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GOVERNANCE STATEMENT

For the Year ended 31 December 2016

Governance statement

The Council for Licensed Conveyancers (CLC) is the regulatory body for the profession of licensed conveyancers. It licenses Recognised Bodies and Alternative Business Structures providing conveyancing and probate services. The CLC was initially established under the terms of the Administration of Justice Act 1985 and also operates within the terms of the Courts and Legal Services Act 1990 and the Legal Services Act 2007, subject to the oversight of the Legal Services Board.

The CLC is a Designated Professional Body under Part XX of the Financial Services and Markets Act 2000 (FSMA 2000). As such the CLC is authorised to regulate licensed conveyancer practices in the provision of the Regulated Activities specified under Part II (Specified Activities) of the FSMA 2000 (Regulated Activities) Order 2001 in relation to which the General Prohibition imposed by section 19 FSMA 2000 does not apply as a result of Section 327 FSMA 2000.

Council and Committee meetings

Meetings of the Council take place at least twice each year, and are conducted in accordance with the CLC standing orders made on 20 February 2014. Refer to page 27 for attendance records.

The Chair and Members of the Council were appointed by a panel consisting of up to five individuals including an independent person. The Council selects the Chairs, members of the Audit and Risk Committee and the Remuneration Committee.

The business considered by the Council at meetings includes:

- Matters of policy;
- The making of Rules;
- Approval of the Annual Report;
- Approval of the Annual Financial Statements;
- Approval of contributions by CLC Practices and Licensed Conveyancers to the Compensation Fund, practice fees and all licence fees;
- Noting the reports and making appropriate actions from the minutes of committees.
- Delegation of authority to the executive.
- Review of performance against the budget and business plan.

The meetings of each Committee take place on a regular basis throughout the year, on such dates as determined by the Chair of the particular committee. Meetings of these Committees are conducted in accordance with Standing Orders for Committees made on 20 February 2014. The minutes of all meetings of all Committees (or a report on the Minutes) are approved at the next meeting of the Committee. Thereafter they are submitted to the next meeting of the Council for noting. Each Council member has an opportunity to raise queries on any item in the minutes.

The meetings of the Council and Committees are held in private, however minutes are published on the CLC website. Disciplinary hearings of the Adjudication Panel are open to the public.

Responsibilities of the Council

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

The Council exercises oversight over the executive by regularly monitoring progress against the approved budget and business plan. The executive reports performance against budget and business plan to the Council on at least a quarterly basis. The Council takes an active role in developing and setting the CLC objectives and budget.

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

- Keep proper account of all sums received or paid by it and proper records in relation to those accounts;
- Appoint auditors to the Council, each of whom shall be eligible for appointment as a statutory auditor under part 42 of the Companies Act 2006;
- Cause their Financial Statements to be audited annually by auditors to the Council; and, as soon as is practical after the Financial Statements for any period have been audited, to cause them to be published and a copy of them sent to the Lord Chancellor, together with a copy of any report of the auditors.

GOVERNANCE STATEMENT (CONTINUED)

For the Year ended 31 December 2016

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 2016

Responsibilities

The Council for Licensed Conveyancers (CLC) maintains a sound system of internal control that supports the achievement of the CLC's policies, aims and objectives whilst safeguarding the CLC's funds and assets.

The system of internal control

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

Risk management

In 2016 the CLC undertook a full review of its strategic risk register and as a result this has been fully updated. The Senior Management Team then worked with managers and staff to identify the inherent and residual risks, following which an operational risk register was created.

The strategic risk register is 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 strategic risk within the CLC
Chief Executive	<ul style="list-style-type: none"> Accountable to the Council for the effective management of risk within the CLC
Audit and Risk Committee	<ul style="list-style-type: none"> Providing assurance to the Council on the effectiveness of the strategic 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 strategic 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 2016

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 who joined during the year. The Committee met five times during the year ended 31 December 2016 to enable effective scrutiny and effectively report at each Council meeting.

The CEO produces a quarterly Governance Statement to the Committee which includes Statements of Internal Control by each of the Directors on actions being taken and to be taken to manage risks in their areas of responsibility, including risks associated with major projects being undertaken by the CLC. The Chair reports to the Chair of the Council and to the Council concerning internal controls on financial and operational matters and provides an annual report to the Council.

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 2016 year focused on the following areas:

- Licensing
- Governance
- Management information
- Inspections
- Education – New qualifications
- CRM phase II
- Follow up (on previous recommendations)

The Internal Auditors' audit opinion for 2016 was that the CLC has an adequate and effective framework for risk management, governance and internal control. Furthermore, their work identified further enhancements to ensure the framework of risk management, governance and internal controls remains adequate and effective.

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 2016

Independent auditor's report to the Members of the Council

We have audited the financial statements of the Council for Licensed Conveyancers for the year ended 31 December 2016 on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of the Council and Auditor

As explained more fully in the Statement of the Council's Responsibilities set out on page 2, the CLC is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CLC's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the CLC; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governance Statement and Statement of Internal Control to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the CLC's affairs as at 31 December 2016 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL (CONTINUED)

For the Year ended 31 December 2016

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the CLC 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.



SCRUTTON BLAND
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR
FITZROY HOUSE, CROWN STREET, IPSWICH,
SUFFOLK IP1 3LG
28 March 2016

Scrutton Bland 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 2016

	Note	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £	Restated Practice Fund 2015 £	Restated Compensation Fund 2015 £	Restated Total 2015 £
Turnover	1	2 948 636	550 343	3 498 979	2 798 999	543 556	3 342 555
Operating costs	2	2 465 815	565 627	3 031 442	2 754 527	973 733	3 728 260
Operating surplus/(deficit) excluding exceptional items		<u>482 821</u>	<u>(15 284)</u>	<u>467 537</u>	44 472	(430 177)	(385 705)
Take on of aged balances	9	-	724 931	724 931	-	-	-
Take on of intervention funds	15	-	726 856	726 856	-	-	-
Operating surplus including exceptional items		<u>482 821</u>	<u>1 436 503</u>	<u>1 919 324</u>	44 472	(430 177)	(385 705)
Profit of sale of fixed assets		948 318	-	948 318	9 323	-	9 323
Bank interest receivable		6 835	21 297	28 132	5 871	25 764	31 635
Surplus/(deficit) on ordinary activities before taxation		<u>1 437 974</u>	<u>1 457 800</u>	<u>2 895 774</u>	59 666	(404 413)	(344 747)
Tax on surplus/(deficit) on ordinary activities	5	65 566	4 320	69 886	(1 206)	5 153	3 947
Surplus/(deficit) for the financial year and total comprehensive income/(expense)		<u><u>1 372 408</u></u>	<u><u>1 453 480</u></u>	<u><u>2 825 888</u></u>	<u>60 872</u>	<u>(409 566)</u>	<u>(348 694)</u>

The deficit recognised on the Compensation Fund for 2015 is attributed to an increase in the provision for claims payable from the Compensation fund. See note 9.

There were no recognised gains and losses for 2016 or 2015 other than those included in the Statement of Comprehensive Income including the profit and loss account. There was no other comprehensive income for 2016 (2015: Nil).

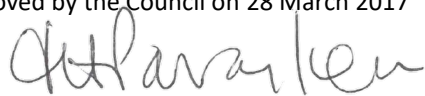
The notes on pages 16 to 25 and the accounting policies set out on pages 12 to 15 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £	Restated Practice Fund 2015 £	Restated Compensation Fund 2015 £	Restated Total 2015 £
Fixed assets							
Intangible assets	6	65 787	-	65 787	79 401	-	79 401
Tangible assets	6	20 015	-	20 015	763 056	-	763 056
		<u>85 802</u>	<u>-</u>	<u>85 802</u>	<u>842 457</u>	<u>-</u>	<u>842 457</u>
Current assets							
Debtors	7	1 737 946	469 687	2 207 633	1 832 302	427 168	2 259 470
Cash at bank		3 725 386	5 207 477	8 932 863	2 126 748	2 933 927	5 060 675
Cash investments		-	1 013 625	1 013 625	-	2 003 152	2 003 152
		<u>5 463 332</u>	<u>6 690 789</u>	<u>12 154 121</u>	<u>3 959 050</u>	<u>5 364 247</u>	<u>9 323 297</u>
Creditors: amounts falling due within one year	8	2 491 295	525 962	3 017 257	2 636 170	445 670	3 081 840
Net current assets		<u>2 972 037</u>	<u>6 164 827</u>	<u>9 136 864</u>	<u>1 322 880</u>	<u>4 918 577</u>	<u>6 241 457</u>
Total assets less current liabilities		3 057 839	6 164 827	9 222 666	2 165 337	4 918 577	7 083 914
Provision for liabilities	9	-	1 988 985	1 988 985	1 516	2 196 215	2 197 731
Net assets		<u>3 057 839</u>	<u>4 175 842</u>	<u>7 233 681</u>	<u>2 163 821</u>	<u>2 722 362</u>	<u>4 886 183</u>
Representing							
Accumulated balance		3 057 839	4 175 842	7 233 681	1 685 431	2 722 362	4 407 793
Revaluation reserve		-	-	-	478 390	-	478 390
		<u>3 057 839</u>	<u>4 175 842</u>	<u>7 233 681</u>	<u>2 163 821</u>	<u>2 722 362</u>	<u>4 886 183</u>

Approved by the Council on 28 March 2017



J Paraskeva (Chair)



S Kumar (Chief Executive Officer)

The notes on pages 16 to 25 and the accounting policies set out on pages 12 to 15 form part of these Financial Statements.

STATEMENT OF CHANGES IN RESERVES

For the Year ended 31 December 2016

	Practice Fund Accumulated Balance £	Compensation Fund Accumulated Balance £	Total Accumulated Balance £	Practice Fund Revaluation Reserve £	Total Reserves £
At 1 January 2015	1 624 559	3 131 928	4 756 487	478 390	5 234 877
Surplus/(deficit) for the financial year and total comprehensive income/(expense)	60 872	(409 566)	(348 694)	-	(348 694)
At 31 December 2015	<u>1 685 431</u>	<u>2 722 362</u>	<u>4 407 793</u>	<u>478 390</u>	<u>4 886 183</u>
Surplus/(deficit) for the financial year and total comprehensive income/(expense)	1 372 408	1 453 480	2 825 888		2 825 888
Revaluation reserve realised	-	-	-	(478 390)	(478 390)
At 31 December 2016	<u><u>3 057 839</u></u>	<u><u>4 175 842</u></u>	<u><u>7 233 681</u></u>	<u><u>-</u></u>	<u><u>7 233 681</u></u>

The notes on pages 16 to 25 and the accounting policies set out on pages 12 to 15 form part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2016

	Note	2016 £	2015 £
Net cash generated from operating activities	11	1 709 291	1 075 434
Cash flows from investing activities			
Interest received		28 132	31 635
Payments to acquire fixed assets		(55 192)	(30 751)
Receipts from sale of fixed assets		1 200 430	9 328
Net cash flow from investing activities		1 173 370	10 212
Net increase in cash and cash equivalents		2 882 661	1 085 646
Cash and cash equivalents at 1 January		7 063 827	5 978 181
Cash and cash equivalents at 31 December	11	9 946 488	7 063 827

The notes on pages 16 to 25 and the accounting policies set out on pages 12 to 15 form part of these Financial Statements.

ACCOUNTING POLICIES

For the year ended 31 December 2016

Organisation information

The Council for Licensed Conveyancers is a body corporate established by the Administration of Justice Act 1985. The Council for Licensed Conveyancers' principal place of business is 49-51 East Road, Old Street, London, N1 6AH.

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 2016.

Basis of preparation

The Financial Statements have been prepared under the historical cost convention, with the exception of freehold property, which was held at deemed cost, and in accordance with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and the Republic of Ireland and the Administration of Justice Act 1985.

The Financial Statements are presented in Sterling (£) and are rounded to the nearest £1.

Significant judgements and estimates

The preparation of Financial Statements in conformity with adopted Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Compensation Fund is established and administered by the CLC in accordance with Rules made under sections 21 and 38(1) of the Administration of Justice Act 1985. The Fund is maintained with the intention of providing a resource to meet claims arising as a consequence of dishonesty/fraud and failure to account by licensed conveyancers, or where there is a claim relating to negligence not covered under the terms of any insurance policy.

Provisions for payments to be made are recognised at the point at which it is considered that it is probable a payment will be made. Provisions for Compensation Fund claims are based on management's latest available estimates and judgements. Although the Council has received preliminary notice of some potentially significant claims on the Compensation Fund, it is the Council's belief that no further provision is needed for any claims on the basis that it is not probable that a transfer of economic benefit will be required.

Going Concern

Having considered the CLC's forecasts and projections, the Council are satisfied that the CLC has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the Council continue to adopt the going concern basis in preparing the financial statements.

Income

Education income

- student registration fees are treated as income in the year to which they relate.
- Distance learning fees are treated as income at the time the course material is delivered.
- Other course fees and examination fees are recognised as income in the year that the course or examination is held.

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 £1 070. 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.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2016

- 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:

Freehold premises - 2% straight line

Office equipment, fixtures & fittings - 33 1/3% straight line

Computer equipment – 33 1/3% straight line

Intangibles

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is charged so as to allocate the cost of intangibles less their residual values over the estimated useful lives, using the straight-line method. Amortisation is charged to operating costs in the Statement of Comprehensive Income including the Profit and Loss Account. The rates used for the principal categories are:

Computer equipment – 33 1/3% straight line.

Debtors

Short term debtors are measured at transaction price, less any impairment or provision for irrecoverable amounts.

Creditors

Short term creditors are measured at the transaction price.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2016

Taxation

The charge for taxation is based on interest income and profit on sale of the property sold during the year. The charge takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes, including making provision for taxation where assets are carried at a valuation.

Full provision is made for deferred taxation on all timing differences. The rate of tax used is that which is expected to be applied when the liability is expected to crystallize, based on tax rates that have been enacted on the balance sheet date. Deferred taxation assets are recognised when their recoverability is sufficiently certain.

Pension contributions

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

Contributions are paid by the CLC and employees. The pension charge represents contributions payable by the CLC for the year. The CLC's liability is limited to the amount of the contribution. The CLC contributes 5% of the 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 education services and individual license fees.

Practice fund - Reserve policy

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

Commissions

The CLC periodically received commissions payable under the Master Policy Scheme. These commissions were used exclusively for the direct benefit of the profession and were recognised as income at the point receipt was virtually certain. In July 2015, the Council passed a resolution that the commissions should be rebated back to the profession. Therefore, such commissions from July 2015 are no longer recognised as income. The master policy scheme was discontinued in June 2016.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2016

Restatement

The Statement of Comprehensive Income including the Profit and Loss Account has been restated to more appropriately reflect the nature of the CLC's trading activities. As a result of this restatement, various items of income and expenditure have been reclassified.

The Statement of Financial Position has been restated so that assets previously recognised as tangible can be recognised as intangible.

The restatements have not impacted on the reported surplus/(deficit) for the year or the net assets at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Turnover

	Practice Fund	Compensation Fund	Total	Restated Practice Fund	Restated Compensation Fund	Restated Total
	2016	2016	2016	2015	2015	2015
	£	£	£	£	£	£
Practice fees	2 122 632	-	2 122 632	1 815 060	-	1 815 060
Individual Licensing	535 394	-	535 394	522 559	-	522 559
Licensing administration fee	45 143	-	45 143	20 794	-	20 794
CPD income	6 375	-	6 375	7 350	-	7 350
Miscellaneous income	5 110	-	5 110	5 971	-	5 971
Income - Licensing	2 714 654	-	2 714 654	2 371 734	-	2 371 734
Student registration fees	65 912	-	65 912	82 193	-	82 193
Examination fees	45 235	-	45 235	28 175	-	28 175
Distance learning fees	100 155	-	100 155	274 427	-	274 427
Revision income	15 775	-	15 775	21 175	-	21 175
Education administration fees	6 905	-	6 905	21 295	-	21 295
Income – Education	233 982	-	233 982	427 265	-	427 265
Compensation Fund contributions	-	550 343	550 343	-	464 516	464 516
Additional contributions raised through commissions	-	-	-	-	79 040	79 040
Income – Compensation Fund	-	550 343	550 343	-	543 556	543 556
Total	2 948 636	550 343	3 498 979	2 798 999	543 556	3 342 555

Turnover, analysed by category, was as follows:

	Practice Fund	Compensation Fund	Total	Practice Fund	Compensation Fund	Total
	2016	2016	2016	2015	2015	2015
	£	£	£	£	£	£
Rendering of Services	2 948 636	550 343	3 498 979	2 798 999	464 516	3 263 515
Commissions	-	-	-	-	79 040	79 040
	2 948 636	550 343	3 498 979	2 798 999	543 556	3 342 555

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. Operating costs

	Practice Fund	Compensation Fund	Total	Restated Practice Fund	Restated Compensation Fund	Restated Total
	2016	2016	2016	2015	2015	2015
	£	£	£	£	£	£
Staff cost	1 108 484	-	1 108 484	1 309 572	-	1 309 572
Employment costs	1 108 484	-	1 108 484	1 309 572	-	1 309 572
Council members	101 086	-	101 086	102 578	-	102 578
Governance costs	101 086	-	101 086	102 578	-	102 578
Licensing costs	21 524	-	21 524	16 496	-	16 496
Monitoring & Inspections	56 585	-	56 585	49 965	-	49 965
Compensation fund grant provisions	-	472 066	472 066	-	950 351	950 351
Intervention	61 970	-	61 970	215 865	-	215 865
Public relations	192 503	-	192 503	99 526	-	99 526
Insurance cost	55 292	6 156	61 448	65 367	27 660	93 027
Legal & Professional Fees	-	87 405	87 405	-	(4 328)	(4 328)
Adjudication costs	10 368	-	10 368	9 146	-	9 146
Travel costs	13 778	-	13 778	18 331	-	18 331
Regulatory & Public relations cost	412 020	565 627	977 647	474 696	973 683	1 448 379
FCA fees	11 220	-	11 220	11 415	-	11 415
LSB Operating cost recharge	25 390	-	25 390	25 556	-	25 556
OLC recharge	226 258	-	226 258	251 340	-	251 340
Fees and recharges	262 868	-	262 868	288 311	-	288 311
Distance Learning costs	52 321	-	52 321	76 736	-	76 736
Exam costs	31 081	-	31 081	19 302	-	19 302
Revision costs	8 351	-	8 351	5 792	-	5 792
Consultancy fees	65 758	-	65 758	48 240	-	48 240
Education costs	157 511	-	157 511	150 070	-	150 070
Premises cost	159 915	-	159 915	105 070	-	105 070
General office administration cost	36 800	-	36 800	61 523	-	61 523
Legal & Professional fees	17 530	-	17 530	17 404	-	17 404
IT Infrastructure & software	87 637	-	87 637	100 847	-	100 847
External Auditor fees	15 180	-	15 180	15 983	-	15 983
Internal Auditor fees	20 609	-	20 609	22 130	-	22 130
Finance costs	4 881	-	4 881	14 036	50	14 086
Depreciation	81 294	-	81 294	92 307	-	92 307
Administration expenses	423 846	-	423 846	429 300	50	429 350
	2 465 815	565 627	3 031 442	2 754 527	973 733	3 728 260

Provision for payments to be made from the Compensation Fund are recognised at the point at which it is considered that it is probable that a payment will be made within 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. Council and Committee costs

	Practice Fund	Compensation Fund	Total	Restated Practice Fund 2015	Restated Compensation Fund 2015	Restated Total 2015
	2016 £	2016 £	2016 £	2015 £	2015 £	2015 £
Attendance costs	93 169	-	93 169	89 863	-	89 863
Travel and subsistence	7 917	-	7 917	6 138	-	6 138
Meeting costs	-	-	-	6 577	-	6 577
	101 086	-	101 086	102 578	-	102 578

The Chair's fees for the year were £24,062 (2015: £24,015)

At the end of the year there were 10 Council members. (2015: 9).

Meeting costs include all expenditure associated with the Council and Committee meetings, including the venue hire and refreshments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Staff costs and executive team remuneration

	Practice Fund	Compensation Fund	Total	Restated Practice Fund 2015	Restated Compensation Fund 2015	Restated Total 2015
	2016 £	2016 £	2016 £	2015 £	2015 £	2015 £
Salaries						
Staff salaries	797 879	-	797 879	862 742	-	862 742
National insurance contributions	91 042	-	91 042	91 599	-	91 599
Termination benefits	-	-	-	47 436	-	47 436
Defined contribution pension scheme	47 734	-	47 734	36 359	-	36 359
Other staff benefits	13 142	-	13 142	17 750	-	17 750
Staff training and recruitment	51 645	-	51 645	129 017	-	129 017
Temporary staff costs	107 042	-	107 042	124 669	-	124 669
	1 108 484	-	1 108 484	1 309 572	-	1 309 572

Termination benefits are payable when employment is terminated by the CLC before the normal retirement date. The CLC recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal.

	Practice Fund 2016 No.	Compensation Fund 2016 No.	Total 2016 No.	Practice Fund 2015 No.	Compensation Fund 2015 No.	Total 2015 No.
Key management	4	-	4	4	-	4
Direct staff	12	-	12	18	-	18
Project staff	-	-	-	4	-	4
	16	-	16	26	-	26

Project staff are those allocated to the archiving project.

Key management remuneration	2016 £	2015 £
Key management emoluments	352 274	343 219
Key management defined contribution pension scheme payments	28 728	23 348
	381 002	366 567

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. Taxation on ordinary activities

	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £	Practice Fund 2015 £	Compensation Fund 2015 £	Total 2015 £
Analysis of charge for the year						
Current tax:						
UK corporation tax based on interest income for the year at 20% (2015 – 20%)	1 367	4 259	5 626	1 174	5 153	6 327
Capital gain on property sale	65 715	-	65 715	-	-	-
Under provision in prior year		61	61	-	-	-
Movement in deferred tax	(1 516)	-	(1 516)	(2 380)	-	(2 380)
	<u>65 566</u>	<u>4 320</u>	<u>69 886</u>	<u>(1 206)</u>	<u>5 153</u>	<u>3 947</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 20% (2015: 20%). The differences are explained below:

Surplus/(Deficit) on ordinary activities before taxation	<u>1 437 974</u>	<u>1 457 800</u>	<u>2 895 774</u>	<u>59 666</u>	<u>(404 413)</u>	<u>(344 747)</u>
Surplus/(Deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20%)	287 595	291 560	579 155	11 933	(80 883)	(68 950)
Effect of:						
Net income not chargeable for tax purposes	(220 513)	(287 301)	(507 814)	(10 759)	86 036	75 277
Under provision in prior year	-	61	61			
Changes in deferred tax provision as a result of change in indexation	(1 516)	-	(1 516)	(2 380)	-	(2 380)
Current tax charge for the year	<u>65 566</u>	<u>4 320</u>	<u>69 886</u>	<u>(1 206)</u>	<u>5 153</u>	<u>3 947</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

6. Fixed assets

Practice fund	Freehold land and building	Fixtures & fittings	Office Equipment	Computer Equipment		Total
				Tangible	Intangible	
				£	£	
Cost or deemed cost						
At 31 December 2015	755 000	-	63 745	58 905	419 698	1 297 348
Additions	-	2 220	947	-	52 026	55 193
Disposals	(755 000)	-	(35 936)	(38 219)	(41 977)	(871 132)
At 31 December 2016	<u>-</u>	<u>2 220</u>	<u>28 756</u>	<u>20 686</u>	<u>429 747</u>	<u>481 409</u>
Accumulated depreciation						
At 31 December 2015	22 750	-	38 803	53 041	340 297	454 891
Charge for the year	-	740	9 354	3 863	65 640	79 597
Written out on disposals	(22 750)	-	(35 935)	(38 219)	(41 977)	(138 881)
At 31 December 2016	<u>-</u>	<u>740</u>	<u>12 222</u>	<u>18 685</u>	<u>363 960</u>	<u>395 607</u>
Net book value						
At 31 December 2016	<u>-</u>	<u>1 480</u>	<u>16 534</u>	<u>2 001</u>	<u>65 787</u>	<u>85 802</u>
At 31 December 2015	<u>732 250</u>	<u>-</u>	<u>24 942</u>	<u>5 864</u>	<u>79 401</u>	<u>842 457</u>

Additions in the year were mainly due to the investment into customer relationship management software, and furniture following a relocation of offices from Chelmsford to London.

Freehold land and buildings were revalued for the year ended 31 December 2013 at existing use value by S S Millar, MRICS of Kemsley LLP an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors being valued at £600,000 for 16-18 Glebe Road and £155,000 for Unit 4, Buckingham Court. In accordance with the transition provisions of FRS 102 this previous valuation has now been taken to be the deemed cost of the Freehold Land and Buildings.

During 2016 the properties located at 4 Buckingham Court and 16-18 Glebe Road were sold.

	2016 £	2015 £
In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:		
Historical cost	-	501 242
Historical accumulated depreciation	-	(160 848)
Historical net book value	<u>-</u>	<u>340 394</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

7. Debtors

	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £	Practice Fund 2015 £	Compensation Fund 2015 £	Total 2015 £
Trade debtors	2 042 074	-	2 042 074	2 031 271	-	2 031 271
Compensation fund fees	(469 687)	469 687	-	(376 243)	376 243	-
Prepayments and accrued income	165 559	-	165 559	177 274	50 925	228 199
	1 737 946	469 687	2 207 633	1 832 302	427 168	2 259 470

8. Creditors: amounts falling due within one year

	Practice Fund 2016 £	Compensation Fund 2016 £	Total 2016 £	Practice Fund 2015 £	Compensation Fund 2015 £	Total 2015 £
Trade creditors	36 845	8 400	45 245	109 272	-	109 272
Corporation tax	67 082	4 259	71 341	1 174	5 153	6 327
Other taxation and social security	32 412	-	32 412	27 773	-	27 773
Accruals and deferred income	2 354 956	513 303	2 868 259	2 497 951	440 517	2 938 468
	2 491 295	525 962	3 017 257	2 636 170	445 670	3 081 840

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

9. Provision for liabilities

Deferred tax liabilities are provided for at 20% (2015: 20%) in the financial statements as set out below:

Practice fund	Deferred taxation 2016 £	Deferred taxation 2015 £
Provision for freehold land and building revaluation		
Balance brought forward	1 516	3 892
Reversal of unused provisions on sale of property	(1 516)	(2 376)
Balance carried forward	-	1 516

Compensation fund	Provision for grants payable 2016 £	Aged balances 2016 £	Total 2016 £	Provision for grants payable 2015 £	Aged balances 2015 £	Total 2015 £
Provisions						
Balance brought forward	1 541 686	654 529	2 196 215	812 650	574 618	1 387 268
New provisions for the year	477 565	70 402	547 967	1 021 686	79 911	1 101 597
Amounts paid during the year	(24 766)	-	(24 766)	(123 260)	-	(123 260)
Reversal of unused provisions	(5 500)	-	(5 500)	(169 390)	-	(169 390)
Balance transferred to revenue	-	(724 931)	(724 931)	-	-	-
Balance carried forward	<u>1 988 985</u>	<u>-</u>	<u>1 988 985</u>	<u>1 541 686</u>	<u>654 529</u>	<u>2 196 215</u>

Provision for grants payable represents claims on the Compensation Fund. The grants are at the discretion of the CLC. The basis of the provision for grants is set out in the accounting policies.

During 2013 the CLC intervened into several practices. Two of the interventions have resulted in significant claims which could result in a payment from the Compensation Fund, the estimated claims arising from the interventions are £1,351,952 and £3,003,905 respectively. On the basis that the Compensation Fund insurance policy will settle these claims a provision was made in 2016 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 (2015: £1,503,905).

During the year the Council's policy with regard to aged balances was amended. As a result of this amendment the aged balances have been brought into the Compensation Fund reserves through the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

10. Financial Instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at amortised cost	<u>2 042 074</u>	<u>2 031 271</u>
	<u>2 042 074</u>	<u>2 031 271</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>281 449</u>	<u>357 771</u>
	<u>281 449</u>	<u>357 771</u>

Financial assets at amortised cost comprise trade debtors (note 7)

Financial liabilities measured at amortised cost comprise trade creditors and accruals (note 8)

11. Notes to the statement of cash flows

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

	2016 £	Restated 2015 £
Surplus/(deficit) for the year	2 825 888	(348 694)
Adjustment to reconcile profit for the year to net cash flow from operating activities		
Depreciation and impairment of fixed assets	79 597	92 307
(Decrease)/increase in provisions	(208 746)	808 947
Profit on disposal of tangible fixed assets	(948 318)	(4 785)
Interest received	(28 132)	(31 635)
Tax on surplus from operating activities	69 886	3 947
Working Capital Movements		
Decrease in debtors	51 837	103 110
(Decrease)/increase in creditors	(126 333)	462 073
Cash from operations	<u>1 715 679</u>	<u>1 085 270</u>
Taxation		
Corporation tax paid	(6 388)	(9 836)
Net cash inflow from operating activities	<u>1 709 291</u>	<u>1 075 434</u>

(b) Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	8 932 863	5 060 675
Cash investments	<u>1 013 625</u>	<u>2 003 152</u>
Cash and cash equivalents	<u>9 946 488</u>	<u>7 063 827</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

12. Contingent assets and liabilities

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

13. Related party transactions

The Council for Licensed Conveyancers is under the day to day control of the Chief Executive who reports to Council Members. The Council was established under the Administration of Justice Act 1985 as a body corporate. Other than as already disclosed in note 4, there are no related party transactions to report.

14. Operating leases

Non – cancellable operating lease rentals are payable as follows:

	2016 £	2015 £
Less than one year	4 927	4 927
Between two and five years	4 927	9 854
More than 5 years	-	-
	<u>9 854</u>	<u>14 781</u>

Certain scanners, printers and copiers are leased under operating leases. During the year £4,975 (2015 £4,767) was recognised as an expense in the income statement in the form of operating leases.

15. Monies held in respect of former practices

As at 31 December 2016 the Council held £726,856 (2015: £713,267) on behalf of the persons beneficially entitled to them. In accordance with our policy these funds were added to the Compensation Fund as the Interventions were substantially completed and the beneficiary was not identified.

COUNCIL AND COMMITTEE MEMBERS

For the year ended 31 December 2016

Council Members

The following members were appointed to the Council.

Chair	Ms J Paraskeva	Lay Member
Members	Mr A Clark	Professional Member
	Ms H Foster	Lay Member
	Mr R Gurney	Professional Member
	Mr J Jones	Professional Member
	Mr G Kidd	Lay Member (resigned 31/08/2016)
	Ms T Perchard	Lay Member
	Ms A Pierce	Professional Member
	Ms J Smith	Lay Member
	Mr Q Quayle	Lay Member (joined 01/10/2016)
Mr A Cogbill	Lay Member (joined 01/10/2016)	

Committees of Council

Audit and Risk Committee

Chair	Ms H Foster
Members	Mr A Clark
	Mr J Jones
	Ms T Perchard
	Mr R Cryer (joined 06/01/2016)

Remuneration Committee

Chair	Ms J Smith
Members	Mr R Gurney
	Mr A Clark
	Mr G Kidd (resigned 31/08/2016)

Adjudication Panel

Chair	Ms E Boothroyd
Panel Members	Ms M Coats (resigned 25/04/2016)
	Mr I Melville
	Mr R Morris
	Mr E Percival
	Mr J Wilson
	Ms C Tetlow (joined 01/05/2016)
	Ms H Hildebrand (joined 01/07/2016)

COUNCIL AND COMMITTEE MEMBERS (CONTINUED)

For the year ended 31 December 2016

Council and Committee attendance

	Council	Audit and Risk Committee	Remuneration Committee
Dame Janet Paraskeva	8/8		
Mr Alex Clark	7/8	5/5	4/5
Ms Heather Foster	8/8	5/5	
Mr Robert Gurney	7/8		5/5
Mr John Jones	7/8	5/5	
Mr George Kidd	4/5		3/3
Ms Teresa Perchard	7/8	4/5	
Ms Andrea Pierce	4/8		
Ms Jan Smith	5/8		4/5
Mr Q Quayle	1/1		
Mr A Cogbill	1/1		
Mr R Cryer		3/5	

Executive Team

The Chief Executive is responsible for the day to day management of the CLC, for implementing the policy decisions of the Council and its Committees and for ensuring that the CLC undertakes its operations within the budget approved by the Council. The Chief Executive is supported by a staff team of 15 employees.

Chief Executive	Sheila Kumar
Director of Regulatory Standards	Simon Blandy
Director of Strategy & External Relations	Stephen Ward
Director of Finance and Operations	Jason Hinrichsen (from 13 September 2016)
Director of Operations	Jeremy Hindmarsh (to 12 September 2016)