

Scottish Legal Complaints Commission

Annual Accounts

Year ended 30 June 2012



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1 Foreword

- 1.1 The Scottish Legal Complaints Commission's accounts for the financial period ended 30 June 2012 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 ended 30 June 2012 totalled £2,645,000. This was on staffing costs of £1,630,000, other operating costs of £1,008,000 and depreciation of £7,000.
- 1.8 The SLCC's operating budget for the year ended 30 June 2012 was £2,796,000 of which £1,740,000 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 £88,000 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. For the period ended 30 June 2012 £81,000 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 2012 was 66% (2011, 59%) of bills paid within 10 days. In respect of bills for goods and services paid within 30 days, the SLCC's payment performance was 96% (2011, 93%)

Key Events of 2011-12

1.12 The key events of 2011-12 included the following:

- Rosemary Agnew moved on to become Scotland's Information Commissioner and was replaced as CEO by Matthew Vickers
- Scottish Government appointed four new members (two lay and two legal) to replace seven members (three lay and four legal) who completed their period of service
- In our first full year following the transitional arrangements, we resolved 36% more complaints than the previous year
- However complaints received by the SLCC also rose by 16% and our backlogs continued to grow emphasising the need to focus on efficiency of our complaints process
- We updated our IT infrastructure and successfully migrated from the Scotslite platform
- We dealt with or had in hand up to 30 June 2012, a total of 1,072 complaints, broken down as follows:

COMPLAINTS & ELIGIBILITY	2011/12	2010/11
Complaints in hand at start of year	566	274
Complaints received in year	1,264	1,090
Complaints under consideration	1,830	1,364
Transition arrangements	0	145
Ineligible	486	344
Withdrawn/ resolved before eligibility decision made	128	14
Conduct	144	85
Potential service complaints	1,072	776
Complaints closed	289	210
Complaints awaiting eligibility assessment at year end	296	290
Complaints accepted as WIP	487	276

Complaints in hand at end of year	783	566
METHODS OF RESOLUTION		
Mediation	56	58
Investigation (conciliation without report)	19	24
Investigation (settlement with report)	46	18
Withdrawn at investigation	22	22
Determination	136	88
Other	10	0
Total	289	210
Partially/ Wholly Upheld at Determination	44	27
% Upheld at Determination	32%	31%

- 1.13 SLCC set its anticipated expenditure requirements for 2011-12 at £2,796,000 against which it received income of £1,909,000. Actual expenditure was £2,645,000 leaving an annual deficit of £734,000 after pension adjustments compared to the previous annual deficit of £175,000. 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 2011-12.
- 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 £1,033,000 (compared to £1,816,000 at 30 June 2011). This reflected a decision by SLCC to seek to achieve total reserves broadly in line with three months planned expenditure.

Future direction

We have three core priorities for the year ahead:

- 1.17 Reducing our backlogs and increasing underlying efficiency in our complaints process. We will do this by; redoubling our efforts and our training around early resolution and a proportionate approach to complaints, identifying and eliminating non-value adding steps in our ways of working and improving visibility, measurement and control of workflows across the organisation.
- 1.18 Fulfilling our role in providing guidance and improving standards of client care and complaint handling within the legal profession. Encouraging best practice and offering clearer insight based on trends identified through our oversight work will practitioners to improve first tier complaint handling. Working with consumer groups and professional organisations we aim to educate and empower consumers as they seek legal services and to ensure that practitioners are aware of the benefits of good complaint handling and of some of the techniques which underpin its delivery.

- 1.19 Over the past few years as we have worked under the Legal Profession and Legal Aid (Scotland) Act of 2007, we have identified areas where we believe the Act could be improved to reduce delays and expenses. We believe that these insights will be of value in preparing for changes under the Legal Services Act of 2010. We will be engaging government, professional organisations and consumer groups to ensure that we are implementing the legislation effectively and identifying areas for improvement.

Risk

- 1.20 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 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. 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

- 1.21 At the start of the year, the SLCC Board was made up of twelve board members, five of whom had a legal background. The remaining members, including the Chairing Member were lay members. During the year, four additional board members were appointed and seven completed their period of service on the Board. This brought the number of members to nine at the close of the year ended 30 June 2012.

	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
Douglas Watson	01.01.2008	31.12.2011	4
Dr. Linda Pollock	01.01.2008	31.12.2011	4
Siraj Khan	01.04.2011	31.03.2016	5
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	4
Ian Gibson	01.01.2012	31.12.2016	4
Legal Members			
David Chaplin	01.01.2008	31.12.2011	4
Prof. Alan Paterson	01.01.2008	31.12.2011	4
Margaret Scanlan	01.01.2008	31.12.2011	4

	Appointment		Years
	From	To	
David Smith	01.01.2008	31.12.2011	4
Maurice O'Carroll	01.01.2011	31.12.2016	5
George Clark	01.01.2012	31.12.2016	4
Ian Leitch	01.01.2012	31.12.2016	4

Equal opportunities and diversity

1.22 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

1.23 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

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

Audit

1.25 The accounts are audited by auditors appointed by the Auditor General for Scotland and he has appointed KPMG LLP as the SLCC Auditor for 2011-2012. 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

1.26 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

1.27 The average number of staff days due to absence was 4.6 days per employee (2011, 3.9 days) 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.

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

Matthew Vickers
Chief Executive Officer

3 December 2012

2 Remuneration Report

This section of the report is subject to audit

The Board, having considered the requirements of the Treasury's Financial Reporting Manual and the responsibilities of managers within the Commission, 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. Rosemary Agnew was appointed permanent CEO on 21 October 2010, and resigned on 30 April 2012. David Buchanan-Cook was appointed Interim CEO for the period from 1 May 2012 to 5 June 2012. 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.

Rosemary Agnew

	2011-12 £'000	2000-11 £'000
Salary range	60-65	70-75
Pension Contributions	5-7.5	5-7.5
Benefits in kind	Nil	Nil

David Buchanan-Cook

	2011-12 £'000	2000-11 £'000
Salary range	0-5	Nil
Pension Contributions	0-2.5	Nil
Benefits in kind	Nil	Nil

Matthew Vickers

	2011-12 £'000	2000-11 £'000
Salary range	0-5	Nil
Pension Contributions	Nil	Nil
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	2011-12	2011-12	2010-11	2010-11
	Daily Fees £ Actual	£'000 Actual	Daily Fees £ Actual	£'000 Actual
Jane Irvine, Chair	313	50-55	313	50-55
David Chaplin	212	5-10	212	10-15
George Clark	212	5-10	Nil	
Ian Gibson	212	10-15	Nil	
Ian Gordon	212	5-10	212	10-15
Prof George Irving	212	Nil	212	5-10
Dr Samantha Jones	212	10-15	Nil	
Siraj Khan	212	15-20	Nil	0-5
Ian Leitch	212	5-10	Nil	
Maurice O'Carroll	212	5-10	Nil	0-5
Iain McGrory	212	15-20	212	0-5
Prof. Alan Paterson	212	5-10	212	10-15
Dr Linda Pollock	212	5-10	212	15-20
David Smith	212	5-10	212	10-15
Fiona Smith	212	10-15	212	Nil
Margaret Scanlan	212	5-10	212	10-15
Douglas Watson	212	5-10	212	10-15

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 2011-12 was £70,000 to £75,000 (2010-11, £70,000 to £75,000). This was 2.2 times (2010-11, 2.1 times) the median remuneration of the workforce, which was £32,562 (2010-11, £35,023).

In 2011-12, 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. Restructuring of the workforce in 2011 has led to a decrease in the median salary of the workforce over the period.



Matthew Vickers
Chief Executive Officer

3 December 2012

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 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 (FRM) 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 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 Scottish Ministers and set out in the Public Sector 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 2012 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 2012 comprised six lay and three legal members. The Board met eleven times during 2011/12. 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.
- 4.9 In November 2011 the Board agreed revised terms of reference for the former Staff Governance and Remuneration Committee, which was reconstituted as the Remuneration Committee. The committee meets at least twice a year, comprises five Board members, and provides support to the board in the review of the ongoing appropriateness and relevance of SLCC's remuneration policy, and all matters related to pay and benefits.

Review of effectiveness

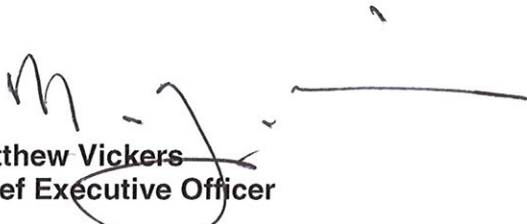
4.10 It is part of my responsibility as Accountable Officer to review the effectiveness of the system of internal control. My review is informed by:

- (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

4.11 During the year 2011-2012, 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

4.12 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

3 December 2012

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 2012 set out on pages 17 to 31. 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 HM Treasury Financial Reporting Manual 2011-12.

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 12, 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 2012 and of its net operating costs 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 HM Treasury Financial Reporting Manual 2011-12; 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 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.



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

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

3 December 2012

6 Statement of Comprehensive Income and Expenditure for year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Operating Income	2	(1,909)	(2,232)
Expenditure			
Staff Costs	3,4	1,630	1,415
Other Administration Costs	5	1,008	989
Depreciation	6,12	7	4
Pension Interest Cost and Expected Return on Pension Assets		(2)	(1)
Net Operating Cost		734	175
Other Comprehensive Income			
Actuarial Loss/(Gain) on Pension Scheme		21	(8)
Net Deficit for Year		755	167

- 6.1 All amounts relate to continuing activities.
- 6.2 The accompanying notes on pages 21 to 31 form an integral part of these accounts.

7 Statement of financial position as at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non Current Assets			
Property, Plant and Equipment	6	139	64
Intangible Assets	7	90	-
Total Non Current Assets		229	64
Current Assets			
Trade and Other Receivables	8	69	94
Cash and Cash Equivalents	9	953	3,365
Total Current Assets		1,022	3,459
Total Assets		1,251	3,523
Current Liabilities			
Trade and other payables	10	(153)	(1,709)
Total Current Liabilities		(153)	(1,709)
Non Current Assets plus Net Current Assets excluding Pension Liabilities		1,098	1,814
Pension Scheme (Liability)/asset	18	(21)	2
Non Current Assets plus Net Current Assets including Pension Liabilities		1,077	1,816
Non Current Liabilities- Provisions	11	44	-
Assets less Liabilities		1,033	1,816
Equity			
General Fund		1,002	1,757
Donated Asset Reserve	10	31	59
Total Equity		1,033	1,816

- 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 represents the assets donated to SLCC by the Scottish Government.
- 7.2 The accompanying notes on pages 21 to 31 form an integral part of these accounts.


Matthew Vickers
 Chief Executive Officer

3 December 2012

8 Statement of cash flows for year ended 30 June 2012

	2012 £'000	2011 £'000
Cash Flows From Operating Activities		
Net Operating Cost	(734)	(175)
Adjustment for Non Cash Transactions		
Depreciation	35	46
Released from Donated Asset Reserve	(28)	(42)
Decrease/(Increase) in Trade and Other Receivables	25	(6)
(Decrease)/Increase in Trade and Other Payables	(1,581)	(409)
Increase in provisions	44	-
Actuarial Loss and Increase in Pension Scheme Liability	3	3
Net Cash Outflow from Operating Activities	(2,236)	(583)
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(86)	-
Purchase of intangible assets - software	(90)	-
Net Cash Outflow from Investing Activities	(176)	-
Net Cash Outflows	(2,412)	(583)
Net Decrease in Cash and Cash Equivalents		
Cash and Cash Equivalents at the beginning of Period	3,365	3,948
Cash and Cash Equivalents at the end of Period	953	3,365

9 Statement of changes in equity for year ended 30 June 2012

	Donated Asset Reserve £'000	General Fund £'000	Total Reserves £'000
Balance at 30 June 2011	59	1,757	1,816
Deficit on Provision of Services	-	(734)	(734)
Released to income	(28)	-	(28)
Other comprehensive expenditure	-	(21)	(21)
Balance at 30 June 2012	31	1,002	1,033

9.1 The accompanying notes on pages 21 to 31 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 *Property, plant and equipment*

1.3.1 Capitalisation

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

1.3.2 Valuation

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

1.3.3 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.

1.4 **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.

1.5 **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.

1.6 **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.

1.7 **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	1,692	1,863
Levy from Faculty of Advocates	48	53
Complaints Levies	45	17
Total levies for year	1,785	1,933
SLSO Recharge from Scottish Govt	81	273
Bank interest	43	26
Total other income	124	299
Total income from all sources	1,909	2,232

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:

	2012	2011
CEO	1	1
Staff	36.1	31
Total average FTE	37.1	32

3.2 Breakdown of Board members

	2012	2011
Chair	1	1
Members	9.5	9
Total average FTE	10.5	10

3.3 Breakdown of staff and member costs

	2012			2011		
	Total	Staff	Members	Total	Staff	Members
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries / wages	1,370	1,184	186	1,179	1,028	151
Social security costs	126	109	17	112	97	15
Pension costs	91	91	-	86	86	-
Outsourced staff costs	43	43	-	38	38	-
Total salary costs	1,630	1,427	203	1,415	1,249	166

4. Pension Costs

For 2011-2012, employer's contributions of £71,490 (2011 - £62,940) were payable to Standard Life at 8% of pensionable pay and £15,551 (2011 - £18,709) 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

	2012 £'000	2011 £'000
Property	346	342
Office	117	102
Staff Training & Recruitment	86	124
Travel & hospitality	21	7
IT	107	69
Outreach	42	27
Research	46	11
Legal	216	269
Financial	27	31
Other Professional Fees	-	7
	1,008	989

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.

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 2011	129	62	191
Additions	24	86	110
At 30 June 2012	153	148	301
Depreciation			
As 1 July 2011	74	53	127
Charge for year	29	6	35
At 30 June 2012	103	59	162
NBV at 30 June 2012	50	89	139
NBV at 30 June 2011	55	9	64

Included in the above is £179,000 of assets donated by Scottish Government. Depreciation of £28,000 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 2011	-	-
Additions	90	90
At 30 June 2012	90	90
Amortisation		
As 1 July 2011	-	-
Charge for year	-	-
At 30 June 2012	-	-
NBV at 30 June 2012	90	90
NBV at 30 June 2011	-	-

No amortisation was charged as the software was not in use as at 30 June 2012.

8. Trade Receivables and Other Current Assets

	2012 £'000	2011 £'000
Other Debtors	16	1
Prepayments	53	93
	69	94

9. Cash and Cash Equivalents

	2012 £'000	2011 £'000
Opening balance	3,365	3,948
Net change in cash and cash equivalent balances	(2,412)	(583)
Balance at 30 June	953	3,365
Analysed as:		
Cash	198	1,693
Term Deposits	755	1,672
Total	953	3,365

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

	2012 £'000	2011 £'000
Trade Payables	3	88
2011/12 levy received in advance	-	1,517
Taxes and Social security Costs	52	37
Accruals	98	67
	153	1,709

11. Provisions for liabilities and charges

	2012 £'000	2011 £'000
Balance at 1 July 2011	-	-
Provided in the year	44	-
Provision utilised in the year	-	-
Balance at 30 June 2012	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.

	2012 £'000	2011 £'000
Balance at 1 July 2011	59	101
Assets donated in the period	-	-
Released to operating cost statement	(28)	(42)
Balance at 30 June 2012	31	59

13. Operating leases

	Building £'000	Other	Totals 2012 £'000	Totals 2011 £'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	6	164	158
Over Five Years of the Balance Sheet Date				-
	158	6	164	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.

14. Capital commitments

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

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 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 2012.

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

	2012	2011
	%	%
Discount rate at 30 June	4.4	5.5
Expected return on plan assets at 30 June	5.2	6.9
Future salary increases*	4.6	5.2
Future pension increases	2.3	3.2
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 2012 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:

	2012	2011
	£'000	£'000
Current service cost	21	23
Interest on obligation	6	4
Expected return on plan assets	(8)	(5)
Total	19	22

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:

	2012	2011
	£'000	£'000
Fair value of plan assets	124	105
Present value of funded retirement benefit obligations	(145)	(103)
Net liability	(21)	2

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

	2012	%	2011	%
	£'000		£'000	
Equities	95	77	82	78
Bonds	10	8	8	8
Property	15	12	12	11
Cash	4	3	3	3
	124	100	105	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 2012 for each asset category are set out below:

Period Ended 30 June	2012	2011
Equities	5.7%	7.4%
Bonds	3.1%	4.9%
Property	3.9%	5.4%
Cash	3.0%	4.5%

The actual return on plan assets was as follows:

	2012	2011
	£'000	£'000
Actual return on plan assets	(1)	13

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

	2012	2011
	£'000	£'000
Opening defined benefit obligation at 1 July	103	67
Current service cost	21	23
Benefits paid	(4)	-
Interest cost	6	4
Actuarial losses	11	-
Contributions by plan participants	8	9
Closing defined benefit obligation at 30 June	145	103

The cumulative actuarial losses recognised in the statement of total recognised gains and losses at 30 June 2012 was £21,000.

Amounts for the current and previous periods are as follows:

	2012	2011	2010
	£'000	£'000	£'000
Fair value of plan assets at 30 June	124	105	64
Present value of defined benefit obligation at 30 June	(145)	(103)	(67)
Surplus/(deficit) in the plan	(21)	2	(3)
Experience adjustments arising on plan assets	(10)	8	5
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2013, SLCC estimates that contributions of £14,000 will be paid to the Local Government Pension Scheme.

Reconciliation of fair value of employer assets:

Period Ended	30 June 2012	30 June 2011
	£'000	£'000
Opening Fair Value	105	64
Expected Return on Assets	8	5
Contributions by Members	8	9
Contributions by SLCC	17	19
Actuarial Gains/(Losses)	(10)	8
Benefits Paid	(4)	-
Closing Fair Value	124	105

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