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GOVERNANCE STATEMENT

For the Year ended 31 December 2020

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 as amended 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 30 October 2019. Please refer to page 28 for attendance records.

The Chair and Members of the Council are appointed by the Council on a recommendation of the appointments committee. 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 30 October 2019. The minutes of all meetings of all Committees 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 as amended 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 2020

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 2020

Responsibilities

The 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 and by exception as required. 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 and then notified to Council.

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 risks 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 2020

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 2020 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 of the Committee 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 true and fair view in accordance with the responsibilities of the Council. The external audit has been conducted by Scrutton Bland LLP since 2011 (10 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 2020 year focused on the following areas:

- Complaints
- HR recruitment and retention and succession planning
- Compensation Fund
- Key financial controls
- Regulatory inspections
- Standard Annual Follow up (on previous recommendations)

The independent Internal Auditors' audit opinion for 2020 was that the CLC has an adequate and effective framework for risk management, governance and internal control which is the highest assurance level issued.

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 2020

Opinion

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2020 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 2020 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 as amended.

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 2020

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Other information

The Council is 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 2020

Responsibilities of the Council

As explained more fully in the Statement of the Council's Responsibilities set out on page 2, the Council is 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 is 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial experience and through discussions and enquiries of the Council staff. During the engagement team briefing, the outcomes of these discussions were shared with the team, as well as consideration as to where and how fraud may occur in the Council:

The following laws and regulations were identified as being of significance to the Council:

- Those laws and regulations considered to have a direct effect on the financial statements including the Administration of Justice Act 1985 as amended and the Legal Services Act 2007.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the Council complies with such regulations; enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

Scrutton Bland LLP

SCRUTTON BLAND LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR
FITZROY HOUSE, CROWN STREET, IPSWICH
SUFFOLK IP1 3LG
25 March 2021

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 2020

	Note	Practice Fund 2020 £	Compensation Fund 2020 £	Total 2020 £	Practice Fund 2019 £	Compensation Fund 2019 £	Total 2019 £
Turnover	1	2 188 968	361 729	2 550 697	2 600 056	645 311	3 245 367
Operating costs	2	3 081 598	1 107 656	4 189 254	2 935 488	772 562	3 708 050
Operating (deficit) excluding exceptional items		(892 630)	(745 927)	(1 638 557)	(335 432)	(127 251)	(462 683)
Take-on of aged balances		-	113 614	113 614	-	55 885	55 885
Take on of intervention funds	14	-	20,715	20,715	-	-	-
Operating (deficit) including exceptional items		(892 630)	(611,598)	(1 504,228)	(335 432)	(71 366)	(406 798)
Profit on disposal of fixed assets		-	-	-	160	-	160
Bank interest receivable		7 305	19 774	27 079	14 975	33 236	48 211
(Deficit) on ordinary activities before taxation		(885 325)	(591 824)	(1 477 179)	(320 297)	(38 130)	(358 427)
Tax on surplus on ordinary activities	5	1 388	3 757	5 145	2 845	6 315	9 160
(Deficit) for the financial year and total comprehensive income		(886 713)	(595 581)	(1 482 294)	(323 142)	(44 445)	(367 587)

There were no recognised gains and losses for 2020 and 2019 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2020 (2019: Nil).

The CLC has intentionally run a planned deficit in 2020. 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 16).

The notes on pages 17 to 26 and the accounting policies set out on pages 14 to 16 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Practice Fund 2020 £	Compensation Fund 2020 £	Total 2020 £	Practice Fund 2019 £	Compensation Fund 2019 £	Total 2019 £
Fixed assets							
Intangible assets	6	860	-	860	5 839	-	5 839
Tangible assets	6	6 058	-	6 058	8 809	-	8 809
		<u>6 918</u>	<u>-</u>	<u>6 918</u>	<u>14 648</u>	<u>-</u>	<u>14 648</u>
Current assets							
Debtors	7	1 593 616	347 932	1 941 548	1 270 212	441 677	1 711 889
Cash at bank		2 952 669	5 823 875	8 776 544	3 965 121	6 008 863	9 973 984
Cash investments		-	1 039 233	1 039 233	-	1 034 924	1 034 924
		<u>4 546 285</u>	<u>7 211 040</u>	<u>11 757 325</u>	<u>5 235 333</u>	<u>7 485 464</u>	<u>12 720 797</u>
Creditors: amounts falling due within one year	8	2 460 377	335 993	2 796 370	2 270 441	439 548	2 709 989
Net current assets		<u>2 085 908</u>	<u>6 875 047</u>	<u>8 960 955</u>	<u>2 964 892</u>	<u>7 045 916</u>	<u>10 010 808</u>
Total assets less current liabilities		2 092 826	6 875 047	8 967 873	2 979 540	7 045 916	10 025 456
Provision for liabilities	9	-	2 397 644	2 397 644	-	1 972 933	1 972 933
Net assets		<u>2 092 826</u>	<u>4 477 403</u>	<u>6 570 229</u>	<u>2 979 540</u>	<u>5 072 983</u>	<u>8 052 523</u>
Representing							
Accumulated balance		2 092 826	4 477 403	6 570 229	2 979 540	5 072 983	8 052 523
		<u>2 092 826</u>	<u>4 477 403</u>	<u>6 570 229</u>	<u>2 979 540</u>	<u>5 072 983</u>	<u>8 052 523</u>

Approved by the Council on 25 March 2021



J Paraskeva (Chair)



S Kumar (Chief Executive Officer)

The notes on pages 17 to 26 and the accounting policies set out on pages 14 to 16 form part of these Financial Statements.

STATEMENT OF CHANGES IN RESERVES

For the Year ended 31 December 2020

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Total Reserves £
At 1 January 2019	3 302 682	5 117 428	8 420 110	8 420 110
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>
Deficit for the financial year and total comprehensive income	(886 713)	(595 581)	(1 482 294)	(1 482 294)
At 31 December 2020	<u>2 092 827</u>	<u>4 477 402</u>	<u>6 570 229</u>	<u>6 570 229</u>

The notes on pages 17 to 26 and the accounting policies set out on pages 14 to 16 form part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2020

	Note	2020 £	2019 £
Net cash (utilised in) operating activities	10	(1 217 889)	(230 500)
Cash flows from investing activities			
Interest received		27 079	48 211
Payments to acquire fixed assets		(2 321)	(8 248)
Sale of tangible assets		-	196
Net cash flow from investing activities		24 758	40 159
Net (decrease) in cash and cash equivalents		(1 193 131)	(190 341)
Cash and cash equivalents at 1 January		11 008 908	11 199 249
Cash and cash equivalents at 31 December	10	9 815 777	11 008 908

The notes on pages 17 to 26 and the accounting policies set out on pages 14 to 16 form part of these Financial Statements.

Net debt analysis

	At 31 December 2019	Cash flows	At 31 December 2020
Cash at bank and in hand	9,973,984	(1,197,440)	8,776,544
Cash investments	<u>1,034,924</u>	<u>4,309</u>	<u>1,039,233</u>
Cash and cash equivalents	11,008,908	(1,193,131)	9,815,777

ACCOUNTING POLICIES

For the year ended 31 December 2020

Organisation information

The Council for Licensed Conveyancers is a body corporate established by the Administration of Justice Act 1985 as amended. 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 2020.

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 as amended.

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 as amended. The Fund is maintained with the intention of providing a resource to meet on a discretionary basis certain types of claim 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 is 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 2020

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 2020

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 is 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 2020

1. Turnover

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Practice fees	1 576 383	-	1 576 383	2 005 426	-	2 005 426
Individual Licensing	577 716	-	577 716	564 761	-	564 761
Licensing administration fee	30 600	-	30 600	23 419	-	23 419
Miscellaneous income	4 269	(1 780)	2 489	6 450	3 000	9 450
Income - Licensing	2 188 968	(1 780)	2 187 188	2 600 056	3 000	2 603 056
Compensation Fund contributions	-	363 509	363 509	-	642 311	642 311
Income – Compensation Fund	-	363 509	363 509	-	642 311	642 311
Total	2 188 968	361 729	2 550 697	2 600 056	645 311	3 245 367

All turnover is from the rendering of services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. Operating costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Staff cost	1 548 523	-	1 548 523	1 495 839	-	1 495 839
Employment costs	1 548 523	-	1 548 523	1 495 839	-	1 495 839
Council Members	100 324	-	100 324	116 150	-	116 150
Governance costs	100 324	-	100 324	116 150	-	116 150
Licensing costs	6 288	-	6 288	9 966	-	9 966
Monitoring & Inspections	41 187	-	41 187	48 022	-	48 022
Compensation Fund grant provisions	-	908 400	908 400	-	313 672	313 672
Intervention	1 083	62 620	63 702	1 237	79 529	80 766
Communications	176 748	4 993	181 741	212 051	531	212 582
Insurance cost	48 750	-	48 750	43 460	-	43 460
Legal & Professional Fees	-	119 965	119 965	-	371 545	371 545
Adjudication costs	13 146	-	13 146	14 874	-	14 874
Travel costs	3 572	-	3 572	25 464	-	25 464
Regulatory & Public relations cost	290 774	1 095 978	1 386 751	355 074	765 277	1 120 351
FCA fees	14 333	-	14 333	11 266	-	11 266
LSB Operating cost recharge	30 598	-	30 598	28 649	-	28 649
OLC recharge	495 719	-	495 719	401 904	-	401 904
OpBas levy	8 750	-	8 750	5 000	-	5 000
Fees and recharges	549 400	-	549 400	446 819	-	446 819
Premises cost	309 302	-	309 302	305 677	-	305 677
General office administration cost	12 151	-	12 151	17 699	-	17 699
Legal & Professional fees	165 466	-	165 466	94 501	-	94 501
IT Infrastructure & software	57 949	11 678	69 627	54 643	6 024	60 667
External Auditor fees	16 788	-	16 788	15 552	-	15 552
Internal Auditor fees	20 538	-	20 538	21 343	-	21 343
Finance costs	331	-	331	287	1 261	1 548
Depreciation	10 052	-	10 052	11 904	-	11 904
Administration expenses	592 577	11 678	604 255	521 606	7 285	528 891
	3 081 598	1 107 656	4 189 254	2 935 488	772 562	3 708 050

Provision for payments to be made from the Compensation Fund is 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 2020

3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Attendance costs	99 477	-	99 477	102 943	-	102 943
Travel and subsistence	847	-	847	13 207	-	13 207
	100 324	-	100 324	116 150	-	116 150

At the end of the year there were 10 Council members (2019: 10).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020	2020	2020	2019	2019	2019
	£	£	£	£	£	£
Salaries						
Staff salaries	1 229 422	-	1 229 422	1 092 640	-	1 092 640
National insurance contributions	140 790	-	140 790	128 466	-	128 466
Termination benefits	19 906	-	19 906	-	-	-
Defined contribution pension scheme	103 277	-	103 277	99 775	-	99 775
Other staff benefits	15 809	-	15 809	18 876	-	18 876
Staff training and recruitment	19 460	-	19 460	78 037	-	78 037
Temporary staff costs	19 807	-	19 807	78 045	-	78 045
	<u>1 548 471</u>	<u>-</u>	<u>1 548 471</u>	<u>1 495 839</u>	<u>-</u>	<u>1 495 839</u>

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020	2020	2020	2019	2019	2019
	Avg No.	Avg No.	Avg No.	Avg No.	Avg No.	Avg No.
Key management	4	-	4	4	-	4
Direct staff	15	-	15	14	-	14
	<u>19</u>	<u>-</u>	<u>19</u>	<u>18</u>	<u>-</u>	<u>18</u>

Key management remuneration

	2020	2019
	£	£
Key management emoluments	453 331	410 191
Key management defined contribution pension scheme payments	47 720	46 568
	<u>501 051</u>	<u>456 759</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5. Taxation on ordinary activities

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Analysis of charge for the year						
Current tax:						
UK corporation tax based on interest income for the year at 19%	1 388	3 757	5 145	2 845	6 315	9 160
Under provision in prior Year	-	-	-	-	-	-
	<u>1 388</u>	<u>3 757</u>	<u>5 145</u>	<u>2 845</u>	<u>6 315</u>	<u>9 160</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) on ordinary activities before taxation	<u>(885 325)</u>	<u>(612 539)</u>	<u>(1 497 864)</u>	<u>(320 297)</u>	<u>(38 130)</u>	<u>(358 427)</u>
(Deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	<u>(168 212)</u>	<u>(116 382)</u>	<u>(284 594)</u>	<u>(60 856)</u>	<u>(7 245)</u>	<u>(68 101)</u>
Effect of:						
Net income not chargeable for tax purposes	169 600	120 139	289 739	63 701	13 560	77 261
Under provision in prior year	-	-	-	-	-	-
Current tax charge for the year	<u>1 388</u>	<u>3 757</u>	<u>5 145</u>	<u>2 845</u>	<u>6 315</u>	<u>9 160</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6. Fixed assets

Practice fund	Office Equipment		Computer Equipment		Total
	£	£	Tangible	Intangible	
			£	£	
Cost					
At 31 December 2019	12 481	19 363	177 795		209 639
Additions	816	1 506	-		2 322
Disposals	-	-	-		-
At 31 December 2020	<u>13 297</u>	<u>20 869</u>	<u>177 795</u>		<u>211 961</u>
Accumulated depreciation					
At 31 December 2019	11 151	11 884	171 956		194 991
Charge for the year	911	4 163	4 978		10 052
Written out on disposals	-	-	-		-
At 31 December 2020	<u>12 062</u>	<u>16 067</u>	<u>176 934</u>		<u>205 043</u>
Net book value					
At 31 December 2020	<u>1 235</u>	<u>4 822</u>	<u>861</u>		<u>6 918</u>
At 31 December 2019	<u>1 330</u>	<u>7 479</u>	<u>5 839</u>		<u>14 648</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. Debtors

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Trade debtors	1 466 348	319 662	1 786 010	1 279 906	291 632	1 571 538
Compensation fund fees	(28 270)	28 270	-	(150 045)	150 045	-
Prepayments and accrued income	155 538	-	155 538	140 351	-	140 351
	<u>1 593 616</u>	<u>347 932</u>	<u>1 941 548</u>	<u>1 270 212</u>	<u>441 677</u>	<u>1 711 889</u>

8. Creditors: amounts falling due within one year

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
Trade creditors	14 661	-	14 661	16 537	-	16 537
Corporation tax	1 388	3 757	5 145	2 845	6 315	9 160
Other taxation and social security	35 198	-	35 198	45 829	-	45 829
Accruals and deferred income	2 409 130	332 236	2 741 366	2 205 230	433 233	2 638 463
	<u>2 460 377</u>	<u>335 993</u>	<u>2 796 370</u>	<u>2 270 441</u>	<u>439 548</u>	<u>2 709 989</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. Provision for liabilities

Compensation Fund	Provision for compensation grants 2020 £	Provision for compensation grants 2019 £
Provisions		
Balance brought forward	1 972 933	2 008 169
New provisions for the year	930 074	401 871
Amounts paid during the year	(505 363)	(350 979)
Reversal of unused provisions	-	(86 128)
Balance carried forward	<u>2 397 644</u>	<u>1 972 933</u>

Provision for grants payable represents probable 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 (2019: £1,864,374).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10. Notes to the statement of cash flows

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

	2020 £	2019 £
(Deficit) for the year	(1 482 294)	(367 587)
Adjustments to reconcile (deficit) for the year to net cash flow from operating activities		
Depreciation of fixed assets	10 052	11 904
Increase/(Decrease) in provisions	424 711	(35 236)
(Profit) on disposal of tangible fixed assets	-	(160)
Interest received	(27 079)	(48 211)
Tax on surplus from operating activities	5 145	9 160
Working Capital Movements		
Decrease/(Increase) in debtors	(229 659)	722 095
Increase/(Decrease) in creditors	90,395	(515 738)
Cash from operations	<u>(1 208 729)</u>	<u>(223 773)</u>
Taxation		
Corporation tax paid	(9 160)	(6 727)
Net cash (outflow) from operating activities	<u><u>(1 217 889)</u></u>	<u><u>(230 500)</u></u>

(b) Cash and cash equivalents

	2020 £	2019 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	8 776 544	9 973 984
Cash investments	1 039 233	1 034 924
Cash and cash equivalents	<u><u>9 815 777</u></u>	<u><u>11 008 908</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11. Contingent liabilities

As directed by the Judge in Judicial Review proceedings, the CLC have been 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 previously notified the CLC that they are seeking payments totalling £3,107,472 (inclusive of any consequential claims for interest and costs). During the year, determinations have been finalised in respect to these specific grants with an amount of £349,397 being accepted and paid with a further £399,500 being included as a provision in the current year following a determination by Council. The CLC are currently at an early stage of reviewing a consequential claim for legal and interest costs from the same claimants totalling £651,817. The CLC has not determined whether any payment for legal costs will be made, or the amount of any payment. The timing of a determination in relation to applications for payment out of the Fund will depend on a range of factors including the nature and complexity of the claim.

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 amended as a body corporate. There are no related party transactions to report. Key management remuneration is reported above as per note 4.

13. Operating leases commitments

The following operating lease payments are committed to be paid:

	2020 £	2019 £
Less than one year	160 262	312 736
Between two and five years	-	160 262
More than 5 years	-	-
	<u>160 262</u>	<u>472 998</u>

Premises and certain scanners, printers and copiers are now leased under operating leases. During the year £317,308 (2019: £313,683) was recognised as an expense in the income statement in the form of operating leases.

14. Monies held in respect of former practices

In accordance with our policy, £20,715 (2019: £0) was recognised as income in the Compensation Fund. This revenue relates to monies received following intervention which are now substantially completed, and where the beneficiary could not be 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 2020 holds £866,924 (2019: £3,699,610) of monies on behalf of the persons beneficially entitled to them. These funds are held on statutory trust and are therefore not included as an asset on the statement of financial position.

COUNCIL AND COMMITTEE MEMBERS

For the year ended 31 December 2020

Chair	Dame J Paraskeva	Lay Member
Members	Mr A Cogbill	Lay Member
	Ms S Debney	Professional Member
	Ms H Foster	Lay Member (to 31 July 2020)
	Ms T Perchard	Lay Member
	Ms A Pierce	Professional Member
	Mr Q Quayle	Lay Member (to 30 January 2020)
	Ms S Szarka	Professional Member
	Mr C Wilby	Lay Member
	Ms J Quirke	Professional Member (from 1 August 2020)
	Mr M James	Lay Member (from 1 July 2020)
Ms S Kumar	Chief Executive	

Committees of Council

Appointments Committee

Chair	Dame J Paraskeva
Members	Ms A Pierce
	Mr C Wilby
	Ms S Kumar

Audit and Risk Committee

Chair	Ms H Foster (to 31 July 2020)
	Ms J Quirke (from 1 August 2020)
Members	Mr R Cryer (Independent member)
	Ms A Pierce
	Ms T Perchard
	Ms S Debney

Remuneration Committee

Chair	Mr C Wilby
Members	Mr A Cogbill
	Ms S Szarka (from 24 July 2020)
	Ms S Debney (to 23 July 2020)
	Mr Q Quayle (to 30 January 2020)

Adjudication Panel

Chair	Ms V Goodfellow
Panel Members	Ms H Hildebrand
	Ms C Tetlow
	Ms C Fewings
	Ms H Riley
	Mr J Jones
	Mr P Brooks
	Mr R McKellar

Council and Committee attendance

	Council	Appointments Committee	Audit and Risk Committee	Remuneration Committee
Dame J Paraskeva	12/12	1/1		
Mr A Cogbill	12/12	1/1		2/2
Mr R Cryer			5/5	
Ms S Debney	11/12		4/5	2/2
Ms H Foster (to 31 July 2020)	7/7		4/4	
Ms T Perchard	11/12		5/5	
Ms A Pierce	10/12	1/1	5/5	
Mr Q Quayle	1/1			1/1
Ms S Szarka	11/12			
Mr C Wilby	12/12	1/1		2/2
Ms S Kumar	12/12	1/1		
Ms J Quirke (from 1 August 2020)	3/3		1/1	
Mr M James (from 1 July 2020)	4/4			

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 15 employees.

Chief Executive Officer

Sheila Kumar

Director of Regulatory Standards

Simon Blandy (to 9 October 2020)

Director of Strategy and External Relations

Stephen Ward

Director of Finance and Operations

Jason Hinrichsen