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## GOVERNANCE STATEMENT

For the Year ended 31 December 2022

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### Governance statement

The Council for Licensed Conveyancers (CLC) is the regulatory body for the profession of licensed conveyancers. It licenses Recognised Bodies and Alternative Business Structures providing conveyancing and probate services. The CLC was initially established under the terms of the Administration of Justice Act 1985 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 11 November 2021. Please refer to page 29 for attendance records.

The Chair and Members of the Council are appointed by the Council on a recommendation of the Appointments Committee. The Council constitutes the Appointments Committee and 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 Fund 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 11 November 2021. 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 2022

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

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

## STATEMENT OF INTERNAL CONTROL

For the Year ended 31 December 2022

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

The risk management process within the CLC consists of the identification of 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 2022

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### Review of effectiveness

The CLC's Audit and Risk Committee (the Committee) is made up of four Non-Executive Council Members and an independent member. The Committee met five times during the year ended 31 December 2022 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 (12 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 2022 year focused on the following areas:

- Enforcement – Adjudication Panel
- Key Performance Indicators
- Risk Management
- Secure Remote Working
- Standard Annual Follow up (on previous recommendations)

The independent Internal Auditors' audit opinion for 2022 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 2022

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### Opinion

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2022 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 2022 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 2022

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### 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 2022

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### Responsibilities of the Council

As explained more fully in the Statement of the Council's Responsibilities set out on page 2, the Council 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  
23 March 2023

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 2022

	Note	Practice Fund 2022 £	Compensation Fund 2022 £	Total 2022 £	Practice Fund 2021 £	Compensation Fund 2021 £	Total 2021 £
Turnover	1	2 910 139	406 106	3 316 245	2 383 666	379 814	2 763 480
Operating costs	2	3 490 667	393 846	3 884 513	2 924 094	503 160	3 427 254
Operating (deficit) excluding exceptional items		<b>(580 528)</b>	<b>12 260</b>	<b>(568 268)</b>	(540 428)	(123 346)	(663 774)
Take-on of aged balances		-	106 361	106 361	-	170 767	170 767
Take on of intervention funds	13	-	-	-	-	32 401	32 401
Operating (deficit) including exceptional items		<b>(580 528)</b>	<b>118 621</b>	<b>(461 907)</b>	(540 428)	79 822	(460 606)
Bank interest receivable		4 957	22 351	27,308	994	4 693	5,687
(Deficit) on ordinary activities before taxation		<b>(575 571)</b>	<b>140 972</b>	<b>(434 599)</b>	(539 434)	84 515	(454 919)
Tax on surplus on ordinary activities	5	942	4 247	5 189	188	893	1 081
(Deficit) for the financial year and total comprehensive income		<b>(576 513)</b>	<b>136 725</b>	<b>(439 788)</b>	(539 622)	83 622	(456 000)

There were no recognised gains and losses for 2022 and 2021 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2022 (2021: Nil).

The CLC has intentionally run a planned deficit in 2022. 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 2022

	Note	Practice Fund 2022 £	Compensation Fund 2022 £	Total 2022 £	Practice Fund 2021 £	Compensation Fund 2021 £	Total 2021 £
<b>Fixed assets</b>							
Tangible assets	6	4 568	-	4 568	7 235	-	7 235
		<u>4 568</u>		<u>4 568</u>	<u>7 235</u>		<u>7 235</u>
<b>Current assets</b>							
Debtors	7	2 238 119	382 804	2 620 923	1 440 064	334 810	1 774 874
Cash at bank		1 613 675	5 601 153	7 214 828	2 522 863	6 131 212	8 654 075
Cash investments		-	1 052 738	1 052 738	-	1 041 834	1 041 834
		<u>3 851 794</u>	<u>7 036 695</u>	<u>10 888 489</u>	<u>3 962 927</u>	<u>7 507 856</u>	<u>11 470 783</u>
<b>Creditors: amounts falling due within one year</b>	8	<b>2 879 670</b>	<b>414 501</b>	<b>3 294 171</b>	2 416 957	351 416	2 768 373
Net current assets		<u>972 124</u>	<u>6 622 194</u>	<u>7 594 318</u>	<u>1 545 970</u>	<u>7 156 440</u>	<u>8 702 410</u>
Total assets less current liabilities		<b>976 692</b>	<b>6 622 194</b>	<b>7 598 886</b>	1 553 205	7 156 440	8 709 645
Provision for liabilities	9	-	1 924 445	1 924 445	-	2 595 416	2 595 416
Net assets		<u>976 692</u>	<u>4 697 749</u>	<u>5 674 441</u>	<u>1 553 205</u>	<u>4 561 024</u>	<u>6 114 229</u>
<b>Representing</b>							
Accumulated balance		<b>976 692</b>	<b>4 697 749</b>	<b>5 674 441</b>	1 553 205	4 561 024	6 114 229
		<u>976 692</u>	<u>4 697 749</u>	<u>5 674 441</u>	<u>1 553 205</u>	<u>4 561 024</u>	<u>6 114 229</u>

Approved by the Council on 23 March 2023

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 2022

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Total Reserves £
At 1 January 2021	2 092 827	4 477 402	6 570 229	6 570 229
Deficit for the financial year and total comprehensive income	(539 622)	83 622	(456 000)	(456 000)
At 31 December 2021	<u>1 553 205</u>	<u>4 561 024</u>	<u>6 114 229</u>	<u>6 114 229</u>
Deficit for the financial year and total comprehensive income	(576 513)	136 725	(439 788)	(439 788)
At 31 December 2022	<u>976 692</u>	<u>4 697 749</u>	<u>5 674 441</u>	<u>5 674 441</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 2022

	Note	2022 £	2021 £
Net cash (utilised in) operating activities	10	<b>(1 452 497)</b>	(118 609)
Cash flows from investing activities			
Interest received		<b>27 308</b>	5 687
Payments to acquire fixed assets		<b>(3 154)</b>	(6 946)
Net cash flow from investing activities		<b>24 154</b>	(1 259)
Net (decrease) in cash and cash equivalents		<b>(1 428 343)</b>	(119 868)
Cash and cash equivalents at 1 January		<b>9 695 909</b>	9 815 777
<b>Cash and cash equivalents at 31 December</b>	10	<b>8 267 566</b>	<b>9 695 909</b>

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 2021	Cash flows	At 31 December 2022
Cash at bank and in hand	8 654 075	(1 439 247)	7 214 828
Cash investments	1 041 834	10 904	1 052 738
Cash and cash equivalents	9 695 909	(1 428 343)	8 267 566

## ACCOUNTING POLICIES

For the year ended 31 December 2022

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### 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 2022.

### 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 £580. The percentage charged is reviewed by the Council annually.
- An OLC levy on practices was introduced in November 2021. This levy serves to recover the cost of the Legal Ombudsman that is recharged to the CLC. The charge on practices comprises of an availability charge based on turnover and a usage fee based on the number of cases investigated.
- Individuals licensed by the CLC as Licensed Conveyancers or Probate practitioners pay a fixed annual fee to renew their license.

## ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2022

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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.

### 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

### 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.



## ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2022

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### Pension contributions

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

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

### Financial Instruments

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

### Practice Fund

The Practice Fund includes the usual operating costs of the organisation. Income is primarily generated from Practice Fees paid by CLC regulated practices, with the remaining revenue generated from individual license fees. A separate OLC levy on practices recovers the Legal Ombudsman cost that is recharged to the CLC.

### Practice Fund - Reserve policy

The Council has adopted a policy to hold a minimum of three months operating expenditure 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 2022

### 1. Turnover

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022 £	2022 £	2022 £	2021 £	2021 £	2021 £
Practice fees	1 390 791	-	1 390 791	1 606 222	-	1 606 222
Individual Licensing	634 911	-	634 911	602 082	-	602 082
Licensing administration fee	80 341	-	80 341	31 348	-	31 348
Miscellaneous income	-	-	-	49	-	49
OLC levy	804 096	-	804 096	143 965	-	143 965
<b>Income - Licensing</b>	<b>2 910 139</b>	<b>-</b>	<b>2 910 139</b>	<b>2 383 666</b>	<b>-</b>	<b>2 383 666</b>
Compensation Fund contributions	-	406 106	406 106	-	379 814	379 814
<b>Income – Compensation Fund</b>	<b>-</b>	<b>406 106</b>	<b>406 106</b>	<b>-</b>	<b>379 814</b>	<b>379,814</b>
<b>Total</b>	<b>2 910 139</b>	<b>406 106</b>	<b>3 316 245</b>	<b>2 383 666</b>	<b>379 814</b>	<b>2 763 480</b>

All turnover is from the rendering of services.

OLC charges have previously been recovered through the Practice Fee. Starting in November 2021, the OLC costs are being recovered from practices as a separate levy and this cost will no longer be recovered through the Practice Fee.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2. Operating costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
Staff cost	1 456 133	-	1 456 133	1 196 583	-	1 196 583
Staff cost recharge	(63 299)	63 299	-	-	-	-
<b>Employment costs</b>	<b>1 392 834</b>	<b>63 299</b>	<b>1 456 133</b>	<b>1 196 583</b>		<b>1 196 583</b>
Council Members	192 036	-	192 036	103 091	-	103 091
<b>Governance costs</b>	<b>192 036</b>		<b>192 036</b>	<b>103 091</b>		<b>103 091</b>
Licensing costs	31 606	-	31 606	7 608	-	7 608
Monitoring & Inspections	44 008	-	44 008	47 111	-	47 111
Compensation Fund grant provisions	-	(20 673)	(20 673)	-	269 296	269 296
Intervention	-	69 544	69 544	1 071	68 383	69 454
Communications	133 381	2 022	135 403	129 804	3 852	133 656
Insurance cost	58 467	-	58 467	56 034	-	56 034
Legal & Professional Fees	393 987	279 654	673 641	305 784	162 120	467 904
Adjudication costs	27 517	-	27 517	28 295	-	28 295
Travel costs	7 159	-	7 159	4 555	-	4 555
<b>Regulatory &amp; Public relations cost</b>	<b>696 125</b>	<b>330 547</b>	<b>1 026 672</b>	<b>580 262</b>	<b>503 651</b>	<b>1 083 913</b>
FCA fees	15 416	-	15 416	14 695	-	14 695
LSB Operating cost recharge	34 045	-	34 045	31 930	-	31 930
OLC recharge	811 823	-	811 823	621 293	-	621 293
OpBas levy	5 207	-	5 207	5 000	-	5 000
<b>Fees and recharges</b>	<b>866 491</b>		<b>866 491</b>	<b>672 918</b>		<b>672 918</b>
Premises cost	227 440	-	227 440	266 127	-	266 127
General office administration cost	14 823	-	14 823	6 904	-	6 904
IT Infrastructure & software	47 863	-	47 863	50 418	(491)	49 927
External Auditor fees	18 708	-	18 708	16 824	-	16 824
Internal Auditor fees	29 469	-	29 469	23 986	-	23 986
Finance costs	232	-	232	352	-	352
Depreciation	4 646	-	4 646	6 629	-	6 629
<b>Administration expenses</b>	<b>343 181</b>		<b>343 181</b>	<b>371 240</b>	<b>(491)</b>	<b>370 749</b>
	<b>3 490 667</b>	<b>393 846</b>	<b>3 884 513</b>	<b>2 924 094</b>	<b>503 160</b>	<b>3 427 254</b>

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 2022

### 3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022 £	2022 £	2022 £	2021 £	2021 £	2021 £
Attendance costs	190 741	-	190 741	102 180	-	102 180
Travel and subsistence	1 295	-	1 295	911	-	911
	<u>192 036</u>	<u>-</u>	<u>192 036</u>	<u>103 091</u>	<u>-</u>	<u>103 091</u>

At the end of the year there were 10 Council members (2021: 10).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
<b>Salaries</b>						
Staff salaries	1 044 955	-	1 044 955	938 303	-	938 303
National insurance contributions	133 561	-	133 561	113 149	-	113 149
Defined contribution pension scheme	100 573	-	100 573	92 945	-	92 945
Other staff benefits and training	32 363	-	32 363	26,770	-	26,770
Recruitment costs	83 896	-	83 896	23 466	-	23 466
Temporary staff costs	60 785	-	60 785	1 950	-	1 950
Staff cost recharge	(63 299)	63 299	-	-	-	-
	<u>1 392 834</u>	<u>63 299</u>	<u>1 456 133</u>	<u>1 196 583</u>	<u>-</u>	<u>1 196 583</u>

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022	2022	2022	2021	2021	2021
	Avg No.	Avg No.	Avg No.	Avg No.	Avg No.	Avg No.
Key management	3	-	3	3	-	3
Direct staff	12	-	12	12	-	12
	<u>15</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>-</u>	<u>15</u>

### Key management remuneration

	2022	2021
	£	£
Key management emoluments	499 693	392 146
Key management defined contribution pension scheme payments	46 231	39 421
	<u>545 924</u>	<u>431 567</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 5. Taxation on ordinary activities

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022 £	2022 £	2022 £	2021 £	2021 £	2021 £
<b>Analysis of charge for the year</b>						
Current tax:						
UK corporation tax based on interest income for the year at 19%	942	4 247	5 189	188	893	1 081
	<u>942</u>	<u>4 247</u>	<u>5 189</u>	<u>188</u>	<u>893</u>	<u>1 081</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>(575 571)</u>	<u>140 972</u>	<u>(434 599)</u>	<u>(539 434)</u>	<u>84 515</u>	<u>(454 919)</u>
(Deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(109 358)	26 785	(82 573)	(102 492)	16 058	(86 434)
Effect of:						
Net income not chargeable for tax purposes	110 300	(22 538)	87 762	102 680	(15 165)	87 515
Current tax charge for the year	<u>942</u>	<u>4 247</u>	<u>5 189</u>	<u>188</u>	<u>893</u>	<u>1 081</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 6. Fixed assets

Practice fund	Office Equipment	Computer Equipment		Total
		Tangible	Intangible	
	£	£	£	£
Cost	3 318	23 065	177 795	204 178
At 31 December 2021				
Additions	-	3 154	-	3 154
Disposals	(855)	(3,331)	-	(4 186)
At 31 December 2022	<u>2 463</u>	<u>22 888</u>	<u>177 795</u>	<u>203 146</u>
Accumulated depreciation				
At 31 December 2021	2 798	16 350	177 795	196 943
Charge for the year	323	4 322	-	4 645
Written out on disposals	(658)	(2,352)	-	(3 010)
At 31 December 2022	<u>2 463</u>	<u>18 320</u>	<u>177 795</u>	<u>198 578</u>
Net book value				
At 31 December 2022	<u>-</u>	<u>4 568</u>	<u>-</u>	<u>4 568</u>
At 31 December 2021	<u>520</u>	<u>6 715</u>	<u>-</u>	<u>7 235</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 7. Debtors

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
Trade debtors	1 479 508	361 315	1 840 823	1 178 628	308 788	1 487 416
Compensation Fund fees	(21 489)	21 489	-	(26 022)	26 022	-
Prepayments and accrued income	780 100	-	780 100	287 458	-	287 458
	<u>2 238 119</u>	<u>382 804</u>	<u>2 620 923</u>	<u>1 440 064</u>	<u>334 810</u>	<u>1 774 874</u>

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

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
Trade creditors	90 449	-	90 449	20 524	-	20 524
Corporation tax	942	4 247	5 189	189	892	1 081
Other taxation and social security	43 854	-	43 854	36 625	-	36 625
Accruals and deferred income	2 744 425	410 254	3 154 679	2 359 619	350 524	2 710 143
	<u>2 879 670</u>	<u>414 501</u>	<u>3 294 171</u>	<u>2 416 957</u>	<u>351 416</u>	<u>2 768 373</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 9. Provision for liabilities

Compensation Fund	Provision for compensation grants 2022 £	Provision for compensation grants 2021 £
<b>Provisions</b>		
Balance brought forward	2 595 416	2 397 644
New provisions for the year	4 462	269 326
Amounts paid during the year	(615 080)	(71 554)
Reversal of unused provisions	(60 353)	-
Balance carried forward	<u>1 924 445</u>	<u>2 595 416</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.

As a result of two past interventions the CLC has made provision for probable claims against the Compensation Fund. The estimated claims arising from the interventions are £1,351,952 and £3,364,374 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 remains at £1,864,374 (2021: £1,864,374).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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

	2022 £	2021 £
(Deficit) for the year	<b>(439 788)</b>	(456 000)
Adjustments to reconcile (deficit) for the year to net cash flow from operating activities		
Depreciation of fixed assets	<b>4 645</b>	6 631
(Decrease)/Increase in provisions	<b>(670 971)</b>	197 772
Write off of tangible fixed assets	<b>1 176</b>	-
Interest received	<b>(27 308)</b>	(5 687)
Tax on surplus from operating activities	<b>5 189</b>	1 081
Working Capital Movements		
(Increase)/Decrease in debtors	<b>(846 049)</b>	166 672
Increase/(Decrease) in creditors	<b>521 690</b>	(23,933)
Cash from operations	<b>(1 451 416)</b>	(113 464)
Taxation		
Corporation tax paid	<b>(1 081)</b>	(5 145)
Net cash (outflow) from operating activities	<b>(1 452 497)</b>	(118 609)

**(b) Cash and cash equivalents**

	2022 £	2021 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	<b>7 214 828</b>	8 654 075
Cash investments	<b>1 052 739</b>	1 041 834
Cash and cash equivalents	<b>8 267 567</b>	9 695 909

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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### 11. 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.

### 12. Operating leases commitments

The following operating lease payments are committed to be paid:

	2022 £	2021 £
Less than one year	112 175	230 699
Between one and five years	-	118 524
More than five years	-	-
	<u>112 175</u>	<u>349 223</u>

Premises and certain scanners, printers and copiers are now leased under operating leases. During the year £230 699 (2021: £266 128) was recognised as an expense in the income statement in the form of operating leases.

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

No intervention Funds were recognised as income in 2022 (2021: £32 401), in accordance with our policy, aged intervention funds are recognised as income in the Compensation Fund once interventions are substantially completed, and where the beneficiaries 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 or practices unable to obtain PII cover and at 31 December 2022 holds £779 844 (2021: £459 418) 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 2022

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Chair	Dame J Paraskeva	Lay Member
Members	Mr A Cogbill	Lay Member
	Ms S Debney	Professional Member
	Ms V MacGregor	Lay Member (W.e.f. 1 May 2022)
	Ms T Perchard	Lay Member (Up to 30 April 2022)
	Ms A Pierce	Professional Member (Left 30 April 2022)
	Ms S Ryan	Professional Member (W.e.f. 1 May 2022)
	Ms S Szarka	Professional Member
	Mr C Wilby	Lay Member
	Ms J Quirke	Lay Member
	Mr M James	Lay Member
Ms S Kumar	Chief Executive	

### Committees of Council

#### Appointments Committee

Chair	Dame J Paraskeva
Members	Ms A Pierce (up to 30 April 2022)
	Mr C Wilby
	Ms S. Debney (w.e.f. 8 June 2022)

#### Audit and Risk Committee

Chair	Ms J Quirke
Members	Mr R Cryer (Independent member) (Up to 18 January 2023)
	Ms J Parker (Independent member) (W.e.f. 19 January 2023)
	Ms S Debney
	Teresa Perchard (Up to 30 April 2002)
	Andrea Pierce (Up to 30 April 2022)
	Ms S Ryan (w.e.f. 1 May 2022)
Ms V MacGregor (w.e.f. 1 May 2022)	

#### Remuneration Committee

Chair	Mr C Wilby
Members	Mr A Cogbill
	Mr M James
	Ms S Szarka

## COUNCIL AND COMMITTEE MEMBERS (CONTINUED)

For the year ended 31 December 2022

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### Adjudication Panel

Chair	Ms V Goodfellow
Panel Members	Ms H Hildebrand (Up to 31 March 2022)
	Ms C Tetlow (Up to 18 May 2022)
	Mr P Brooks
	Ms C Fewings
	Ms R Forster (W.e.f. 1 August 2022)
	Mr A Hudson (W.e.f. 1 May 2022)
	Mr J Jones
	Ms I Leaviss (W.e.f. 1 May 2022)
	Mr R McKellar
	Mr G Seager (W.e.f. 1 May 2022)

## COUNCIL AND COMMITTEE ATTENDANCE

For the year ended 31 December 2022

	Council	Appointments Committee	Audit and Risk Committee	Remuneration Committee
Dame J Paraskeva	5/5	1/1		
Mr A Cogbill	5/5			1/1
Mr R Cryer			5/5	
Ms S Debney	5/5	1/1	4/5	
Mr M James	4/5			1/1
Ms V MacGregor	2/3		2/2	
Ms T Perchard	2/2		3/3	
Ms A Pierce	2/2		3/3	
Ms J Quirke	5/5		5/5	
Ms S Ryan	2/3		2/2	
Ms S Szarka	4/5			1/1
Mr C Wilby	5/5	1/1		1/1
Ms S Kumar	5/5			

### 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 Strategy and External Relations

Stephen Ward

Director of Finance and Operations

Jason Hinrichsen