

Scottish Legal Complaints Commission

Annual Accounts

Year ended 30 June 2013



Laid before the Scottish
Parliament by the Scottish
Ministers under Section 22(5) of
the Public Finance and
Accountability Act 2000.
December 2013
SG/2013/285

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1 Foreword

- 1.1 The Scottish Legal Complaints Commission's accounts for the financial period ended 30 June 2013 are presented in accordance with paragraph 15 (1) of Schedule 1 of the Legal Profession and Legal Aid (Scotland) Act 2007. They are prepared in accordance with the Accounts Direction given by Scottish Ministers (see Appendix 1).

Background information

- 1.2 The Scottish Legal Complaints Commission ("the SLCC") is constituted under the terms of the Legal Profession and Legal Aid (Scotland) Act 2007, enacted on 1 October 2008.

Statutory powers and responsibilities

- 1.3 The SLCC's statutory functions cover three main areas: legal complaints, oversight of complaint handling by the legal profession and monitoring the effectiveness of the Scottish Solicitor's Guarantee Fund controlled and managed by the Law Society of Scotland ("the LSS") and professional indemnity arrangements maintained by the Relevant Professional Organisations on behalf of their members (eg the Master Policy).
- 1.4 The SLCC's function in respect of legal complaints is to:
- (i) receive and log all complaints about legal practitioners in Scotland, and to determine if they are eligible for investigation
 - (ii) remit complaints about legal practitioners' conduct to the Relevant Professional Organisation (RPO – the LSS, Faculty of Advocates and Association of Commercial Attorneys)
 - (iii) deal with complaints about inadequate professional service through mediation and/or investigation
 - (iv) receive, log and investigate complaints about how the RPOs investigated complaints about legal practitioners' conduct
- 1.5 The SLCC's function in respect of oversight of complaint handling includes:
- (i) monitoring and reporting on trends in the way the legal profession deals with complaints
 - (ii) auditing RPOs' conduct complaints records and
 - (iii) issuing guidance to the legal profession on dealing with complaints
- 1.6 The SLCC's function in respect of the effectiveness of the Guarantee Fund and indemnity arrangements allows us to make recommendations to the RPOs about the arrangements in place and has included research into the Guarantee Fund and the Master Policy.

Financial position

- 1.7 The SLCC's expenditure on operating activities for the period ended 30 June 2013 totalled £2,958,000. This was on staffing costs of £1,886,000, other operating costs of £961,000 and depreciation and amortisation of £111,000.
- 1.8 The SLCC's operating budget for the year ended 30 June 2013 was £2,787,000 of which £2,634,000 was raised by way of a general levy upon members of the legal profession. SLCC took the decision to limit the levy in the year and to meet the balance of planned expenditure from existing reserves. The professional bodies concerned are responsible for the collection of the levy which is payable to the SLCC on 1 July of each year. Income of £86,000 was generated from interest on deposits and complaints levies.

- 1.9 The SLCC continues to consider the complaints of the former Scottish Legal Services Ombudsman and this work remains publicly funded. For the period ended 30 June 2013 £5,000 was recovered by SLCC from the Scottish Government in respect of this work.

Retirement Benefits Schemes

- 1.10 Reference is made in Note 4 to the accounts to the operation and performance of the SLCC Pension Scheme and the Local Government Pension Scheme. The Remuneration Report contains specific disclosures relating to senior management.

Payment of creditors

- 1.11 The SLCC is committed to prompt payment of bills for goods and services received. Payments are normally made as specified in the agreed contract conditions. Where there is no contractual position or other understanding, we aim to pay for goods and services within 10 days. The payment performance for the period up to 30 June 2013 was 13% (2012, 66%) of bills paid within 10 days. In respect of bills for goods and services paid within 30 days, the SLCC's payment performance was 97% (2012, 96%)

Key Events of 2012-13

- 1.12 The key events of 2012-13 included the following:

- Jane Irvine ended her term as our Chairing Member on 31 December 2012. Bill Brackenridge was appointed as our new Chairing Member on 1 January 2013.
- Siraj Khan resigned as a non-lawyer member because of a move overseas. Kevin Dunion was appointed as his replacement.
- We closed 34% more complaints than the previous year and reduced our work in progress by almost a quarter.
- A restructuring exercise was carried out to support more efficient and effective ways of working
 - The Gateway and Investigation teams have been merged
 - More resource has been assigned to dealing with enquiries and to encouraging the early resolution of cases
 - A distinct Oversight team has been created to improve our work on standards and guidance to reduce complaints
- We have reviewed our policies and procedures to make sure that our approach to cases is proportionate given the constraints we have on resources

A summary of complaint statistics for the last two years is set out below :

- The table contains some adjustments to prior year data which should be made in considering the figures
 - Twelve cases which were closed in 2011/12 but which remained as work in progress due to compliance work were completed in 2012/13. An adjustment reflects that these cases belong to the previous year.
 - Four cases classified as ineligible in 2011/12 were reclassified as eligible following appeal. They have been added to complaints in hand for 2012/13

COMPLAINTS & ELIGIBILITY	2012/13	2011/12
Complaints in hand at start of year	783	566
Complaints closed post compliance work in previous year	-12	0
Complaints received in year	1,123	1264
Premature complaints reopened	48	0
Complaints reassessed as eligible on appeal	4	0
<i>Complaints under consideration</i>	1,946	1,830
Transition arrangements	0	0
Ineligible	-494	-314
Withdrawn / resolved before eligibility decision made	- 84	-128
Resolved at eligibility	-86	-57
Premature	-169	-115
Conduct	-100	-144
Potential service complaints	1,013	1072
<i>Complaints closed</i>	-386	-289
Complaints awaiting eligibility assessment at year end	188	296
Eligible service or hybrid complaints in progress	439	487
<i>Complaints in hand at end of year</i>	627	783

METHODS OF RESOLUTION		
Mediation	44	56
Investigation (conciliation without report)	19	19
Investigation (settlement with report)	46	46
Withdrawn at investigation	16	22
Determination	261	136
Other	0	10
Total	386	289
Partially/ Wholly Upheld at Determination	125	44
% Upheld at Determination	48%	32%

- 1.13 SLCC set its anticipated expenditure requirements for 2012-13 at £2,787,000 against which it received income of £2,720,000. Actual expenditure was £2,944,000 leaving an annual deficit of £224,000 after pension adjustments compared to the previous annual deficit of £755,000. As noted at 1.8 above, this deficit is as a result of the SLCC meeting costs from existing reserves and restricting the level of the levy in 2012-13.
- 1.14 The SLCC main under-spends against its planned budget were in the areas of research, corporate legal costs and communications. Savings were achieved in legal costs and communications following restructuring, and research activity has been at a lower level than originally budgeted.

- 1.15 The main over-spend against planned budget was in relation to legal costs. This was a result of the number of appeals that were made against SLCC complaints decisions and an ongoing requirement for advice in relation to interpretation of the Legal Profession and Legal Aid (Scotland) Act 2007.
- 1.16 Total reserves held at the end of the year amounted to £783,000 (compared to £1,033,000 at 30 June 2012). This reflected a decision by SLCC to seek to achieve total reserves broadly in line with three months planned expenditure.

Future direction

- 1.17 The SLCC aims to build trust and confidence in legal services in Scotland and has three objectives which support this vision.
- 1.18 We shall offer a high quality, independent and impartial service focussed on early resolution and the needs of users. We are working to resolve cases as early as we can in the process. We are focussing on mediation as a particular opportunity to encourage quick and fair settlement of issues.
- 1.19 We shall be efficient and accountable; tracking and improving our performance. We are funded by a levy on the legal profession and are acutely aware of the need for us to work as efficiently as possible. We shall be controlling our costs with particular focus on our non staff costs and expenditure on legal advice. We have reduced our cost per complaint closed in each of the last three years, but are continuing to seek out opportunities to realise further efficiencies.
- 1.20 We shall provide guidance and insight to improve standards of complaint handling in the profession, reducing our workload through preventative measures. After five years of operation we are now able to identify key trends and risks in legal complaint handling. We have insight into the reasons and business area profile behind complaints. We shall share this with the profession through increased outreach and communication work. We shall also provide the public with guidance to support informed use of legal services.

Risk

- 1.21 SLCC has a Risk Management Policy based on guidance contained in the Scottish Public Finance Manual. It has adopted a standard approach to risk management which is described in more detail in the governance statement. A risk register is maintained which identifies risks which may have an impact on the delivery of SLCC's corporate objectives. The high level risks identified are focused on:
- (i) Governance arrangements
 - (ii) Stakeholder engagement
 - (iii) Complaint handling
 - (iv) Business continuity and staffing

Control actions have been implemented to limit both the likelihood and impact of all of the above risks.

The Scottish Legal Complaints Commission

- 1.22 At the start of the year, the SLCC Board was made up of nine board members, three of whom had a legal background. The remaining members, including the Chairing Member were lay members. During the year the Chairing Member completed her period of

service on the Board and a further member resigned. Two new members were appointed, including one as the Chairing Member. This brought the number of members to nine at 30 June 2013.

	Appointment		Years
	From	To	
Chairing Member (Lay)			
Jane Irvine	01.01.2008	31.12.2012	5
Bill Brackenridge	01.01.2013	31.12.2017	5
Lay Members			
Siraj Khan	01.04.2011	28.02.2013	2
Iain McGrory	01.04.2011	31.03.2016	5
Fiona Smith	01.04.2011	31.03.2016	5
Dr. Samantha Jones	01.01.2012	31.12.2016	5
Ian Gibson	01.01.2012	31.12.2016	5
Kevin Dunion	01.03.2013	28.02.2018	5
Legal Members			
Maurice O'Carroll	01.04.2011	03.04.2016	5
George Clark	01.01.2012	31.12.2016	5
Ian Leitch	01.01.2012	31.12.2016	5

Equal opportunities and diversity

- 1.23 The SLCC is committed to the principle of equal opportunities across our functions and in our employment practices. We are committed to pursuing positive action in our policies and practices to ensure that no individual is discriminated against directly or indirectly, unlawfully, unjustifiably or unfairly because of their personal status in relation to race, ethnic or national origin, religion, age, gender, disability or sexual or marital status.

Provision of Information to Employees

- 1.24 The SLCC is committed to the principles of openness and participation with all staff. We place a high level of importance on consulting with and informing staff. We do this by providing access to information and papers, through oral and written briefings, by regular staff and team meetings and other events. Information is only withheld when shown to be justified or where a duty of confidence is owed to a third party.

Data Loss

- 1.25 There were no reported incidents of unauthorised exposure or loss of personal data during the financial year.

Audit

- 1.26 The accounts are audited by auditors appointed by the Auditor General for Scotland and he has appointed KPMG LLP as the SLCC Auditor for 2012-13. As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I

have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Environmental and sustainable development matters

1.27 The SLCC is committed to supporting national aims and policies on Environmental and Sustainable Development. We endeavour to run our organisation responsibly and ethically.

Staff Absence

1.28 The average number of staff days due to absence was 6.8 days per employee (2012, 4.6 days) including long term sickness absence, compared to a public sector average of 7.9 days. Reasons for absence are monitored on an on going basis in order that the senior management team may manage absence effectively.

A handwritten signature in blue ink, appearing to read 'M. Vickers', is written over the printed name and title.

Matthew Vickers
Chief Executive Officer

24th September 2013

2 Remuneration Report

This section of the report is subject to audit

The Board, having considered the requirements of the Government Financial Reporting Manual and the responsibilities of managers within the SLCC, consider that only the remuneration of the CEO falls to be disclosed.

Remuneration - CEO

- 2.1 The CEO's remuneration is approved by the Board. It is subject to and compliant with Public Sector Pay Policy. Matthew Vickers was appointed as permanent CEO with effect from 6 June 2012. The CEO's salary shown includes basic salary only; it does not include employer national insurance or pension contributions.

	Matthew Vickers		Rosemary Agnew	David Buchanan-Cook
	2012-13 £'000	2011-12 £'000	2011-12 £'000	2011-12 £'000
Salary range	70-75	0-5	60-65	0-5
Pension Contributions	5-10	Nil	5-7.5	0-2.5
Benefits in kind	Nil	Nil	Nil	Nil

Chair's/Board fees

- 2.2 SLCC Board members are eligible to claim out of pocket expenses relating to their work as SLCC Board members. Board remuneration has been determined in line with Public Sector Pay Policy for Senior Appointments; Chief Executive, Chairs and Members. Further information can be found at www.scotland.gov.uk/publications.

Remuneration – Band 2	2012-13	2012-13	2011-12	2011-12
	Daily Fees £ Actual	£'000 Actual	Daily Fees £ Actual	£'000 Actual
Jane Irvine, Chair	313	15-20	313	50-55
Bill Brackenridge	313	10-15	N/A	N/A
Iain McGrory	212	15-20	212	15-20
George Clark	212	15-20	212	5-10
Ian Gibson	212	10-15	212	10-15
Fiona Smith	212	10-15	212	10-15
Maurice O'Carroll	212	5-10	212	5-10
Dr Samantha Jones	212	15-20	212	10-15
Siraj Khan	212	5-10	212	15-20
Ian Leitch	212	10-15	212	5-10
Kevin Dunion	212	0-5	N/A	N/A

2.3 Hutton Review of Fair Pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the SLCC in the financial year 2012-13 was £70,000 to £75,000 (2011-12, £70,000 to £75,000). This was 2.1 times (2011-12, 2.2 times) the median remuneration of the workforce, which was £33,835 (2011-12, £32,562).

In 2012-13, no employees received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

SLCC salaries, in line with public sector pay policy, have been frozen over this period for those earning in excess of £21,000 per annum.



Matthew Vickers
Chief Executive Officer

24th September 2013

3 Statement of Accountable Officer's responsibilities

- 3.1 The CEO is designated the Accountable Officer for the SLCC. This is confirmed in the SLCC's governance arrangements.
- 3.2 The relevant responsibilities as Accountable Officer are set out in the Memorandum to Accountable Officers for other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual and reflected in the SLCC's rules. These responsibilities include responsibility for the propriety and regularity of finances and for the keeping of proper records. The Memorandum is available at <http://www.scotland.gov.uk/Topics/Government/Finance/spfm/Accountability/aomemoother>
- 3.3 Under paragraph 15 (1) of Schedule 1 of the Legal Profession and Legal Aid (Scotland) Act 2007, the SLCC is required to prepare a statement of accounts for each financial year in accordance with directions as required by the Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the SLCC's affairs and financial activities at the year end.
- 3.4 In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FRoM) and in particular to:
- (i) observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
 - (ii) make judgements and estimates on a reasonable basis
 - (iii) state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements and
 - (iv) prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the SLCC will continue in operation.

4 Governance Statement

Scope of Responsibility

- 4.1 I took up the permanent post of Accountable Officer on 6 June 2012. As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives, whilst safeguarding the organisation's assets and the funds levied to us by the legal profession for which I am responsible.
- 4.2 The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control will continue to evolve to identify the principal risks to the achievements of the SLCC's policies, aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- 4.3 The processes within the organisation have regard to the guidance to public bodies in Scotland issued by the Scottish Ministers and set out in the Scottish Public Finance Manual.

Governance framework

- 4.4 The SLCC has a governance framework which comprises the systems and processes, culture and values by which the SLCC is directed and controlled. The governance framework has been in place for the year ended 30 June 2013 and up to the date of approval of the annual report and financial statements.
- 4.5 As part of the framework the SLCC has a risk policy which sets out our approach to risk management and appetite for risk. It is supported by a corporate risk register, monitored by the SLCC's Audit Committee, which is part of an ongoing process designed to identify and manage the principle risks to the SLCC of achieving its corporate objectives.
- 4.6 The SLCC's risk management system identifies the key risks facing the organisation, their potential impact and the control measures put in place to mitigate either the likelihood of a risk materialising, and/or its impact on achievement of corporate aims. This involves evaluating the nature and extent of risks and putting in place effective and affordable management and control systems.
- 4.7 The SLCC Board at 30 June 2013 comprised six lay and three legal members. The Board met nine times during 2012/13. It has responsibility for establishing and taking forward the strategic aims and objectives of the SLCC, and demonstrating high standards of corporate governance by using the Audit Committee to address key financial and other risks.
- 4.8 The Audit Committee consists of three members of the Board, and provides support to the Board in respect of their responsibilities for issues of risk, control and governance. During the year the Board reviewed and approved revised terms of reference for the Audit Committee. The Audit Committee meet quarterly.

Review of effectiveness

- 4.9 It is part of my responsibility as Accountable Officer to review the effectiveness of the system of internal control. My review is informed by:

- (i) The work of the Board, and in particular the strategic direction it gives to the SLCC
- (ii) The work of the SLCC's Audit Committee in its consideration of risk, financial management and audit reports
- (iii) Comments made by the external auditors
- (iv) Reports from the internal auditors on the adequacy and effectiveness of the system of internal control
- (v) The work of the SLCC's management team

4.10 During the year 2012-2013, the SLCC has worked continuously to review and refine its systems of internal control. In particular we have:

- Reviewed and redefined the role of the Audit Committee
- Carried out a review of policies to ensure adherence to the Equality Act 2010
- Reviewed core financial management systems and ensured adherence to them through a programme of internal audit
- Completed appointments to a new management structure, and reviewed and updated the formal scheme of delegation

4.11 I am satisfied that the SLCC has robust, proportionate and appropriate systems of control in place. The SLCC complies with the principles of Scottish Public Finance Manual.



Matthew Vickers
Chief Executive Officer

24th September 2013

5 Independent Auditor's Report

Independent Auditor's Report to the members of the Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Legal Complaints Commission for the year ended 30 June 2013 set out on pages 16 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Government Financial Reporting Manual 2012-13.

This report is made solely to the Scottish Legal Complaints Commission and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Legal Complaints Commission and the Auditor General for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of Accountable Officer and Auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 11, the Accountable Officer is responsible for the preparation of financial statements which 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) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements. 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 body's affairs as at 30 June 2013 and of its net deficit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the Government Financial Reporting Manual 2012-13; and
- have been prepared in accordance with the requirements of the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers.

Independent Auditor's Report to the members of the Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament (continued)

Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000

- In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.



Stephen Reid
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30th September 2013

6 Statement of Comprehensive Income and Expenditure for year ended 30 June 2013

	Notes	2013 £'000	2012 £'000
Operating Income	2	(2,720)	(1,909)
Expenditure			
Staff Costs	3,4	1,886	1,630
Other Administration Costs	5	961	980
Depreciation and Amortisation	6,11	111	35
Pension Interest Cost and Expected Return on Pension Assets		0	(2)
Net Operating Cost		238	734
Other Comprehensive Income			
Actuarial (Gain)/Loss on Pension Scheme		(14)	21
Net Deficit for Year		224	755

All amounts relate to continuing activities.

The accompanying notes on pages 20 to 30 form an integral part of these accounts.

7 Statement of financial position as at 30 June 2013

	Notes	2013 £'000	2012 £'000
Non Current Assets			
Property, Plant and Equipment	6	121	139
Intangible Assets	7	60	90
Total Non Current Assets		181	229
Current Assets			
Trade and Other Receivables	8	54	69
Cash and Cash Equivalents	9	827	953
Total Current Assets		881	1,022
Total Assets		1,062	1,251
Current Liabilities			
Trade and other payables	10	(221)	(153)
Total Current Liabilities		(221)	(153)
Non Current Assets plus Net Current Assets excluding Pension Liabilities		841	1,098
Pension Scheme Liability	18	(11)	(21)
Non Current Assets plus Net Current Assets including Pension Liabilities		830	1,077
Non Current Liabilities- Provisions	11	(47)	(44)
Assets less Liabilities		783	1,033
Equity			
General Fund		778	1,002
Donated Asset Reserve	12	5	31
Total Equity		783	1,033

- 7.1 The General Fund represents net assets available to the SLCC at the balance sheet date, excluding the remaining assets held within the Donated Asset Reserve which represents the assets donated to the SLCC by the Scottish Government.
- 7.2 The accompanying notes on pages 20 to 30 form an integral part of these accounts.


Matthew Vickers
 Chief Executive Officer

24th September 2013

8 Statement of cash flows for year ended 30 June 2013

	2013 £'000	2012 £'000
Cash Flows From Operating Activities		
Net Operating Cost	(238)	(734)
Adjustment for Non Cash Transactions		
Depreciation	81	35
Amortisation	30	0
Released from Donated Asset Reserve	(26)	(28)
Decrease in Trade and Other Receivables	15	25
Increase/(Decrease) in Trade and Other Payables	68	(1,581)
Increase in provisions	3	44
Actuarial Gain and Increase in Pension Scheme Liability	4	3
Net Cash Outflow from Operating Activities	(63)	(2,236)
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(63)	(86)
Purchase of intangible assets - software	(0)	(90)
Net Cash Outflow from Investing Activities	(63)	(176)
Net Cash Outflows	(126)	(2,412)
Net Decrease in Cash and Cash Equivalents		
Cash and Cash Equivalents at the beginning of Period	953	3,365
Cash and Cash Equivalents at the end of Period	827	953

9 Statement of changes in equity for year ended 30 June 2013

	Donated Asset Reserve £'000	General Fund £'000	Total Reserves £'000
Balance at 30 June 2012	31	1,002	1,033
Deficit on Provision of Services	-	(224)	(224)
Released to income	(26)	-	(26)
Other comprehensive expenditure	-	(0)	(0)
Balance at 30 June 2013	5	778	783

9.1 The accompanying notes on pages 20 to 30 form an integral part of these accounts.

10 Notes to accounts

1. Accounting policies

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual, which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) and Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Scottish Government are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

1.1 **Critical accounting estimates and judgements**

SLCC makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in note 18.

1.2 **Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, financial instruments and inventories where material, at their value to the organisation by reference to their fair values.

1.3 **Adopted IFRS not applied**

The following Adopted IFRS's have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect upon the financial statements unless otherwise indicated:

Amendments to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities";
 Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income";
 Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities";
 IFRS 13 "Fair Value Measurement".

The organisation will adopt IAS19 Revised, Employee Benefits in the financial statements for the year ending 30 June 2014. The changes will be adopted retrospectively for the year ended 30 June 2013 in accordance with IAS 8. The effect of the change to IAS 19 on the income statement for the year ended 30 June 2013 will be an increase in costs of £1k.

1.4 **Property, plant and equipment**

1.4.1 *Capitalisation*

Purchases of assets for a value exceeding £1,000 inclusive of irrecoverable VAT are treated as capital.

1.4.2 *Valuation*

Assets are valued at depreciated historic cost as a proxy for fair value.

1.4.3 *Depreciation*

Depreciation is provided on all tangible non current assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset. These are as follows:

Furniture and equipment	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

Intangible assets comprise externally purchased software licenses, recognised at cost less amortisation.

Amortisation is charged on cost in equal instalments over the estimated useful life of the software, being 3 years.

1.5 **Leases**

The SLCC holds no material finance leases. Leases where most of the risks and rewards of ownership remain with the lessor are classified as operating leases. Costs in respect of operating leases are charged to the Operating Cost statement as they fall due.

1.6 **Pension Costs**

Employees

The staff of SLCC are members of the SLCC Pension Scheme administered by Standard Life (a money purchase scheme), or the Local Government Pension Scheme (Scotland) administered by Lothian Pension Fund.

The SLCC has applied the IAS 19 Retirement Benefits which primarily affects disclosures in relation to defined benefit pension schemes.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the SLCC.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

1.7 **Value Added Tax**

The Commission is required to pay VAT on the provision of goods and services. All VAT is charged to the income and expenditure account as incurred.

1.8 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the organisation after deducting all of its liabilities.

1.8 Recognition of Income

Levy income is recognised in the accounting period to which it relates. Dividend income is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is receivable.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits.

2. Operating Income

	2012	2011
	£'000	£'000
Levy from Law Society of Scotland	2,562	1,692
Levy from Faculty of Advocates	72	48
Complaints Levies	57	45
<i>Total levies for year</i>	<i>2,691</i>	<i>1,785</i>
SLSO Recharge from the Scottish Government	5	81
Bank interest	24	43
<i>Total other income</i>	<i>29</i>	<i>124</i>
Total income from all sources	2,720	1,909

3. Staff numbers and costs

3.1 Staff employed

The average number of staff full time equivalent (FTE) persons employed by the SLCC during the period was 32 FTE, detailed as follows:

	2013	2012
CEO	1	1
Staff	41.5	36.1
Total average FTE	42.5	37.1

3.2 Breakdown of Board members

	2013	2012
Chair	1	1
Members	8	9.5
Total average FTE	9	10.5

3.3 Breakdown of staff and member costs

	2013			2012		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	1,572	1,432	140	1,370	1,184	186
Social security costs	129	112	17	126	109	17
Pension costs	103	103	-	91	91	-
Outsourced staff costs	82	82	-	43	43	-
Total salary costs	1,886	1,729	157	1,630	1,427	203

4. Pension Costs

For 2012-2013, employer's contributions of £87,805 (2012 - £71,490) were payable to Standard Life at 8% and 12% of pensionable pay and £15,648 (2012 - £15,551) to Lothian Pension Fund at 14.5% of pensionable pay, based on salary bands.

On death, pensions are payable to dependents of members of the Local Government Pension Scheme (Scotland). On death in service, the scheme pays a lump sum benefit of three times pensionable pay from April 2009.

Full details of the defined benefit scheme administered by Lothian Pension Fund are contained in note 18.

5. Operating Expenditure

	2013 £'000	2012 £'000
Property	327	318
Office	90	117
Staff Training & Recruitment	87	86
Travel & hospitality	20	21
IT	115	107
Outreach	15	42
Research	17	46
Legal	268	216
Financial	22	27
	961	980

The above total includes the external auditor's remuneration of £11,160 (£12,900 2011 - 12). The external auditor received no fees in relation to non-audit work.

6. Property, Plant and Equipment

Tangible Non Current Assets

	Furniture & fixtures and fittings £'000	IT & telecoms equipment £'000	Total tangible assets £'000
Cost			
At 1 July 2012	153	148	301
Additions	3	60	63
At 30 June 2013	156	208	364
Depreciation			
As 1 July 2012	103	59	162
Charge for year	30	51	81
At 30 June 2013	133	110	243
NBV at 30 June 2013	23	98	121
NBV at 30 June 2012	50	89	139

Included in the above is £179,000 of assets donated by the Scottish Government. Depreciation of £26,000 has been charged to these assets in the current year. A donated assets reserve has been set up to account for this.

7. Intangible Assets

	Software £'000	Total intangible assets £'000
Cost		
At 1 July 2012	90	90
Additions	0	0
At 30 June 2013	90	90
Amortisation		
As 1 July 2012	-	-
Charge for year	30	30
At 30 June 2013	30	30
NBV at 30 June 2013	60	60
NBV at 30 June 2012	90	90

8. Trade Receivables and Other Current Assets

	2013 £'000	2012 £'000
Other Debtors	40	16
Bad Debt Provision	(35)	-
Prepayments	49	53
	54	69

The Bad Debt Provision is in respect of Complaint Levy Invoices which are considered to be potentially irrecoverable as at the balance sheet date.

9. Cash and Cash Equivalents

	2013 £'000	2012 £'000
Opening balance	953	3,365
Net change in cash and cash equivalent balances	(126)	(2,412)
Balance at 30 June	827	953
Analysed as:		
Cash	303	198
Term Deposits	524	755
Total	827	953

10. Trade Payables and Other Current Liabilities– amounts falling due within one year

	2013	2012
	£'000	£'000
Trade Payables	22	3
Taxes and Social security Costs	54	52
Accruals	145	98
	221	153

11. Provisions for liabilities and charges

	2013	2012
	£'000	£'000
Balance at 1 July 2012	44	-
Provided in the year	3	44
Balance at 30 June 2013	47	44

The provision for dilapidation costs relates to the SLCC's contractual duty to repair leasehold property on termination of the lease. Provision is made for the estimated cost of fully repairing leasehold properties at the balance sheet date.

12. Donated asset reserve

Fixed assets which were donated by the Scottish Government have been capitalised and their value credited to a separate reserve. This reserve is released and credited to the operating cost statement over the life of the assets in line with depreciation.

	2013	2012
	£'000	£'000
Balance at 1 July 2012	31	59
Released to operating cost statement	(26)	(28)
Balance at 30 June 2013	5	31

13. Operating leases

	Building	Other	Totals	Totals
	£'000		2013	2012
			£'000	£'000
<i>Operating Lease Payment Commitments</i>				
<i>Expiring:</i>				
Within One Year of the Balance Sheet Date	-	6	6	-
Within Two to Five Years of the Balance Sheet Date	-	-	-	164
Over Five Years of the Balance Sheet Date	158		158	-
	158	6	164	164

The current lease included a right in favour of SLCC to terminate the lease on the fifth anniversary of the term commencement date which was 8 September 2008. This termination clause has not been actioned.

14. Capital commitments

There were no contracted capital commitments as at 30 June 2013.

15. Related party transactions

There were no related party transactions during the period.

16. Contingent liabilities

Third parties have sought to appeal the SLCC's decisions under the Legal Profession and Legal Aid (Scotland) Act 2007. The SLCC may defend these cases and is liable to pay legal expenses and costs if appeals are upheld.

17. Post Balance Sheet Events

No event has occurred since the date of the balance sheet which materially affects the financial statements.

18. Defined Benefit Pension Scheme

Some employees are eligible for membership of the Local Government Pension Scheme. The scheme is a final salary pension scheme.

The most recent actuarial valuation was carried out by independent actuaries to 30 June 2013.

The principal actuarial assumptions used by the actuaries were as follows:

	2013	2012
	%	%
Discount rate at 30 June	4.9	4.4
Expected return on plan assets at 30 June	4.9	5.2
Future salary increases*	5.1	4.6
Future pension increases	2.8	2.3
Inflation assumption	2.9	2.9

* Please note that the salary increase assumption for 30 June 2010 is 1.0% p.a. until 30 June 2015, reverting to the long term assumption shown thereafter.

The post-retirement mortality assumptions used to value the benefit obligation at 30 June 2013 are based on the analysis used for the formal valuation as at 31 March 2011, with improvements from 2008 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 for current pensioners are 20.4 years for males and 22.8 years for females, and for future pensioners 22.6 years for males and 25.4 years for females.

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

The amounts charged or (credited) in operating cost statement are as follows:

	2013	2012
	£'000	£'000
Current service cost	17	21
Interest on obligation	7	6
Expected return on plan assets	(7)	(8)
Total	17	19

The amounts charged or credited in profit or loss were included in Staff Costs.

The amounts recognised in the statement of financial position are as follows:

	2013	2012
	£'000	£'000
Fair value of plan assets	163	124
Present value of funded retirement benefit obligations	(174)	(145)
Net liability	(11)	(21)

The major categories of plan asset and percentage of the total plan assets are as follows:

	2013	%	2012	%
	£'000		£'000	
Equities	129	79	95	77
Bonds	11	7	10	8
Property	15	9	15	12
Cash	8	5	4	3
	163	100	124	100

The expected return on assets is based on the on the long-term future expected investment return for each asset class at the beginning of the period. The principal assumptions as at 30 June 2013 for each asset category are set out below:

Period Ended 30 June	2013	2012
Equities	4.9%	5.7%
Bonds	4.9%	3.1%
Property	4.9%	3.9%
Cash	4.9%	3.0%

The actual return on plan assets was as follows:

	2013	2012
	£'000	£'000
Actual return on plan assets	21	(1)

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
	£'000	£'000
Opening defined benefit obligation at 1 July	145	103
Current service cost	17	21
Benefits paid	(1)	(4)
Interest cost	7	6
Actuarial losses	-	11
Contributions by plan participants	6	8
Closing defined benefit obligation at 30 June	174	145

The cumulative actuarial losses recognised in the statement of total recognised gains and losses at 30 June 2013 was £7,000.

Amounts for the current and previous periods are as follows:

	2013	2012	2011
	£'000	£'000	£'000
Fair value of plan assets at 30 June	163	124	105
Present value of defined benefit obligation at 30 June	(174)	(145)	(103)
Surplus/(deficit) in the plan	(11)	(21)	2
Experience adjustments arising on plan assets	14	(10)	8
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2013, SLCC estimates that contributions of £13,000 will be paid to the Local Government Pension Scheme.

Reconciliation of fair value of employer assets:

Period Ended	30 June 2013	30 June 2012
	£'000	£'000
Opening Fair Value	124	105
Expected Return on Assets	7	8
Contributions by Members	6	8
Contributions by SLCC	13	17
Actuarial Gains/(Losses)	14	(10)
Benefits Paid	(1)	(4)
Closing Fair Value	163	124

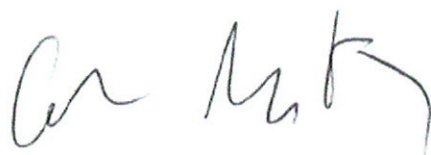
Appendix 1 – Direction by Scottish Ministers



SCOTTISH LEGAL COMPLAINTS COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 15(1) of The Legal Profession and Legal Aid (Scotland) Act 2007, hereby give the following direction.
2. The statement of accounts for the financial year ended 30 June 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. In accordance with section 15(1) (c) of the Act a copy of the statement of accounts should be sent to the Scottish Ministers. following the financial year ended 30 June. The accounts will be sent by Scottish Ministers to the Auditor General for Scotland and will be subject to audit by auditors appointed by the Auditor General for Scotland. The audited statement of accounts will be laid before the Scottish Parliament.
5. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 19 October 2009

