculated annually and a minimum level of £2,000,000 in Reserves was set for 2012.

Claims on the Compensation Fund

The Compensation Fund is established and administered by the CLC in accordance with rules made under sections 21 and 38(1) of the Administration of Justice Act 1985. The Fund is maintained with the intention of providing a fund to meet claims arising as a consequence of dishonesty/

fraud and failure to account by licensed conveyancers, in their capacity as a licensed conveyancer, or where there is a claim relating to negligence not covered under the terms of any insurance policy.

The Compensation Fund is one of last resort and grants are authorised at the absolute discretion of the CLC. Provisions for payments of grants are recognised at the point at which it is considered that it is probable a payment will be made.

The CLC has arranged insurance in connection with grants out of the Fund under the terms of the combined Professional Indemnity Run Off and Compensation Fund Policy, which also provides cover for practices which closed before 1 July 2008. This combined policy has a limit of Indemnity of £2,000,000 including costs and expenses for each loss, subject to an each loss retention of £500,000 and an aggregate retention of £2,500,000.

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

Commissions

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

Financial instruments

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

Notes to the Financial Statements

Year ended 31 December 2012

1. Income	Operations	Compensation	Total	Operations	Compensation	Total
	Fund	Fund		Account	Fund	
	2012	2012	2012	2011	2011	2011
	£	£	£	£	£	£
Licence fees	468,984	-	468,984	479,754	-	479,754
Student registration fees	58,190	-	58,190	65,876	-	65,876
Distance learning income	132,737	-	132,737	136,871	-	136,871
Examination fees and revision day income	38,810	-	38,810	47,627	-	47,627
Continued Professional Development income	10,975	-	10,975	13,225	-	13,225
Chronicle and website advertising income	-	-	-	1,533	-	1,533
Probate courses income	2,650	-	2,650	2,400	-	2,400
Practice fees	1,181,773	-	1,181,773	1,452,321	-	1,452,321
Contributions received from licence holders	-	339,187	339,187	-	55,287	55,287
Additional Contributions raised through Commission	-	362,580	362,580	-	545,896	545,896
ABS application fees	27,305	-	27,305	1,800	-	1,800
Miscellaneous income	17,289	107	17,396	17,135	-	17,135
Subtotal	1,938,713	701,874	2,640,587	2,218,542	601,183	2,819,725
Interventions	-	565,703	565,703	-	-	-
	1,938,713	1,267,577	3,206,290	2,218,542	601,183	2,819,725

2. Direct Costs	Operations	Compensation	Total	Operations	Compensation	Total
	Fund	Fund		Account	Fund	
	2012	2012	2012	2011	2011	2011
	£	£	£	£	£	£
Disciplinary costs (net of recoveries)	-	-	-	361	-	361
Related legal costs	-	-	-	1,228	-	1,228
Discipline and Appeals Committee	-	-	-	894	-	894
Distance learning and other education costs	83,998	-	83,998	89,424	-	89,424
Chronicle costs	-	-	-	15,668	-	15,668
Compensation grants	-	381,688	381,688	-	115,727	115,727
Insurance premiums	-	208,718	208,718	-	152,422	152,422
Legal and professional	-	17,270	17,270	-	50,137	50,137
Claims	-	1,430	1,430	-	114,600	114,600
Insurance premiums	-	118,664	118,664	-	120,677	120,677
Professional fees	-	4,175	4,175	-	58,803	58,803
	83,998	731,945	815,943	107,575	612,366	719,941

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 within 12 months.

Notes to the Financial Statements | Year ended 31 December 2012

3. Administration Expenses	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	£	£	£	£	£	£
LSB and OLC set up and application costs	-	-	-	81,234	-	81,234
LSB and OLC running costs	253,957	-	253,957	251,112	-	251,112
Council and committee costs (see note 4)	72,114	-	72,114	68,651	-	68,651
Staff costs (see note 5)	1,361,494	-	1,361,494	1,082,348	-	1,082,348
Advertising	-	-	-	594	-	594
Communications and marketing costs	5,036	-	5,036	30,513	-	30,513
Office costs	52,680	-	52,680	47,323	-	47,323
Repairs and renewals and computer costs	69,837	-	69,837	47,066	-	47,066
Depreciation	92,236	-	92,236	81,938	-	81,938
Investigating committee: file report fees and expenses	400	-	400	1,321	-	1,321
Regulatory fees	11,118	-	11,118	11,245	-	11,245
Intervention costs	97,446	-	97,446	46,576	1,162	47,738
Inspection files courier costs	2,914	-	2,914	2,105	-	2,105
Motor, travelling and subsistence expenses	14,789	-	14,789	17,048	-	17,048
Telephone and fax	10,618	-	10,618	11,279	-	11,279
Postage	14,849	-	14,849	17,928	-	17,928
Printing and stationery	13,740	-	13,740	13,893	-	13,893
Books and publications	383	-	383	452	-	452
Bank charges	9,703	15	9,718	16,971	-	16,971
Subscriptions	2,810	-	2,810	1,679	-	1,679
Refreshments	778	-	778	654	-	654
Insurance (contents, buildings and liabilities)	70,619	-	70,619	74,273	-	74,273
Auditors remuneration	15,584	-	15,584	12,806	-	12,806
Legal and professional	194,767	-	194,767	138,131	-	138,131
Staff welfare	929	-	929	1,847	-	1,847
Sundry expenses	6,994	-	6,994	3,794	-	3,794
Loss/(profit) on disposal of fixed assets	3,481	-	3,481	(1,374)	-	(1,374)
Service charge (to)/from compensation fund	(124,187)	124,187	-	(106,887)	106,887	-
	2,255,089	124,202	2,379,291	1,954,520	108,049	2,062,569

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

4. Council and Committee Costs

	Operations Account 2012 £	Compensation Fund 2012 £	Total 2012 £	Operations Account 2011 £	Compensation Fund 2011 £	Total 2011 £
Attendance costs	57,252	-	57,252	54,096	-	54,096
Travel and subsistence	10,634	-	10,634	10,497	-	10,497
Meeting costs	4,228	-	4,228	4,058	-	4,058
	72,114	-	72,114	68,651	-	68,651

Council and Committee costs include amounts paid for attending and travelling to Council and Committee and other business meetings and the Chairman's fees. They also include the costs of refreshments at all Council and Committee meetings and the costs incurred for venue hire and associated expenditure for those meetings. The Chairman's fees for the year were £15,700 (2011 : £14,000)

5. Staff costs and directors' remuneration

	Operations Account 2012 £	Compensation Fund 2012 £	Total 2012 £	Operations Account 2011 £	Compensation Fund 2011 £	Total 2011 £
Staff salaries	755,804	-	755,804	860,200	-	860,200
National insurance contributions	96,118	-	96,118	98,808	-	98,808
Pension and death in service costs	33,944	-	33,944	37,037	-	37,037
Staff recruitment	35,095	-	35,095	38,684	-	38,684
Staff training	7,472	-	7,472	26,169	-	26,169
Temporary staff costs - other	37,252	-	37,252	5,245	-	5,245
Health insurance	16,196	-	16,196	16,205	-	16,205
Sub total	981,881	-	981,881	1,082,348	-	1,082,348
Unforeseen significant expenditure:						
Temporary staff costs - interim CEO and manager	258,494	-	258,494	-	-	-
Payments in lieu of notice	73,619	-	73,619	-	-	-
Compensation for loss of office	47,500	-	47,500	-	-	-
	1,361,494	-	1,361,494	1,082,348	-	1,082,348

5. Staff costs and directors' remuneration (continued)

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

	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	no.	no.	no.	no.	no.	no.
Accounts and conveyancing inspectors	5	-	5	8	-	8
Secretarial and administrative staff	10	-	10	10	-	10
Management staff	7	-	7	7	-	7
	22	-	22	25	-	25

Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2012	2011
	£	£
Remuneration receivable	182,860	276,479
Payments in lieu of notice	73,619	-
Compensation for loss of office	47,500	-
Value of pension contributions into defined contribution pension schemes	6,843	8,534
	310,822	285,013

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

	2012	2011
	no.	no.
Defined contribution pension schemes	3	3

Notes to the Financial Statements | Year ended 31 December 2012

6. Taxation on ordinary activities

	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
Analysis of charge for the year	£	£	£	£	£	£
Current tax:						
UK corporation tax based on interest income for the year at 20% (2011 - 20%)	6,133	8,991	15,124	7,504	7,378	14,882
Under/(over) provision in prior year	69	283	352	(421)	(487)	(908)
	6,202	9,274	15,476	7,083	6,891	13,974

7. Tangible Fixed Assets

Operations Account

Cost or valuation

	Freehold Land and Buildings	Motor Vehicles	Computer Equipment	Office Equipment & Fittings	Total
	£	£	£	£	£
At 31 December 2011	745,000	97,448	216,659	131,226	1,190,333
Additions	-	-	79,375	1,704	81,079
Disposals	-	(12,931)	(48,320)	(14,088)	(75,339)
At 31 December 2012	745,000	84,517	247,714	118,842	1,196,073

Depreciation

At 31 December 2011	-	56,302	168,356	115,895	340,553
Charge for the year	11,175	13,715	55,696	11,650	92,236
Written out on disposals	-	(12,931)	(44,083)	(14,088)	(71,102)
At 31 December 2012	11,175	57,086	179,969	113,457	361,687

Net Book Value

At 31 December 2012	733,825	27,431	67,745	5,385	834,386
At 31 December 2011	745,000	41,146	48,303	15,331	849,780

7. Tangible Fixed Assets (continued)

Freehold land and buildings were revalued for the year ended 31 December 2011 at existing use value by S S Millar, MRICS of Kemsley LLP at £600,000 for 16-18 Glebe Road and £145,000 for Unit 4, Buckingham Court.

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

	2012	2011
	£	£
Historical cost	501,242	501,242
Historical accumulated depreciation	(138,291)	(130,772)
Historical net book value	362,951	370,470

8. Debtors

	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	£	£	£	£	£	£
Trade debtors	1,082,878	281,456	1,364,334	862,314	247,030	1,109,344
Inter divisional account	34,091	(34,091)	-	(77,391)	77,391	-
Other debtors	-	-	-	3,768	-	3,768
Prepayments and accrued income	109,306	354,446	463,752	87,623	1,005,456	1,093,079
	1,226,275	601,811	1,828,086	876,314	1,329,877	2,206,191

9. Creditors: Amounts falling due within one year

	Operations Account 2012 £	Compensation Fund 2012 £	Total 2012 £	Operations Account 2011 £	Compensation Fund 2011 £	Total 2011 £
Bank overdraft	5,565	-	5,565	13,102	-	13,102
Trade creditors	43,395	-	43,395	34,827	-	34,827
Corporation tax	6,132	8,992	15,124	7,504	7,378	14,882
Other taxation and social security	21,242	-	21,242	32,454	-	32,454
Accruals and deferred income	1,812,720	313,455	2,126,175	1,596,518	391,865	1,988,383
	1,889,054	322,447	2,211,501	1,684,405	399,243	2,083,648

The bank overdraft is secured against 16- 18 Glebe Road.

10. Related party transactions

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

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

11. Provisions for liabilities

Compensation Fund	Provision for grants payable 2012 £	Aged balances 2012 £	Total 2012 £
Provisions			
Balance brought forward	6,530	404,858	411,388
Movement for the year	261,170	35,148	296,318
Balance carried forward	267,700	440,006	707,706

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

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

Notes to the Financial Statements | Year ended 31 December 2012

12. Accumulated balance	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	£	£	£	£	£	£
Balance brought forward	1,661,869	2,742,433	4,404,302	1,475,098	2,830,721	4,305,819
(Deficit)/surplus for the financial year	(376,825)	457,381	80,556	186,771	(88,287)	98,484
Balance carried forward	1,285,044	3,199,814	4,484,858	1,661,869	2,742,434	4,404,303

13. Revaluation reserve	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	£	£	£	£	£	£
Balance brought forward	446,040	-	446,040	460,015	-	460,015
Revaluation of fixed assets	-	-	-	(13,975)	-	(13,975)
Balance carried forward	446,040	-	446,040	446,040	-	446,040

14. Contingency fund reserve	Operations Account 2012	Compensation Fund 2012	Total 2012	Operations Account 2011	Compensation Fund 2011	Total 2011
	£	£	£	£	£	£
Contingency fund reserve	300,000	-	300,000	300,000	-	300,000

The fund is set aside to meet any substantial unforeseen costs that may arise in connection with the Council's activities. A transfer of £nil (2011: £nil) was made from the Reserves in the year.

15. Capital commitments

Capital commitments at 31 December 2012 amounted to £34,328 (2011: £nil).

16. Contingent assets and liabilities

The Compensation Fund is established and administered by the CLC in accordance with rules made under sections 21 and 38(1) of the Administration of Justice Act 1985. The Fund is maintained with the intention of providing a fund to meet claims arising as a consequence of dishonesty/fraud and failure to account by licensed conveyancers, or where there is a claim relating to negligence not covered under the terms of any insurance policy. The Compensation Fund is one of last resort and payments are authorised at the absolute discretion of the CLC. 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 within 12 months. Although it has received notice of some potentially significant claims on the Compensation Fund, on the information currently available to it, the Council is unable to provide an accurate estimate of the likely amount of any final settlement (if any).

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

17. Monies held in respect of former practices

As at 31 December 2012 the Council held £68,497 (2011: £573,089) on behalf of the persons beneficially entitled to them. These funds are therefore not included as an asset on the balance sheet.

18. Prior year adjustment

The balance sheet at 31 December 2011 reflected a change in accounting policy. The aged balances as detailed in note 11 had previously been carried in the balance sheet as a reserve. Following a review of the aged balances the CLC decided that it would be more appropriate for the aged balances to be carried as a provision. In accordance with the provisions of Financial Reporting Standard 3 'Reporting Financial Performance' the change in accounting policy was accounted for by way of a prior year adjustment.

The prior year adjustment did not impact on the reported surplus for the year ended 31 December 2011.

19. Notes to the cash flow statement

Reconciliation of operating surplus to net cash inflow from operating activities

	2012	2011
	£	£
Operating surplus	11,056	37,215
Depreciation	92,236	81,938
Loss/(profit) on disposal of fixed assets	3,481	(1,374)
Decrease in stock	-	3,842
Decrease/(increase) in debtors	378,105	(222,297)
Increase in creditors	127,610	117,507
Increase in provisions	296,318	25,315
Net cash inflow from operating activities	908,806	42,146

Reconciliation of net cash flow to movement in net funds

	2012	2011
	£	£
Increase/(decrease) in cash in this period	1,112,370	(2,438,403)
(Decrease)/increase in current asset investments	(214,145)	2,425,280
Movement for the year	898,225	(13,123)
Net funds at 1 January	4,589,408	4,602,531
Net funds at 31 December	5,487,633	4,589,408

Analysis of change in net funds

	At 1 January 2012	Cash flows	At 31 December 2012
	£	£	£
Cash in hand and at bank	410,317	1,112,370	1,522,687
Current asset investments	4,179,091	(214,145)	3,964,946
Net funds	4,589,408	898,225	5,487,633

Council and committee members

Council members

The following members have been appointed to the Council.

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

Discipline & Appeals Committee

Chair	Ms A Seifert
Deputy Chair	Mr D Readings
Panel Members	Mr M Afzal
	Mrs A Cranston
	Ms P Fawcett
	Mr V Hassan
	Mr I Melville
	Mrs M Patterson
	Mr N Perry
	Mr D Sleath
	Ms E Tottie
	Mr A Walden

Committees of Council

Audit Committee

Chair	Ms J Smith
Members	Mr A Clark
	Mr J Jones
Associate Members	Ms H Foster

Remuneration Committee

Chair	Mr G Kidd
Members	Mr R Gurney
	Mr P Rowley

Adjudication Panel

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

“Associate Member” means a member of a Committee who is not a Council Member.

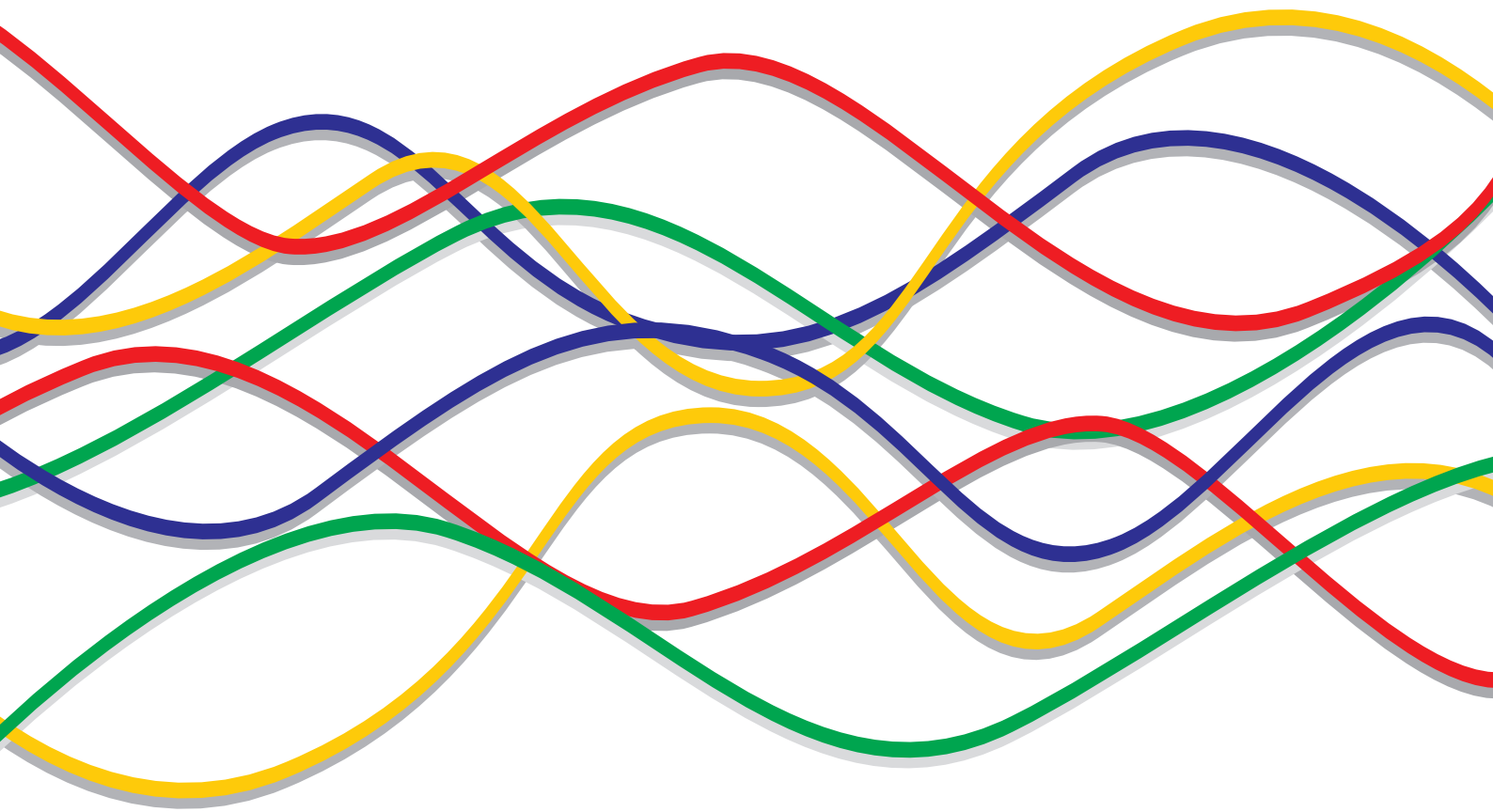
Council and committee attendance

	Council	Audit Committee	Remuneration and Committee
Council member attendance			
Ms Anna Bradley	6/6		1/1
Mr Alex Clark	6/6	4/4	
Mr John Jones	6/6	4/4	
Mr George Kidd	6/6		1/1
Mr Robert Gurney	6/6		1/1
Mr Peter Rowley	6/6		
Ms Jan Smith	5/6	4/4	
Non Council member committee members			
Ms H Foster		3/4	

Executive team

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

Chief Executive	Victor Olowe (until 29 February 2012)
Interim Chief Executive	June Mulroy (from 19 March 2012 to 9 January 2013)
Chief Executive	Sheila Kumar (from 9 January 2013)
Director of Policy & Standards	Simon Blandy
Director of Corporate Services	Patrick Traynor (until 31 August 2012)
Director of Operations	Wayne Pearson



Council for
**Licensed
Conveyancers**

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