

Title: SLCC Draft Budget 01 July 2012 to 30 June 2013

Author: SLCC

Date: 25 January 2012

Table of Contents

1	Introduction	3
2	Summary	3
3	Approach	3
4	Expenditure	3
5	Reserves	4
6	Income	4
7	Complaint Levy	4
	Appendix 1 – Summary Budget	6
	Appendix 2 - Proposed Expenditure 2012/13	7
	Appendix 3 – General and Complaints Levy	8

1 Introduction

- 1.1 This document sets out the SLCC's draft budget for the operational year 2012/13. it provides information on the expenditure, general levy and complaints levy proposed for the 2012/13 financial year.
- 1.2 The budget spreadsheets are attached as appendices.

2 Summary

- 2.1 Anticipated expenditure: £2,813,381 (previous year (£2,830,319))
- 2.2 Anticipated income: £2,818,567
- 2.3 Anticipated funds released from reserves: £zero (previous year £1,000,000)
- 2.4 General levy: £338 full levy (previous year £209)
- 2.5 Complaints levy – see recommendation below.

3 Approach

- 3.1 In line with policy and past years the approach follows these steps.
 - (i) The SLCC sets out anticipated expenditure based on its operational plan
 - (ii) The general levy is then calculated on the basis of covering anticipated expenditure in full (ie nothing available from reserves)
 - (iii) The current year forecast outturn at December 2011 is reviewed to give an estimate of anticipated reserves at year end, and what can be made available to underwrite the general levy
 - (iv) The proposed levy is set and the budget issued for consultation (including the complaints levy)
 - (v) The draft budget is reviewed in April taking into account consultation responses and a further quarter's financial data
 - (vi) The SLCC sets the final budget and lays it before Parliament by April 30

4 Expenditure

- 4.1 Appendix 1 contains the summary of expenditure by line item, with a comparison to the previous year (ie the 2011/12 year). The overall budget is consistent with the previous year, representing a slight reduction of 0.6%. This is in the context of the SLCC having higher staffing levels to reflect the impact of the end of the transitional arrangements in October 2010, the development of the oversight function and operational savings made in running costs. In short, the SLCC is producing more, with slightly lower levels of expenditure.
- 4.2 The most significant areas of spend continues to be on staff and members, both of which have increased in the current budget. The budget for 2011/12 was based on a head count of 38. The budget for 2012/13 is based on a headcount of 40.6. This reflects the changes since the SLCC reviewed its staffing levels as part of the restructuring during 2010/11 and the increase in the volume of work related to complaints and oversight.
- 4.3 The most significant variances between years not related to staffing are:
 - (i) Direct case costs. The increase is based on actual expenditure in the previous year on case-related legal costs. The majority of this is in relation to appeals.
 - (ii) Corporate legal costs. The increase is based on actual expenditure on advice in relation to interpretation of the 2007 Act, Freedom of Information requests/ reviews, employment and governance. The majority being in relation to interpretation of legislation. This is likely to continue into the 2012/13 financial year.

- (iii) IT running costs. The reduction in anticipated running costs is based on actual costs in the 2011/12 year.

4.4 All other variances are the result of efficiencies, more robust data or increased costs from suppliers.

4.5 Contingency is calculated on the basis of 3.5% of running costs uplift for inflation and £120,000 legal expense contingency.

5 Reserves

5.1 In line with its policy, and as indicated during last year's consultation, reserves are anticipated to be in the order of £800,000 at the start of the year. This is within the three to four month level set out in policy and so the SLCC does not anticipate making any reserves available to underwrite the general levy.

5.2 This position will be reviewed in April when there is another quarter's financial data available, the intention being to make any funds held in reserve over the target amount and not ring-fenced for a specific purpose, available to be released.

6 Income

6.1 The SLCC has based income on:

- (i) anticipated income from the general levy. The bulk of this is from the Law Society of Scotland and is calculated on the basis of the number of practising certificates used during the drafting of the 2011/12 budget. Final adjustments will be made in consultation with the Professional Bodies. The underlying calculations are based on the same approach as in previous years. Unlike the previous year, the general levy is not underwritten by reserves. Appendix 3 sets out the calculation;
- (ii) anticipated income from interest earned on deposits. This is forecast to be lower than in previous years, reflecting the reduction in the level of reserves; and
- (iii) income from Scottish Government in relation to legacy work carried out under the ex-SLSO's powers. This is anticipated to be minimal. The amount stated is to cover archiving costs.

6.2 Income does not include complaints levy income.

7 Complaint Levy

7.1 The SLCC is proposing a significant change to the complaints levy in the 2012/13 year. This is aimed at:

- (i) recovering the full cost of an investigation when a service complaint is upheld and there are no factors that would persuade the SLCC to waive any or all of it;
- (ii) providing greater incentive to resolve complaints about inadequate professional service earlier in the process;
- (iii) operational efficiency; and
- (iv) making the levy and its application simpler, more transparent and more appropriate to the circumstances of an individual case.

7.2 The proposal is to:

- (i) set the complaints levy at mediation and investigation stages at zero for all complaints resolved.
- (ii) set the complaint levy at zero for complaints not upheld at determination
- (iii) set a single capped figure of £5,000 for complaints upheld in full or part at determination. The SLCC's policy will be to apply discretion to charge **up to** that

figure taking into account the circumstances of the case and providing reasons for the levy charged, for example this may include:

- What attempts have been made for resolution by the practitioner up to that point?
- How many complaints have been upheld for which a levy has been chargeable in the past, and what they were about/ severity?
- Proportionality – how much investigation was required to determine the complaint and what was the outcome of a complaint (particularly those only partially upheld)

7.3 The capped amount reflects the cost to the SLCC of dealing with a complaint through all of the stages of the complaint system and is based on the projected number of complaints determined remaining consistent with previous years.

Appendix 1 – Summary Budget

SLCC Summary Budget 1 July 2012 to 30 June 2013



Expenditure £

staff	1,808,797
running costs	854,584
contingency	150,000
total	2,813,381

Income required to cover expenditure £

Levy from Law Society	-2,715,714
Levy from Faculty of Advocates	-76,726
Levy from Assoc of Commercial Attorneys	-339
Other Income	0
SLSO Costs Recovered from SG	-5,000
Estimate of Interest Earned	-10,000
Total	-2,807,779

General Levy £

Solicitors with 3+ years experience	338
Conveyancing Practitioner or Executry Practitioner 3+ years exp	338
Solicitors in 1st 3 years of practice	169
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	169
Practising Outwith Scotland	113
In-house Conveyancing Practitioner or Executry Practitioner	113
In-house lawyers	113
Advocates	169
Assoc of Commercial Attorneys	113

Appendix 2 - Proposed Expenditure 2012/13

Budget 1 July 2012 to 30 June 2013



Summary of Expenditure	Budget 2012/13 £	2011/12 for comparison £	Variance £	Variance %
Staff Remuneration and support costs				
<i>Direct Staff costs</i>				
Staff salaries and NIC	1,504,338	1,479,124	25,214	2
Member salaries and NIC	219,479	201,464	18,015	9
	1,723,817	1,680,588	43,229	3
<i>Indirect Staff Costs</i>				
Staff training and development	30,000	30,000	0	0
Member training and development	14,000	15,000	-1,000	-7
Staff expenses	3,600	7,200	-3,600	-50
Member expenses	10,200	11,500	-1,300	-11
Other staff costs	27,180	31,369	-4,189	-13
	84,980	95,069	-10,089	-11
Total Staff Costs	1,808,797	1,775,657	33,140	1.9
Non-staff costs				
Property costs	320,800	322,320	-1,520	-0
Insurance	35,900	38,945	-3,045	-8
Office running costs	65,104	70,774	-5,670	-8
Direct case costs	148,880	109,140	39,740	36
Communications	56,200	64,990	-8,790	-14
IT Costs	53,400	71,680	-18,280	-26
Corporate legal costs	76,800	40,250	36,550	91
Audit Fees	29,500	28,000	1,500	5
Special projects and research	36,000	45,000	-9,000	-20
Rechargable costs	0	0	0	0
Building Services and maintenance	6,000	12,000	-6,000	-50
Capital Asset Depreciation	26,000	34,200	-8,200	-24
Total Non-Staff Costs	854,584	837,299	17,285	2
Total of staff and non staff running costs	2,663,381	2,612,956	50,425	2
Operational contingency	150,000	217,363	-67,363	-31
Total Costs	2,813,381	2,830,319	-16,938	-0.60

Appendix 3 – General and Complaints Levy

2012/13 Baseline Annual Levy to recover full costs



Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,712	338	2,268,656
Conveyancing Practitioner or Executry Practitioner 3+ years exp	Annual Levy	9	338	3,042
Solicitors in 1st 3 years of practice	Annual Levy less 50%	799	169	135,031
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	Annual Levy less 50%	-	169	0
Practising Outwith Scotland	Annual Levy less 66.6%	473	113	53,398
In-house Conveyancing Practitioner or Executry Practitioner	Annual Levy less 66.6%	4	113	452
In-house lawyers	Annual Levy less 66.6%	2,260	113	255,136
Advocates	Annual Levy less 50%	454	169	76,726
Assoc of Commercial Attorneys	Annual Levy less 66.6%	3	113	339
		10,714		2,792,779

Complaints Levy 1 July 2012 to 30 June 2013

	2012/2013 up to
Complaint not upheld at any stage	£0
Complaint resolved at mediation	£0
Complaint resolved at investigation	£0
Formal Determination complaint upheld in full or part	£5,000

Complaints Levy - Previous Years

	2010/2011 up to	2011/2012 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