

2010/11 Budget
Scottish Legal Complaints Commission



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1 Introduction

- 1.1 Each year the SLCC is required to consult with the Professional Bodies concerning the budget it intends to set for the forthcoming financial year and the Annual General and Complaint Levies.
- 1.2 The budget and levies are attached to these notes as appendices 1-5.

2 Summary

- 2.1 Anticipated expenditure - **£2,839,336** (appendix 2)
- 2.2 The General Levy has been set at £235/118/78 (appendix 4). This is a reduction on 2009/10 of £40 and is £91 below the indicative levy required to fully cover anticipated expenditure in the 2010/11 year. Extra categories have been added for Conveyancing Practitioners with less than three year's experience or in-house. The discount to Advocates has been increased from 19% to 50%.
- 2.3 Complaint Levy – **unchanged** from the 2009/2010 year (appendix 5).

3 Approach

- 3.1 The approach the SLCC is taking in setting its budget and the General Levy is:
 - To set out anticipated expenditure (appendix 2),
 - From this, calculate the indicative General Levy (appendix 3) taking into account any other income (as summarised in appendix 1)
 - To then review reserve levels and decide what funds are to be made available to underwrite and reduce the General Levy (appendix 4)
 - Set the actual General Levy (appendix 4)

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 such as pension administration. The SLCC has discussed these costs with the Professional Bodies.
- 4.2 The headcount on which these figures are based is 35 staff (including three part-time staff) and 11 Members. The figures are based on actual costs. The staffing figures are unchanged from the 2009/2010 year while Member numbers are to be increased by two.
- 4.3 The majority of running costs are based on actual running costs and known or anticipated increases. The three main exceptions to this are:
 - costs for legal fees which have been estimated based on current activity. (The contingency also includes a budget for legal expenses resulting from any successful challenges that may be made against the SLCC);
 - costs in respect of communications which are based partly on actual costs in respect of known items, such as the website and costs of producing the Annual Report and Accounts and estimated costs for other communications

activity such as outreach work and production and printing of communications materials; and

- costs in respect of research and special projects, which have been estimated based on intended current activity.

4.4 Contingency had been set to allow for an operational float and a legal defence fund.

Reserves

4.5 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 three month minimum is on the advice of the SLCC's external auditors. The main purpose of the reserve is to enable to 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.

4.6 As can be seen in appendix 4, the SLCC is making £740,000 available from reserves to underwrite the general levy. This leaves the SLCC with anticipated reserves of approximately four-and-a-half months of running costs. It should be noted, however, that this takes into account the anticipated outturn for the 2009/2010 year. The outturn includes the assumption that an operational contingency should be available to the SLCC but in the event it remains unused, it will be added to reserves and managed in line with the reserves policy and next year's levy setting. Since the original budget was consulted on in January 2010, three months have passed during which time:

- Harmonisation of staff terms and conditions was completed and so contingency is no longer required in respect of this
- The last six months have seen efficiency savings in respect of staffing costs and other operational costs.
- It has become apparent that it is unlikely the full legal costs in respect of appeals will fall in the current year so the planned level of contingency is no longer needed for this

As the SLCC has three months of actual cost data vs. predicted costs data the outturn is more robust. The net result of this is that there is more funding available to underwrite the levy. This situation is a reflection of the passage of time and would have occurred irrespective of the consultation process. The anticipated level of reserve is £1.5m.

Income

4.7 The SLCC has used the following to calculate income:

- anticipated income from the General Levy and reserves;
- anticipated income from the Scottish Government to cover work carried out under old SLSO powers (based on 2009/2010 actual recoveries); and
- anticipated income from interest earned.

It does not include income from complaint levies

General Levy setting

4.8 The General Levy has been set using the same basis for calculations as the 2009/2010 General Levy in respect of lawyers, conveyancing practitioners and executry practitioners. The general levy in respect of advocates has been adjusted to reflect an increased discount of 50% from the 19% applied in 2009/10.

Complaint Levy

- 4.9 The levels of the complaint levy itself remain unchanged from the 2009/2010 year but they have been set as *up to...* (See amounts 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.

Expenditure £		Contribution from reserves £	
staff	1,675,208	Amount from reserves	740,000
running costs	886,065		total 740,000
contingency	278,064		
total	2,839,336		

Indicative income required based on expenditure £		Actual income including contribution from reserves £	
Levy from Law Society	-2,586,595	Levy from Law Society	-1,864,570
Levy from Faculty of Advocates	-74,328	Levy from Faculty of Advocates	-53,580
Levy from Assoc of Commercial Attorneys	-1,076	Levy from Assoc of Commercial Attorneys	-776
Other Income	0	Other Income	0
SLSO Costs Recovered from SG	-160,000	SLSO Costs Recovered from SG	-160,000
Estimate of Interest Earned	-16,875	Estimate of Interest Earned	-16,875
Total	-2,838,874	Contribution from SLCC reserves	-740,000
		Total	-2,835,800

Indicative Levy £		Actual levy requested £	
Solicitors with 3+ years experience	326	Conveyancing Practitioner or Executory Practitioner 3+ years exp	235
Conveyancing Practitioner or Executory Practitioner 3+ years exp	326	Solicitors in 1st 3 years of practice	118
Solicitors in 1st 3 years of practice	163	Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	118
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	163	In-house Conveyancing Practitioner or Executory Practitioner	78
In-house Conveyancing Practitioner or Executory Practitioner	108	In-house lawyers	78
In-house lawyers	108	Advocates	118
Advocates	163	Assoc of Commercial Attorneys	78
Assoc of Commercial Attorneys	108		

Total actual levy required from each professional body £	
Law Society of Scotland	1,864,570
Faculty of Advocates	53,580
Association of Commercial Attorneys	776
total	1,918,925

Budget 1 July 2010 to 30 June 2011

Summary of Expenditure	2010/11 Budget £
Staff Remuneration and support Costs	
SLCC Remuneration Costs	1,427,368
Board Members	208,167
Temporary and subcontracted staff	15,500
Staff support costs	24,172
Total Staff Costs	1,675,208
Running Costs	
Staff Development	50,000
Member Development	15,000
Staff Travel & Subsistence	10,000
Board Member Expenses	11,547
Casework expenses	8,400
Canteen costs	4,418
Communications	67,402
IT Costs	81,042
Rent	224,185
Rates	64,420
Building Services and maintenance	14,600
Utilities	15,269
Office equipment and copying	6,500
Bank Charges	600
Stationery	20,000
SLCC PI Insurance	26,000
Insurance - Commercial	8,431
Recruitment Costs	10,600
Subscription/Membership Fees	1,500
Legal Fees	63,000
Postage and Couriers	24,152
Special Projects & Research	90,000
Audit Fees	33,000
Capital Asset Depreciation	36,000
Total Running Costs	886,065
total of staff and non staff running costs	2,561,273
Contingency	278,064
Total Costs	2,839,336

Appendix 3

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

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

Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,633	326	2,162,358
Conveyancing Practitioner or Executory Practitioner 3+ years exp	Annual Levy	14	326	4,564
Solicitors in 1st 3 years of practice	Annual Levy less 50%	858	163	139,854
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	Annual Levy less 50%	2	163	326
Practising Outwith Scotland	Annual Levy less 66.6%	430	108	46,259
In-house Conveyancing Practitioner or Executory Practitioner	Annual Levy less 66.6%	1	108	108
In-house lawyers	Annual Levy less 66.6%	2,167	108	233,126
Advocates	Annual Levy less 50%	456	163	74,328
Assoc of Commercial Attorneys	Annual Levy less 66.6%	10	108	1,076
		10,571		2,661,999

Revised Levy Using Reserves

Appendix 4

Income	
Levy from Law Society	-1,864,570
Levy from Faculty of Advocates	-53,580
Levy from Assoc of Commercial Attorneys	-776
Other Income	
SLSO Costs Recovered from SG	-160,000
Estimate of interest	-16,875
Contribution from SLCC reserves	-740,000
Total Income	-2,835,800
Total Expenditure (contingency, staff and running costs)	
	2,839,336
Total Income less Total Expenditure	-3,536

Reserve

Predicted reserve at the end of the year	1,700,000
Amount from reserves	740,000
Predicted balance of reserve	960,000

Amount of reserve for 1-6 months

1	213,439
2	426,879
3	640,318
4	853,758
5	1,067,197
6	1,280,636

Revised Levy Figures

Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,633	235	1,558,755
Conveyancing Practitioner or Executory Practitioner 3+ years exp	Annual Levy	14	235	3,290
Solicitors in 1st 3 years of practice	Annual Levy less 50%	858	118	100,815
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	Annual Levy less 50%	2	118	235
Practising Outwith Scotland	Annual Levy less 66.6%	430	78	33,347
In-house Conveyancing Practitioner or Executory Practitioner	Annual Levy less 66.6%	1	78	78
In-house lawyers	Annual Levy less 66.6%	2,167	78	168,051
Advocates	Annual Levy less 50%	456	118	53,580
Assoc of Commercial Attorneys	Annual Levy less 66.6%	10	78	776
		10,571		1,918,925



Complaints Levy 1 July 2010 to 30 June 2011

No changes made to amounts applicable in 2009/10.

Appendix 5

	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

