

Scottish Legal Complaints Commission

Annual Accounts

Year ended 30 June 2011



List of Contents

1	Foreword.....	3
2	Remuneration report	9
3	Statement of accountable officers' responsibilities	11
4	Statement on the system of internal control	12
5	Auditor's report.....	14
6	Statement of Comprehensive Income and Expenditure for year ending 30 June 2011	16
7	Statement of financial position as at 30 June 2011	17
8	Statement of cash flows for year ended 30 June 2011	18
9	Statement of changes in equity for year ended 30 June 2011	19
10	Notes to accounts.....	20
	Appendix 1 – Direction by Scottish Ministers.....	29

1 Foreword

- 1.1 The Scottish Legal Complaints Commission's accounts for the financial period ending 30 June 2011 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 Master Policy.

Financial position

- 1.7 The SLCC's expenditure on operating activities for the period ending 30 June 2011 totalled £2,408,000. This was on staffing costs of £1,415,000, other operating costs of £989,000 and depreciation of £4,000.
- 1.8 The SLCC's operating budget for the year ending 30 June 2011 was £2,839,000 of which £1,933,000 was raised by way of a general levy upon members of the legal profession. 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 £26,000 was generated from interest on deposits and complaints levies.

1.9 The SLCC continues to consider the complaints of the former SLSO and this work remains publicly funded. The costs for the period ending 30 June 2010 were £273,000.

Retirement Benefits Schemes

1.10 Reference is made in Note 1.4 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 2011 was 59% (2009 - 10, 56%). Where bills for goods and services are required to be paid within 30 days, the SLCC's payment performance was 93% (2009 - 10, 90%).

Highlights of 2010-11

1.12 The year 2010-11 was a significant one for the SLCC. During the year:

- The transitional arrangements set out in SSI 2008 No.332 (The Legal Profession and Legal Aid (Scotland) Act 2007 (Transitional, Savings and Consequential Provisions) Order 2008) ended.
- The Board appointed a permanent CEO.
- Scottish Government appointed four new Members (one legal and three lay) and one board member stepped down.
- We conducted a review of our organisational structure and as a result made four management posts redundant, created a new senior management post of Finance and Corporate Services Manager, created a new post of Information Officer and expanded the complaints handling complement.
- We conducted a review of core financial and risk management systems, including the role of the Audit Committee.
- We dealt with or had in hand up to 30 June 2011, a total of 4050 enquiries and complaints, broken down as follows.

	2010/11	2009/10
Enquiries	2619	2036
<i>Enquiries in hand and Cases with the Gateway team in the process of having eligibility assessed and determined</i>	294	167
Total number of enquiries dealt with or in hand	2913	2203
Legal Complaints		
Ineligible for investigation under the terms of the 2007 Act	566	1031
Eligible conduct referred to RPO for investigation	85	140
Eligible service dealt with and closed by SLCC	210	47
Eligible service in hand, breakdown below	276	235
<i>With mediation manager awaiting mediation</i>	28	17
<i>Service complaints with investigator being investigated*</i>	198	170
<i>Service complaints with Clerk awaiting determination</i>	50	48
Total number of legal complaints dealt with or in hand	1137	1453
*this includes cases that concern both conduct and service where investigation is suspended pending the outcome of the LSS/FoA investigation of the conduct elements.		
Total number of enquiries and complaints dealt with/in hand to year ending 30 June 2011	4050	3656

- 1.13 The end of transitional arrangements, appointment of a permanent CEO and the appointment of new board members had been anticipated and built into budgets and plans, although the appointment of new members was later than had originally been anticipated. Restructuring of the organisation had not been anticipated at the time the 2010-11 budget was planned.
- 1.14 It is in this context of significant (and ongoing) change that the SLCC set its anticipated expenditure requirements for 2010-11 at £2,839,000 against which it received income of £2,232,000. Actual expenditure was £2,408,000 leaving an annual deficit of £175,000 compared to the previous annual surplus of £394,000.
- 1.15 The SLCC main under-spends against its planned budget were in the areas of staffing and communications. In respect of staffing, the SLCC did not recruit to the level planned because of the impact of the transitional arrangements and complaint numbers being lower than had been predicted in December 2009 when the budget was set. The communications budget under-spent because some of the planned communication activity was put on hold during the organisational restructuring.
- 1.16 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.
- 1.17 Total reserves held at the end of the year amounted to £1,816,000 (compared to £2,025,000 at 30 June 2010) but it should be noted that in line with its Reserves Policy the SLCC ring-fenced £1,000,000 to underwrite the general levy in the 2011-2012 operating year by transferring it from reserves to income. This leaves an actual reserve of £816,000.

Future direction

- 1.18 Over the next year the SLCC will continue to pursue its strategic aims as set out in our three-year corporate plan.
- (i) The SLCC will provide a high quality, independent and impartial complaint handling service which focuses on early resolution.
 - (ii) The SLCC will be an efficient, accountable organisation that works to best-value principles.
 - (iii) The SLCC will support and contribute to high standards in the legal profession in Scotland through our oversight and complaint-handling functions.
 - (iv) The SLCC will promote understanding of its role.
 - (v) The SLCC will be recognised as expert in complaint handling and an organisation that attracts and retains experienced and skilled people.
- 1.19 However, the emphasis on these aims has shifted from the 2010-2011 year. In that year we focused on governance and systems of internal control, particularly in relation to finance and complaints policies. Over the next year we will focus on efficiency and on consolidation of complaints processes, building on the excellent foundations in place. In particular we will aim to deal with complaints within the times set in our Key Performance Indicators (50% of cases in 100 days, 85% in 200 days and 95% in 300 days).
- 1.20 Our aim is to resolve service complaints and only when resolution is not possible will they be determined.

- 1.21 The SLCC will also complete the implementation of its new organisational structure, ensuring our staff are appropriately trained and continue to receive ongoing professional development. We will adopt a best-value approach to learning and development both to ensure staff and members have the skills and knowledge to deliver our business and meet strategic objectives, and to ensure that we add value to the organisation as a whole.

Risk

- 1.22 SLCC has a Risk Management Policy. It has adopted a standard approach to risk management which is described in more detail in the statement on the system of internal control. A risk register is maintained which identifies risks which may have an impact on the delivery of SLCC's corporate objectives as defined in 1.18 above. 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

- 1.23 At the start of the year, the SLCC Board was made up of nine board members, four of whom have a legal background. The remaining five members, including the Chairing Member are lay members. During the year, four additional board members were appointed and one board member resigned. This brought the number of members to 12 at the close of the year ending 30 June 2011.

	From	Appointment To	Years
Chairing Member (Lay)			
Jane Irvine	01.01.2008	31.12.2012	5
Lay Members			
Ian Gordon	01.01.2008	31.12.2011	4
Prof. George Irving	01.01.2008	31.03.2011	4
Siraj Khan	01.04.2011	31.03.2016	5
Iain McGrory	01.04.2011	31.03.2016	5
Dr. Linda Pollock	01.01.2008	31.12.2011	4
Fiona Smith	01.04.2011	31.03.2016	5
Douglas Watson	01.01.2008	31.12.2011	4

	Appointment		
	From	To	Years
Legal Members			
David Chaplin	01.01.2008	31.12.2011	4
Maurice O'Carroll	01.01.2011	31.12.2016	5
Prof. Alan Paterson	01.01.2008	31.12.2011	4
Margaret Scanlan	01.01.2008	31.12.2011	4
David Smith	01.01.2008	31.12.2011	4

- 1.24 Four new members will be appointed in 2011-2012 to replace the Members leaving on 31 December 2011.

Equal opportunities and diversity

- 1.25 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

- 1.26 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

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

Audit

- 1.28 The accounts are audited by auditors appointed by the Auditor General for Scotland and he has appointed Grant Thornton UK LLP as the SLCC Auditors for 2010-2011. 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

- 1.29 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

1.30 The average number of staff days due to absence was 3.9 days per employee, including long term sickness absence, compared to a public sector average of 8.1 days. Reasons for absence are monitored on an ongoing basis in order that the senior management team may manage absence effectively.

Rosemary Agnew
Chief Executive Officer

27 October 2011

2 Remuneration report

This section of the report is subject to audit

Remuneration - CEO

- 2.1 The CEO's remuneration is approved by the Board. It is subject to and compliant with Public Sector Pay Policy. Rosemary Agnew was appointed permanent CEO on 21 October 2010. The CEO's salary includes basic salary only; it does not include employer national insurance or pension contributions. The SLCC contributes 8% of pensionable pay towards the CEO's pension.

Rosemary Agnew

Acting CEO 26.11.09 to 20.08.10

Interim CEO 21.08.10 to 20.10.10

	2010-11 £'000	2009-10 £'000
Salary range	70-75	40-45
Pension Contributions	5-7.5	5-7.5
Benefits in kind	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	2010-11	2010-11	2009-10	2009-10
	Daily Fees £ Actual	Daily Fees £'000 Actual	Daily Fees £ Actual	Daily Fees £'000 Actual
Jane Irvine, Chair	313	50-55	313	50-55
David Chaplin	212	10-15	212	15-20
Ian Gordon	212	10-15	212	15-20
Prof. George Irving	212	5-10	212	10-15
Siraj Khan	212	0-5	Nil	Nil
Maurice O'Carroll	212	0-5	Nil	Nil
Iain McGrory	212	0-5	Nil	Nil
Prof. Alan Paterson	212	10-15	212	10-15
Dr. Linda Pollock	212	15-20	212	10-15
David Smith	212	10-15	212	10-15
Fiona Smith	212	Nil	Nil	Nil
Margaret Scanlan	212	10-15	212	10-15
Douglas Watson	212	10-15	212	10-15

- 2.3 A number of individuals (fewer than five) were subject to redundancy and received payments in accordance with the compensation scheme. The overall resource cost of these redundancies was less than £100,000 and this has been recognised in staff costs within the statement of consolidated net expenditure. Full disclosure in accordance with the FReM has not been provided due to consideration of the Data Protection Act.

Rosemary Agnew
Chief Executive Officer

27 October 2011

3 Statement of accountable officers' 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 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 Financial Reporting Manual (FRoM) and in particular to:
- (i) observe the accounts direction issued by 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 Statement on the system of internal control

- 4.1 I took up the permanent post of Accountable Officer on 21 November 2009. 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.

Purpose of the system of internal control

- 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 Scottish Ministers and set out in the Public Sector Finance Manual.

Risk and control framework

- 4.4 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.
- 4.5 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.

Review of effectiveness

- 4.6 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
- 4.7 During the year 2010-2011, 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 the organisational structure, to ensure that it remains fit for purpose and enables adherence to a formal scheme of delegation
 - Refined core financial management systems and ensured strict adherence to them, including putting in place a procurement policy

- Reviewed and refined complaints policies and procedures in light of lessons learned from practice.
- 4.8 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.

Rosemary Agnew
Chief Executive Officer

27 October 2011

5 Auditor's report

Independent auditor's report to the Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament

- 5.1 We have audited the financial statements of the Scottish Legal Complaints Commission (the Commission) for the year ended 30 June 2011 under the Legal Profession and Legal Aid (Scotland) Act 2007. The financial statements comprise the Statement of Comprehensive Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. 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 2010/11 Government Financial Reporting Manual (the 2010/11 FReM).
- 5.2 This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

- 5.3 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 the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. 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. We are also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

- 5.4 An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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 report 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 in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 30 June 2011 and of its net deficit for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 FReM; 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.

Opinion on regularity

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

Opinion on other prescribed matters

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 included in the Annual Report 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 are required 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 Statement on Internal Control does not comply with Scottish Government guidance.

We have nothing to report in respect of these matters.

Grant Thornton UK LLP
1-4 Atholl Crescent
EDINBURGH
EH3 8LQ

27 October 2011

6 Statement of Comprehensive Income and Expenditure for year ending 30 June 2011

	Notes	2011 £'000	2010 £'000
Operating Income	2	(2,232)	(2,492)
Expenditure			
Staff Costs	3,4	1,415	1,292
Other Administration Costs	5	989	804
Depreciation	6,10	4	3
Pension Interest Cost and Expected Return on Pension Assets		(1)	(1)
Net Operating Cost/(Income)		175	(394)
Other Comprehensive Income			
Actuarial (Gain)/Loss on Pension Scheme		(8)	15
Net Deficit/(Surplus) for Year		167	(379)

- 6.1 All amounts relate to continuing activities.
- 6.2 The accompanying notes on pages 20 to 28 form an integral part of these accounts.

7 Statement of financial position as at 30 June 2011

	Notes	2011 £'000	2010 £'000
Non Current Assets			
Property, Plant and Equipment	6	64	110
Total Non Current Assets		64	110
Current Assets			
Trade and Other Receivables	7	94	88
Cash and Cash Equivalents	8	3,365	3,948
Total Current Assets		3,459	4,036
Total Assets		3,523	4,146
Current Liabilities			
Trade and other payables	9	(1,709)	(2,118)
Total Current Liabilities		(1,709)	(2,118)
Non Current Assets plus Net Current Assets excluding Pension Liabilities		1,814	2,028
Pension Scheme Liability	16	2	(3)
Non Current Assets plus Net Current Assets including Pension Liabilities		1,816	2,025
Non Current Liabilities		-	-
Assets less Liabilities		1,816	2,025
Equity			
General Fund		1,757	1,924
Donated Asset Reserve	10	59	101
Total Equity		1,816	2,025

7.1 The General Fund represents net assets available to SLCC at the balance sheet date, excluding the remaining assets held within the Donated Asset Reserve which represent the assets donated to SLCC by the Scottish Government.

7.2 The accompanying notes on pages 20 to 28 form an integral part of these accounts.

Rosemary Agnew
Chief Executive Officer

27 October 2011

8 Statement of cash flows for year ended 30 June 2011

	2011 £'000	2010 £'000
Cash Flows From Operating Activities		
Net Operating Income	(175)	394
Adjustment for Non Cash Transactions		
Depreciation	46	45
Released from Donated Asset Reserve	(42)	(42)
Decrease/(Increase) in Trade and Other Receivables	(6)	79
(Decrease)/Increase in Trade and Other Payables	(409)	(364)
Actuarial Loss and Increase in Pension Scheme Liability	3	(12)
Net Cash Inflow from Operating Activities	(583)	100
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	-	(10)
Net Cash Outflow from Investing Activities	-	(10)
Cash Flows From Financing Activities		
Financing from the Scottish Parliamentary Corporate Body	-	-
Net Cash Outflow from Financing Activities	-	-
Net Cash Inflows	(583)	90
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at the beginning of Period	3,948	3,858
Cash and Cash Equivalents at the end of Period	3,365	3,948

9 Statement of changes in equity for year ended 30 June 2011

	Donated Asset Reserve £'000	General Fund £'000	Total Reserves £'000
Balance at 30 June 2010	101	1,924	2,025
Surplus/(Deficit) on Provision of Services		(175)	(175)
Released to income	(42)		(42)
Other comprehensive (expenditure)/income		8	8
Balance at 30 June 2011	59	1,757	1,816

9.1 The accompanying notes on pages 20 to 28 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 **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.

1.2 **Property, plant and equipment**

1.2.1 **Capitalisation**

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

1.2.2 **Valuation**

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

1.2.3 **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 & Software	3 years

1.3 **Leases**

The SLCC holds no material finance leases. Costs in respect of operating leases are charged to the Operating Cost statement as they fall due.

1.4 **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.

1.5 **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.

1.6 **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.

1.7 **Recognition of Revenue**

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.

2. Operating Income

	2011	2010
	£'000	£'000
Levy from Law Society of Scotland	1,863	2,166
Levy from Faculty of Advocates	53	99
Complaints Levies	17	7
<i>Total levies for year</i>	<i>1,933</i>	<i>2,272</i>
SLSO Recharge from Scottish Govt	273	203
Start up Income	-	1
Bank interest	26	16
<i>Total other income</i>	<i>299</i>	<i>220</i>
Total income from all sources	2,232	2,492

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:

	2011	2010
CEO	1	1
Staff	31	29
Total average FTE	32	30

3.2 *Breakdown of Board members*

	2011	2010
Chair	1	1
Members	9	8
Total average FTE	10	9

3.3 *Breakdown of staff and member costs*

	2011			2010		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	1,179	1,028	151	1,167	1,013	154
Social security costs	112	97	15	105	95	10
Pension costs	86	86	-	68	68	-
Outsourced staff costs	38	38	-	6	6	-
Harmonisation provision	-	-	-	(54)	(54)	-
Total salary costs	1,415	1,249	166	1,292	1,128	164

4. Pension costs

For 2010-2011 employer's contributions of £62,940 (2010 - £51,945) were payable to Standard Life at 8% of pensionable pay and £18,709 (2010 - £24,092) 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 16.

5. Operating Expenditure

	2011 £'000	2010 £'000
Property	342	360
Office	102	90
Staff Training & Recruitment	124	87
Travel & hospitality	7	9
IT	69	82
Outreach	27	41
Research	11	2
Legal	269	87
Financial	31	33
Other Professional Fees	7	13
	989	804

The above total includes the external auditor's remuneration of £12,900 (£13,800 2010 - 11). The external auditor received no fees in relation to non-audit work. There are no costs in association with operating leases.

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 2010	129	62	191
Additions	-	-	-
At 30 June 2011	129	62	191
Depreciation			
As 1 July 2010	48	33	81
Charge for year	26	20	46
At 30 June 2011	74	53	127
NBV at 30 June 2011	55	9	64
NBV at 30 June 2010	81	29	110

Included in the above is £179,000 of assets donated by Scottish Government. Depreciation of £42,000 has been charged to these assets in the current year. A donated assets reserve has been set up to account for this.

7. Trade Receivables and Other Current Assets

	2011	2010
	£'000	£'000
Other Debtors	1	1
Prepayments	93	87
	94	88

8. Cash and Cash Equivalents

	2011	2010
	£'000	£'000
Opening balance	3,948	3,858
Net change in cash and cash equivalent balances	(583)	90
Balance at 30 June	3,365	3,948
Analysed as:		
Cash	1,693	3,444
Term Deposits	1,672	504
Total	3,365	3,948

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

	2011	2010
	£'000	£'000
Trade Payables	88	97
2011/12 levy received in advance	1,517	1,916
Other Creditors	-	4
Taxes and Social security Costs	37	30
Accruals	67	71
	1,709	2,118

10. 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.

	2011	2010
	£'000	£'000
Balance at 1 July 2009	101	143
Assets donated in the period	-	-
Released to operating cost statement	(42)	(42)
Balance at 30 June 2010	59	101

11. Operating leases

	Buildings	Totals	Totals 2010
	£'000	£'000	£'000
<i>Operating Lease Payment Commitments Expiring:</i>			
Within One Year of the Balance Sheet Date	-	-	-
Within Two to Five Years of the Balance Sheet Date	158	158	158-
Over Five Years of the Balance Sheet Date	-	-	-
	158	158	158

The current lease includes a right in favour of SLCC to terminate the lease on the fifth anniversary of the term commencement date which was 8 September 2008.

12. Capital commitments

There were no contracted capital commitments as at 30 June 2011 and 30 June 2010.

13. Related party transactions

There were no related party transactions during the period.

14. 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.

15. Post Balance Sheet Events

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

16. Defined Benefit Pension Scheme

Some SLCC 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 2011.

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

	2011	2010
	%	%
Discount rate at 30 June	5.5	5.3
Expected return on plan assets at 30 June	6.9	6.7
Future salary increases*	5.2	4.9
Future pension increases	3.2	2.9
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 2012.

The post-retirement mortality assumptions used to value the benefit obligation at 30 June 2011 are based on the PMA92/PFA92 year of birth tables, with improvements from 2007 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 20.8 years for males and 24.1 years for females, and for future pensioners 22.3 years for males and 25.7 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:

	2011	2010
	£'000	£'000
Current service cost	23	22
Interest on obligation	4	2
Expected return on plan assets	(5)	(3)
Past service cost	-	(10)
Total	(22)	11

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:

	2011	2010
	£'000	£'000
Fair value of plan assets	105	64
Present value of funded retirement benefit obligations	(103)	(67)
Net liability	2	(3)

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

	2011	%	2010	%
	£'000		£'000	
Equities	82	78	51	76
Bonds	8	8	6	9
Property	12	11	6	10
Cash	3	3	1	5
	105	100	64	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 2011 for each asset category are set out below:

Period Ended 30 June	2011	2010
Equities	7.4%	7.3%
Bonds	4.9%	4.8%
Property	5.4%	5.3%
Cash	4.5%	4.4%

The actual return on plan assets was as follows:

	2011	2010
	£'000	£'000
Actual return on plan assets	13	7

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

	2011	2010
	£'000	£'000
Opening defined benefit obligation at 1 July	67	22
Current service cost	23	22
Past service cost	-	(10)
Interest cost	4	2
Actuarial losses	-	20
Contributions by plan participants	9	11
Closing defined benefit obligation at 30 June	103	67

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 30 June 2011 was £8,000.

Amounts for the current and previous periods are as follows:

	2011	2010	2009
	£'000	£'000	£'000
Fair value of plan assets at 30 June	105	64	22
Present value of defined benefit obligation at 30 June	(103)	(67)	(22)
Surplus/(deficit) in the plan	2	(3)	-
Experience adjustments arising on plan assets	8	5	(2)
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2012, SLCC estimates that contributions of £19,000 will be paid to the Local Government Pension Scheme.

Reconciliation of fair value of employer assets:

Period Ended	30 June 2011	30 June 2010
	£'000	£'000
Opening Fair Value	64	22
Expected Return on Assets	5	3
Contributions by Members	9	11
Contributions by SLCC	19	23
Actuarial Gains/(Losses)	8	5
Benefits Paid	-	-
Closing Fair Value	105	64

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