

***Budget 1 July 2011 to 30 June 2012***  
***Scottish Legal Complaints Commission***



**Date:** 18 April 2011

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# 1 Introduction

- 1.1 The SLCC is required to set its budget, the annual levy and the complaints levy each year. As part of that process the SLCC must consult with each relevant professional organisation concerning the budget and levies it intends to set for the forthcoming financial year.
- 1.2 Consultation has taken place and can be read on the SLCC's website.
- 1.3 This document sets out our finalised budget and levies for the operating year 1 July 2011 to 30 June 2012.

# 2 Summary

- 2.1 Anticipated expenditure - **£2,830,319** (last year £2,839,337)
- 2.2 Anticipated income from levy and other income - **£1,837,674**
- 2.3 Anticipated funds released from reserves - **£1,000,000** (last year £740,000)
- 2.4 The General Levy has been set at **£209/105/69** (last year £235/118/78)
- 2.5 Complaint Levy – **unchanged** from the 2010/11 year.

# 3 Approach

- 3.1 The approach the SLCC is taking in setting its budget and the General Levy is:
- To set out expenditure
  - From this, calculate the baseline general levy that would be required to cover this expenditure if no funding was made available from reserves
  - To then review reserve levels and decide what funds are to be made available to underwrite and reduce the General Levy
  - Set the actual Indicative General Levy
  - To review the Indicative General Levy in April in light of another quarter's financial data.
  - To set the final budget and General Levy in the second half of April 2011, then lay it before Parliament

# 4 Notes

## Expenditure

- 4.1 It is not intended in these notes to set out a line-by-line explanation of the anticipated expenditure as many of the costs are fixed. As can be seen from the summary sheet at appendix 1, the largest proportion of anticipated expenditure is on 'staff'. This includes staff salaries, member remuneration and expenses, and other staffing costs.
- 4.2 The expenditure budget line items are slightly different to last year, so to aid comparison; last year's budget figures have been expressed in the same way as this year and are included for information. As can be seen the budget overall is £9,018 less than last year. While this is not a significant reduction, what should be emphasised is the budget stated is to cover a greater range of functions and so amounts to delivering more for the same budget.
- 4.3 The expenditure set out also reflects the recent increase in the rate of VAT.

- 4.4 The most significant changes are increases in direct case costs, office running costs and staffing.
- The main reductions are in relation to special projects and operational contingency which have been reduced in light of experience in the current year.
  - Differently to last year, the SLCC has included provision for legal fees in relation to cases in the direct case costs line item. The level of expenditure set is based on current year expenditure, particularly in relation to anticipated legal costs. This line item also contains other direct case costs such as cost of mediators.
  - Office running costs are based on actual expenditure in the 2010/11 financial year and reflect the recent increase in VAT.
  - Staffing costs have increased very marginally because the headcount upon which it is based has increased. The 2011/12 budget is based on a headcount of 37 (rising to 37.5), compared to 35 last year. The increase is due to an anticipated increase in staff for oversight and handling complaint work. The SLCC delayed taking on staff for those functions until post-transitional arrangements from when it was anticipated the volume of handling complaints would increase. This approach will continue in 2011/12 with staff only being recruited if necessary.
  - Member costs include an increase in Member numbers from nine to 12 for part of the year. The estimated expenditure is based on the number of days for which they are contracted.
- 4.5 Contingency had been set to allow for an operational float (3% of running costs excluding contingency and depreciation) and a Legal Expenses contingency of £120,000. Any unused contingency will be added to reserves and 'returned' to the profession as part of the budget setting next year.

### **Reserves**

- 4.6 The SLCC has, on the advice of external auditors, put in place a reserves policy. The reserve is set at *up to* six months of running costs (excluding contingency) and no lower than a minimum three months of running costs. The main purpose of the reserve is to enable the SLCC to manage its risk in such a way as to ensure that it has sufficient funds to carry out its statutory function. It also enables the SLCC to maintain a consistent approach when setting the General Levy.
- 4.7 As the SLCC's business matures, risks associated with set-up are being addressed and managed. This is enabling the SLCC to release more funds to underwrite the General Levy and to hold fewer reserves.
- 4.8 As can be seen in appendix 4, the SLCC is making £1,000,000 available from reserves to underwrite the General Levy. This leaves the SLCC with anticipated reserves of approximately three and a half months of running costs.

### **Income**

- 4.9 The SLCC has used the following to calculate 'income':
- anticipated income from the General Levy
  - anticipated income from the Scottish Government to cover the outstanding work carried out under old SLSO powers; and
  - estimated income from interest earned.

It does not include income from complaint levies.

- 4.10 As can be seen, the level of income requested through the General Levy is less than anticipated expenditure. This is because the SLCC has released funds from its reserves to supplement this income and enable the General Levy to be reduced.

#### **General Levy setting**

- 4.11 The General Levy has been set using the same basis for calculations as in 2010/11 General Levy in respect of lawyers, conveyancing practitioners and executry practitioners. Appendix four sets out on what practitioner numbers it is based to give a levy of: **£209/105/69.**
- 4.12 To give an indication of the amount the General Levy would be if funds were not being made available, Appendix 3 sets out the baseline levy. **It should be noted that the SLCC is unlikely to be in a position to release such a high level of reserves next year and the levy in the 2012/13 year is likely to be closer to the baseline levy.**

#### **Complaint Levy**

- 4.13 The levels of the complaint levy itself remain unchanged from the 2009/2010 year and they have been set as *up to..* the amounts as set out in appendix 5. This is to reflect the recent change that was made to the SLCC's Rules that enables it to waive all or any part of the complaint levy in respect of a specific case. The figures shown in appendix 5 are the maximum amount at which a complaint levy will be set.

## Appendix 1 – Summary



**SLCC  
Summary Budget  
1 July 2011 to 30 June 2012**

**Expenditure £**

staff	1,775,657
running costs	837,299
contingency	217,363
<b>total</b>	<b>2,830,319</b>



**Indicative Income and Levy (not underwritten by reserves)**



**Baseline income required to cover expenditure £**

Levy from Law Society	-2,639,801
Levy from Faculty of Advocates	-74,683
Levy from Assoc of Commercial Attorneys	-434
Other Income	0
SLSO Costs Recovered from SG	-105,000
Estimate of Interest Earned	-17,000
<b>Total</b>	<b>-2,836,918</b>



**Baseline General Levy £**

Solicitors with 3+ years experience	329
Conveyancing Practitioner or Executry Practitioner 3+ years exp	329
Solicitors in 1st 3 years of practice	165
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	165
Practising Outwith Scotland	109
In-house Conveyancing Practitioner or Executry Practitioner	109
In-house lawyers	109
Advocates	165
Assoc of Commercial Attorneys	109



**Actual Income and Levy Underwritten By Reserves**



**Actual income including contribution from reserves £**

Levy from Law Society	-1,676,955
Levy from Faculty of Advocates	-47,443
Levy from Assoc of Commercial Attorneys	-276
Other Income	0
SLSO Costs Recovered from SG	-105,000
Estimate of Interest Earned	-8,000
<b>Total</b>	<b>-1,837,674</b>

**Contribution from SLCC Reserves**

<b>Total</b>	<b>-1,000,000</b>
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**Total Funds Available**

<b>Total</b>	<b>-2,837,674</b>
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**Actual general levy set £**

Solicitors with 3+ years experience	209
Conveyancing Practitioner or Executry Practitioner 3+ years exp	209
Solicitors in 1st 3 years of practice	105
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	105
Practising Outwith Scotland	69
In-house Conveyancing Practitioner or Executry Practitioner	69
In-house lawyers	69
Advocates	105
Assoc of Commercial Attorneys	69

**Total actual levy required from each professional body £**

Law Society of Scotland	1,676,955
Faculty of Advocates	47,443
Association of Commercial Attorneys	276
<b>total</b>	<b>1,724,674</b>

## Appendix 2 – Expenditure



## Budget 1 July 2011 to 30 June 2012



Summary of Expenditure	Budget 2011/12 £	2010/11 for comparison £	Variance £	Variance %
<b>Staff Remuneration and support costs</b>				
<b>Direct Staff costs</b>				
Staff salaries and NIC	1,479,124	1,442,868	36,256	3
Member salaries and NIC	201,464	208,167	-6,703	-3
	<b>1,680,588</b>	<b>1,651,035</b>	<b>29,553</b>	<b>2</b>
<b>Indirect Staff Costs</b>				
Staff training and development	30,000	50,000	-20,000	-40
Member training and development	15,000	15,000	0	0
Staff expenses	7,200	10,000	-2,800	-28
Member expenses	11,500	11,547	-47	-0
Other staff costs	31,369	34,772	-3,403	-10
	<b>95,069</b>	<b>121,319</b>	<b>-26,250</b>	<b>-78</b>
<b>Total Staff Costs</b>	<b>1,775,657</b>	<b>1,772,354</b>	<b>3,303</b>	<b>0.2</b>
<b>Non-staff costs</b>				
Property costs	322,320	303,874	18,446	6
Insurance	38,945	34,431	4,514	13
Office running costs	70,774	54,961	15,813	29
Direct case costs	109,140	25,109	84,031	335
Communications	64,990	67,402	-2,412	-4
IT Costs	71,680	81,042	-9,362	-12
Corporate legal costs	40,250	48,500	-8,250	-17
Audit Fees	28,000	33,000	-5,000	-15
Special projects and research	45,000	90,000	-45,000	-50
Rechargeable costs	0	0	0	0
Building Services and maintenance	12,000	14,600	-2,600	-18
Capital Asset Depreciation	34,200	36,000	-1,800	-5
<b>Total Non-Staff Costs</b>	<b>837,299</b>	<b>788,919</b>	<b>48,380</b>	<b>6</b>
<b>Total of staff and non staff running costs</b>	<b>2,612,956</b>	<b>2,561,273</b>	<b>51,683</b>	<b>2</b>
Operational contingency	217,363	278,064	-60,701	-22
<b>Total Costs</b>	<b>2,830,319</b>	<b>2,839,337</b>	<b>-9,018</b>	<b>-0.32</b>

## **Appendix 3 – Baseline Levy to Cover Expenditure**

### 2010/11 Baseline Annual Levy to recover full costs (less estimated SLSO costs and other income)

This is the amount the levy would need to be to cover the SLCC operational costs in full

Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,712	329	2,208,248
Conveyancing Practitioner or Executry Practitioner 3+ years exp	Annual Levy	9	329	2,961
Solicitors in 1st 3 years of practice	Annual Levy less 50%	799	165	131,436
Practising Outwith Scotland	Annual Levy less 66.6%	473	109	51,354
In-house Conveyancing Practitioner or Executry Practitioner	Annual Levy less 66.6%	4	109	434
In-house lawyers	Annual Levy less 66.6%	2,260	109	245,368
Advocates	Annual Levy less 50%	454	165	74,683
Assoc of Commercial Attorneys	Annual Levy less 66.6%	4	109	434
		<b>10,715</b>		<b>2,714,918</b>

## Appendix 4 – Actual General Levy

## SLCC Budget 1 July 2011 to 30 June 2012 Income, Reserves and General Levy

### Income

Levy from Law Society	-1,676,955
Levy from Faculty of Advocates	-47,443
Levy from Assoc of Commercial Attorneys	-276
Other Income	
SLSO Costs Recovered from SG	-105,000
Estimate of interest	-8,000
	<b>-1,837,674</b>

### Other Funds

Contribution from SLCC reserves	-1,000,000
<b>Total Funds Available</b>	<b>-2,837,674</b>

<b>Total Expenditure (contingency, staff and running costs)</b>	<b>2,830,319</b>
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<b>Total Income less Total Expenditure</b>	7,355	deficit in income against expenses 0.26%
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### Reserves

Predicted reserve at the end of the current year	1,770,000
Amount from reserves	<b>1,000,000</b>
Predicted balance of reserve	770,000

### General Levy

Category	Waiver	Practising Certificates	General Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,712	<b>209</b>	1,402,808
Conveyancing Practitioner or Executory Practitioner 3+ years exp	Annual Levy	9	<b>209</b>	1,881
Solicitors in 1st 3 years of practice	Annual Levy less 50%	799	<b>105</b>	83,496
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	Annual Levy less 50%		<b>105</b>	0
Practising Outwith Scotland	Annual Levy less 66.6%	473	<b>69</b>	32,623
In-house Conveyancing Practitioner or Executory Practitioner	Annual Levy less 66.6%	4	<b>69</b>	276
In-house lawyers	Annual Levy less 66.6%	2,260	<b>69</b>	155,872
Advocates	Annual Levy less 50%	454	<b>105</b>	47,443
Assoc of Commercial Attorneys	Annual Levy less 66.6%	4	<b>69</b>	276
		<b>10,715</b>		<b>1,724,674</b>

## Appendix 5 – Complaint Levy

## Complaints Levy 1 July 2011 to 30 June 2012

No changes made to amounts applicable in 2009/10 and 2010/11

	2009/10 up to	2010/2011 up to
Complaint not upheld at any stage	£0	£0
Complaint resolved at mediation	£0	£0
Investigation recommends complaint upheld in full or part, proposed settlement accepted - First Settlement	£500	£500
Investigation recommends complaint upheld in full or part, proposed settlement accepted - Second & Further Settlements	£700	£700
Formal Determination complaint upheld in full or part - First	£800	£800
Formal Determination complaint upheld in full or part - Second	£1,200	£1,200
Formal Determination complaint upheld in full or part - Third & Further Determinations	£2,000	£2,000



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