

***Annual Accounts for  
the year ended 30 June 2010***  
***Scottish Legal Complaints Commission***



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## 1 Foreword

The Scottish Legal Complaints Commission's (SLCC) accounts for the financial period ending 30 June 2010 are presented in accordance with paragraph 15 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.

### Constitution

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

The SLCC's statutory functions cover complaint handling and oversight of complaint handling across the legal profession.

In relation to complaint handling its responsibilities are: to receive and register complaints made against members of the legal profession by the users of legal services and others affected by legal services; to decide their eligibility for investigation; to try to resolve and where appropriate, investigate complaints about inadequate professional service; and where resolution is not possible, to determine the complaints.

The SLCC has a responsibility to contribute to the development of good practice in complaints handling across the legal profession. As part of its remit the SLCC has an oversight role in respect of the professional bodies' handling of conduct complaints against their members. This oversight role extends to the Law Society of Scotland's management of professional indemnity insurance arrangements of members of the legal profession, in particular the Scottish Solicitors' Guarantee Fund and the Master Policy.

Under the transitional arrangements set out in Statutory Instrument 2008 No.332, The Legal Profession and Legal Aid (Scotland) Act 2007 (Transitional, Savings and Consequential Provisions Order 2008), complaints concerning service instructed or the conduct of legal practitioners occurring before 1 October 2008 are referred to the professional bodies for investigation. Complaints about the professional bodies' handling of these complaints are investigated under the powers of the ex-Scottish Legal Services Ombudsman (SLSO).

The SLCC operates wholly independently of both the legal profession and government but complies with the Scottish Public Finance Manual issued by Scottish Government in relation to Non Departmental Public Bodies (NDPBs).

### Financial position

The SLCC's budget for 1 July 2009 to 30 June 2010 was £2,916,000 of which £2,272,000 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.

The SLCC's expenditure on operating activities for the period ending 30 June 2010 totalled £2,096,000. This was on staffing costs of £1,292,000 and other operating costs of £804,000.

The SLCC continues to consider the complaints of the former SLSO and this work remains publicly funded. The costs from 1 July 2009 to 30 June 2010 were £203,000. This funding is additional to the start up costs of £1,000.



£10,000 was spent on fixed asset purchases giving total expenditure for the year of £2,106,000.

### **Payment of creditors**

The SLCC is committed to pay promptly for the 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, they are due to be paid within 10 days of either receipt of the goods or services. The payment performance for 2009-2010 was 56%. Where bills for goods and services are required to be paid within 30 days, the SLCC's payment performance was 90%.

### **Review of 2009-2010**

The SLCC set its expenditure requirements for 2009/10 at £2,916,000 against which it received income of £2,492,000. Actual expenditure was £2,099,000 leaving an annual surplus of £394,000 compared to the previous annual surplus of £1,545,000.

The SLCC under-spent against its planned budget in the areas of staffing, staff training and recruitment, travel and hospitality, communication and research. The staffing and staff related costs were under-spent predominantly because the actual number of staff in post was lower than budgeted for and the financial impact of harmonisation was less than allowed for. The under-spend in communication was due to a change of approach in our work plan. The under-spend in research was due to slippage in the research on the Master Policy and Guarantee Fund.

The main overspends were in the areas of office costs, IT and legal costs. This is a reflection of the estimates of budgets being either over or understated because at the time the budget was set the SLCC had only been operating for three months and had no clear data or indication of levels of business on which to base its budget planning. Additionally, the overspend in legal costs was the result of the relatively large number of appeals lodged by the Law Society against decisions to accept complaints about conduct of practitioners.

As the year progressed, the SLCC has actively managed its resources in the context of business risk. Part of this has been to put in place a formal reserves policy to ensure that the SLCC has sufficient resources to manage the impact of risk and to adopt a budget setting approach that demonstrates the clear link between reserves and the setting of the general levy. The SLCC's policy is to hold reserves of no less than three months of operating costs and no more than six months. The actual level will be set based on the level of risk. The ultimate aim over the next two years is to improve our management of the risks and hence reduce the reserves required to be held.

Total reserves held at the end of the year amounted to £2,025,000 but it should be noted that the SLCC ring-fenced £740,000 to underwrite the general levy in the 2010/11 operating year by transferring it from reserves to income. This leaves an actual reserve of £1,281,000.

### **Future developments**

The SLCC has set out its strategic aims and corporate plan for the next three years. Business and financial planning approaches are being developed to focus resource planning on the five strategic aims of the organisation, which are set out below.

1. The SLCC will provide a high quality, independent and impartial complaint handling service which focuses on early resolution.



As the SLCC matures, it will continue to reflect on and develop enquiry and complaint handling policies and procedures, learning from stakeholder feedback, the outcome of complaints and developments in interpretation of the 2007 Act.

2. The SLCC will be an efficient, accountable organisation that works to best-value principles.

The SLCC will build on the work undertaken this year on developing its corporate systems to ensure that financial planning and management enhance our efficiency.

3. The SLCC will support and contribute to high standards in the legal profession in Scotland through our oversight and complaint-handling functions.

The SLCC will continue to develop our role in relation to oversight of how the professional bodies deal with complaints about practitioners' conduct. We will issue appropriate guidance to the profession on good and effective complaint handling. We will promote confidence in and understanding of the operation of the Master Policy and Guarantee Fund. We will actively participate in consultation that impacts on the legal profession, complaint handling and standards in public life.

4. The SLCC will promote understanding of its role.

We will actively promote our role and services to ensure our stakeholders have a clear understanding of what we do and how we do it.

5. The SLCC will be recognised as expert in complaint handling and an organisation that attracts and retains experienced and skilled people.

The SLCC recognises the importance of its staff and will continue to invest in their development, ensuring they have the skills and knowledge to deliver our business and meet strategic objectives.

In all areas of activity the SLCC is collecting and collating data that will enable it to refine its budget planning assumptions and longer-term we are committed to setting budgets that reflect efficient ways of working and that reduce annual variances.

Whilst the SLCC continues to refine its budget and resource management systems it recognises there are factors outside its direct control that will impact on financial resources. The two main areas of uncertainty that face the SLCC over the coming financial year are the outcome of the appeals lodged but not decided in 2009/10 and the impact of the end of the transitional arrangements. The transitional arrangements end on 1 October 2010. The impact of this is unlikely to be apparent until well into the next financial year and is unlikely to be known in a timescale to enable a more informed approach to budget planning for 2011/12.

### **The Scottish Legal Complaints Commission**

The SLCC is made up of nine board members, four of whom have a legal background. The remaining five members, including the Chairing Member are lay members.

The Chairing Member is Jane Irvine, appointed 1 January 2008 for a period of 5 years, up to 31 December 2012.

The other Members, appointed 1 January 2008 for a period of four years up to 31 December 2011 are:

*Legal Members*

David Chaplin  
Prof. Alan Paterson  
David Smith  
Margaret Scanlan

*Lay Members*

Ian Gordon  
Prof. George Irving  
Dr. Linda Pollock  
Douglas Watson

The Acting Chief Executive, Rosemary Agnew, was appointed to the role by the Board on 26 November 2009. She continues in that role following the departure of the previous Chief Executive Officer, Eileen Masterman, in February 2010.

**Equal Opportunities**

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

**Provision of Information to Employees**

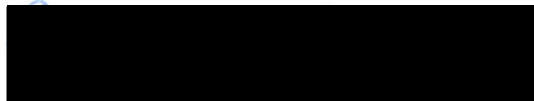
The SLCC has adopted the principles of openness and participation and places a high level of importance on both consulting and informing staff. It does so by providing access to Board and management papers, through oral and written briefings, by weekly staff meetings and other events. Information is only withheld when shown to be justified or where a duty of confidence is owed to a third party.

**Audit**

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 2009-2010.

**Disclosure of Information to Auditors**

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.



Rosemary Agnew  
Acting Chief Executive Officer

Date: 19 November 2010



## 2 Remuneration Report

*This section of the report is subject to audit*

Remuneration - CEO	2009-10 £'000	01.10.08– 30.06.09 £'000
Eileen Masterman 1.7.09 to 28.2.10		
Salary range	80-85	65-70
Benefits in kind	Nil	Nil
Rosemary Agnew (Acting) 26.11.09 to 30.06.10		
Salary range	40-45	Nil
Benefits in kind	Nil	Nil

Salaries include basic salaries, and where appropriate performance bonuses payable, reserved rights, recruitment and retention allowances. They do not include employer National Insurance or Pension contributions.

### Chair's/Board fees

Remuneration – Band 2	2009-10 Daily Fees £ Actual	2009-10 £'000 Actual	01.10.08– 30.06.09 Daily Fees £ Actual	01.10.08– 30.06.09 £'000 Actual
Jane Irvine, Chair <sup>1</sup>	313	50-55	308	40-45
David Chaplin	212	15-20	209	5-10
Ian Gordon	212	15-20	209	5-10
Prof. George Irving	212	10-15	209	5-10
Prof. Alan Paterson	212	10-15	209	5-10
Dr. Linda Pollock	212	10-15	209	5-10
David Smith	212	10-15	209	5-10
Margaret Scanlan	212	10-15	209	5-10
Douglas Watson	212	10-15	209	0-5

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](http://www.scotland.gov.uk/publications).

  
Rosemary Agnew  
Acting Chief Executive Officer

Date: 19 November 2010

<sup>1</sup> For the period covered by this report the Chairing Member of the Board dedicated in excess of the 6 days per month anticipated during a fully operational year post-transitional period. This reflected the fact the Chair also signs-off Scottish Legal Services Ombudsman opinions. This means that part of the banding is funded by the Scottish Government.

### 3 Statement of the ACEO's responsibilities as accountable officer

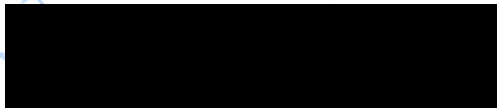
While the SLCC is a 'body corporate', in terms of the Scottish Public Finance Manual issued by the Scottish Government in relation to NDPBs, the Acting Chief Executive Officer is the Accountable Officer. This is confirmed in the SLCC's Governance arrangements.

The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual and reflected in the SLCC's rules.

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.

In preparing the accounts, the Accountable Officer is required to:

- observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the SLCC will continue in operation.



Rosemary Agnew  
Acting Chief Executive Officer

Date:

19 November 2010



## 4 Statement on internal control

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.

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 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.

This is our second year of operation, our first full operational year, and we continued to develop a range of appropriate governance controls, especially in the key business areas of financial management, operational and employee data management and risk management. We have made significant changes since the last financial year having reviewed and redefined our core financial systems, put in place policies for the setting and management of reserves and having carried out a full review of financial management reporting. An SLCC Scheme of Delegation is in place supported by an ACEO's Scheme of Delegation and Risk Register, both of which have been reviewed and updated. These continue to be reviewed periodically and updated as necessary.

I have reviewed and ensured compliance with these procedures during the year 2009-2010. Further, monthly financial reports are made to the Management Team with quarterly reports made to both the Audit and Finance Advisory Committee and the Board of the SLCC.

The Board of the SLCC meet regularly and in 2009-2010 was supported by the Audit and Remuneration Advisory Committee. The Senior Management Team meets monthly.

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control and the SLCC have procured internal audit services from Scott Moncrieff who supports the SLCC in governance and management of risks.

The SLCC's internal auditors raised a number of points about the documentation to support the administration of the monthly payroll, suggesting ways in which the SLCC could more effectively demonstrate segregation of duties in relation to processing and authorising. All of these issues have been addressed by production of comprehensive guidance and amendments to the ACEO's scheme of delegation.

My statement is informed by the work of both internal audit and external audit which did not identify any significant weaknesses in internal control arrangements from their work.

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



Rosemary Agnew  
Acting Chief Executive Officer

Date:

19 November 2010



## 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 (the Commission) for the year ended 30 June 2010 under the Legal Profession and Legal Aid (Scotland) Act 2007. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

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, in their individual capacities, or to third parties.

### **Respective responsibilities of the Board, Acting Chief Executive Officer and auditor**

The Board and Acting Chief Executive Officer (ACEO) are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers. The Board and ACEO are also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of the ACEO's responsibilities as accountable officer.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the management commentary, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

In addition, we report to you if, in our opinion, the Commission has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.



We review whether the Statement on Internal Control reflects the Commission's compliance with Scottish Government guidance and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the management commentary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and ACEO in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

#### *Financial statements*

In our opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of the Commission as at 30 June 2010 and the net operating cost, changes in equity and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises the management commentary, included with the Annual Report, is consistent with the financial statements.

*Regularity*

In our opinion in all material respects

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.



**Grant Thornton UK LLP**  
**Chartered Accountants and Registered Auditors**  
**1-4 Atholl Crescent**  
**Edinburgh**  
**EH3 7LQ**

Date: *19 November 2010*



## 6 Operating cost statement for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
<b>Administrative Costs</b>			
Staff Costs	4,5	1,292	871
Other Administration Costs	6	804	703
Depreciation	7,12	3	-
Operating Income	3	(2,492)	(3,119)
<b>Net Administration Income</b>		<b>(393)</b>	<b>(1,545)</b>
Pension Interest Cost and Expected Return on Pension Assets			
		(1)	-
<b>Net Operating Income</b>		<b>(394)</b>	<b>(1,545)</b>

### Statement of Recognised Gains and Losses

Net Operating Income	394	1,545
Actuarial Loss on Pension Scheme	(15)	-
<b>Total Recognised Gains</b>	<b>379</b>	<b>1,545</b>

All amounts relate to continuing activities.

The accompanying notes on pages 17 to 26 form an integral part of these accounts.

## 7 Statement of Financial Position as at 30 June 2010

	<u>Notes</u>	<u>2010</u> £'000	<u>Restated</u> <u>2009</u> £'000
<b>Non Current Assets</b>			
Property, Plant and Equipment	7	110	145
<b>Total Non Current Assets</b>		<b>110</b>	<b>145</b>
<b>Current Assets</b>			
Trade and Other Receivables	8	88	167
Cash and Cash Equivalents	9	3,948	3,858
<b>Total Current Assets</b>		<b>4,036</b>	<b>4,025</b>
<b>Total Assets</b>		<b>4,146</b>	<b>4,170</b>
<b>Current Liabilities</b>			
Trade and other payables	10	(2,118)	(2,428)
<b>Total Current Liabilities</b>		<b>(2,118)</b>	<b>(2,428)</b>
<b>Non Current Assets plus Net Current Assets excluding Pension Liabilities</b>		<b>2,028</b>	<b>1,742</b>
Pension Scheme Liability	18	(3)	-
<b>Non Current Assets plus Net Current Assets including Pension Liabilities</b>		<b>2,025</b>	<b>1,742</b>
<b>Non Current Liabilities</b>	11	-	(54)
<b>Assets less Liabilities</b>		<b>2,025</b>	<b>1,688</b>
<b>Equity</b>			
General Fund		1924	1,545
Donated Asset Reserve	12	101	143
<b>Total Equity</b>		<b>2,025</b>	<b>1,688</b>

  
Rosemary Agnew  
Acting Chief Executive Officer

Date: 29 November 2010

The accompanying notes on pages 17 to 26 form an integral part of these accounts.



## 8 Statement of Cash Flows for year ended 30 June 2010

	<u>2010</u> £'000	<u>2009</u> £'000
<b><u>Cash Flows From Operating Activities</u></b>		
Net Operating Income	394	1,545
Adjustment for Non Cash Transactions		
Depreciation	45	36
Released from Donated Asset Reserve	(42)	(36)
Decrease/(Increase) in Trade and Other Receivables	79	(167)
(Decrease)/Increase in Trade and Other Payables	(364)	2,482
Actuarial Loss and Increase in Pension Scheme Liability	(12)	-
<b>Net Cash Inflow from Operating Activities</b>	<b>100</b>	<b>3,860</b>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of Property, Plant and Equipment	(10)	(2)
<b>Net Cash Outflow from Investing Activities</b>	<b>(10)</b>	<b>(2)</b>
<b><u>Cash Flows From Financing Activities</u></b>		
Financing from the Scottish Parliamentary Corporate Body	-	-
<b>Net Cash Outflow from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Cash Inflows</b>	<b>90</b>	<b>3,858</b>
<b><u>Net Increase in Cash and Cash Equivalents</u></b>		
Cash and Cash Equivalents at the beginning of Period	3,858	-
Cash and Cash Equivalents at the end of Period	3,948	3,858

The accompanying notes on pages 17 to 26 form an integral part of these accounts.

## 9 Statement of Changes in Equity for year ended 30 June 2010

	<u>Donated</u> <u>Asset</u> <u>Reserve</u> £'000	<u>General</u> <u>Fund</u> £'000	<u>Total</u> <u>Reserves</u> £'000
Net Operating Income for the Period ended 30 June 2009	-	1,545	1,545
Assets donated in the period	179	-	179
Released to income	(36)	-	(36)
<b>Balance at 30 June 2009</b>	<b>143</b>	<b>1,545</b>	<b>1,688</b>
Net Operating Income for the Year ended 30 June 2010	-	394	394
Released to income	(42)	-	(42)
Actuarial Loss on Pension Scheme	-	(15)	(15)
<b>Balance at 30 June 2010</b>	<b>101</b>	<b>1,924</b>	<b>2,025</b>

The accompanying notes on pages 17 to 26 form an integral part of these accounts.



## 10 Notes to the 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 (reproduced at page 104) 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) 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.



## 2. First Time Adoption of IFRS

	<b>General Fund £000</b>
General Fund at 31 March 2009 under UK GAAP	1,565
Adjustments for:	
IAS 19: Employee Benefits	(20)
<b>General Fund at 1 April 2009 under IFRS</b>	<b>1,545</b>

## 3. Operating Income

	<b>2010 £'000</b>	<b>2009 £'000</b>
Levy from Law Society of Scotland	2,166	2,505
Levy from Faculty of Advocates	99	114
Complaints Levies	7	
<i>Total levies for year</i>	<i>2,272</i>	<i>2,619</i>
SLSO Recharge from Scottish Govt	203	204
Start up Income	1	266
Bank interest	16	30
<i>Total other income</i>	<i>220</i>	<i>500</i>
<b>Total income from all sources</b>	<b>2,492</b>	<b>3,119</b>

#### 4. Staff numbers and costs

##### 4.1 Staff employed

The average number of staff full time equivalent (FTE) persons employed by the SLCC during the period was 29 FTE, detailed as follows:

	2010	2009
CEO	1	1
Staff	29	26
<b>Total average FTE</b>	<b>30</b>	<b>27</b>

##### 4.2 Breakdown of Board members

	2010	2009
Chair	1	1
Members	8	8
<b>Total average FTE</b>	<b>9</b>	<b>9</b>

##### 4.3 Breakdown of staff and member costs

	2010			2009		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	1,173	1,019	154	709	614	95
Social security costs	105	95	10	64	58	6
Pension costs	68	68	-	44	44	-
Harmonisation provision	(54)	(54)	-	54	54	-
<b>Total salary costs</b>	<b>1,292</b>	<b>1,128</b>	<b>164</b>	<b>871</b>	<b>770</b>	<b>101</b>

The harmonisation of staff terms and conditions was completed during the year and the provision for this cost made in the previous financial period has therefore been released.

#### 5. Pension costs

For 2009-2010 employer's contributions of £51,945 were payable to Standard Life at 8% of pensionable pay and £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 18.



## 6. Operating Expenditure

	2010	2009
	£'000	£'000
Property	360	339
Office	90	92
Staff Training & Recruitment	87	95
Travel & hospitality	9	10
IT	82	33
Outreach	41	-
Research	2	16
Legal	87	57
Financial	33	41
Other Professional Fees	13	20
	<b>804</b>	<b>703</b>

The above total includes the external auditor's remuneration of £13,800 (£16,300, 2008/09). The external auditor received no fees in relation to non audit work. There are no costs in association with operating leases.

## 7. Property, Plant and Equipment

Tangible Non Current Assets

	Furniture & fixtures and fittings	IT & telecoms equipment	Total tangible assets
	£'000	£'000	£'000
<b>Cost</b>			
Additions in period	129	52	181
<b>At 30 June 2009</b>	<b>129</b>	<b>52</b>	<b>181</b>
<b>Depreciation</b>			
Charge for period	22	14	36
<b>At 30 June 2009</b>	<b>22</b>	<b>14</b>	<b>36</b>
<b>NBV at 30 June 2009</b>	<b>107</b>	<b>38</b>	<b>145</b>
<b>Cost</b>			
At 1 July 2009	129	52	181
Additions	-	10	10
<b>At 30 June 2010</b>	<b>129</b>	<b>62</b>	<b>191</b>
<b>Depreciation</b>			
As 1 July 2009	22	14	36
Charge for year	26	19	45
<b>At 30 June 2010</b>	<b>48</b>	<b>33</b>	<b>81</b>
<b>NBV at 30 June 2010</b>	<b>81</b>	<b>29</b>	<b>110</b>

Included in the above are £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.

**8. Trade Receivables and Other Current Assets**

	2010	2009
	£'000	£'000
Other Debtors	1	83
Prepayments	87	84
	<b>88</b>	<b>167</b>

**9. Cash and Cash Equivalents**

	2010	2009
	£'000	£'000
Opening balance	3,858	-
Net change in cash and cash equivalent balances	90	3,858
Balance at 30 June	3,948	3,858
<b>Cash held at Commercial Banks</b>	<b>3,948</b>	<b>3,858</b>

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

	2010	2009
	£'000	£'000
Trade Payables	97	109
2009/10 levy received in advance	1,916	2,266
Other Creditors	4	3
Taxes and Social security Costs	30	25
Accruals	71	25
	<b>2,118</b>	<b>2,428</b>

**11. Trade Payables and Other Current Liabilities– amounts falling due after one year**

	2010	2009
	£'000	£'000
Provision for harmonisation costs	-	54



**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.

	2010	2009
	£'000	£'000
Balance at 1 July 2009	143	-
Assets donated in the period	-	179
Released to operating cost statement	(42)	(36)
<b>Balance at 30 June 2010</b>	<b>101</b>	<b>143</b>

**13. Operating leases**

	Buildings	Totals	Totals
	£'000	£'000	2009
	£'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	-
Over Five Years of the Balance Sheet Date	-	-	158
	<b>158</b>	<b>158</b>	<b>158</b>

**14. Capital commitments**

There were no contracted capital commitments as at 30 June 2010 and 30 June 2009.

**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 2010.

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

	<b>2010</b>	<b>2009</b>
	%	%
Discount rate at 30 June	5.3	6.2
Expected return on plan assets at 30 June	6.7	6.7
Future salary increases*	4.9	5.0
Future pension increases	2.9	3.5
Inflation assumption	2.9	3.5

\* Please note that the salary increase assumption for 30 June 2010 is 1.0% p.a. for the first 2 years.

The post-retirement mortality assumptions used to value the benefit obligation at 30 June 2010 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:

	<b>2010</b>	<b>2009</b>
	£'000	£'000
Current service cost	22	10
Interest on obligation	2	-
Expected return on plan assets	(3)	(1)
Past service cost	(10)	-
<b>Total</b>	<u>11</u>	<u>9</u>

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:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	64	22
Present value of funded retirement benefit obligations	(67)	(22)
Net liability	<u>(3)</u>	<u>-</u>

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

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Equities	51	18
Bonds	6	2
Property	6	2
Cash	1	-
	<u>64</u>	<u>22</u>

The actual return on plan assets was as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Actual return on plan assets	7	(1)

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

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation at 1 July	22	-
Current service cost	22	10
Past service cost	(10)	-
Interest cost	2	-
Actuarial losses	20	5
Contributions by plan participants	11	7
Closing defined benefit obligation at 30 June	<u>67</u>	<u>22</u>

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 30 June 2010 was £15,000.

Amounts for the current and previous periods are as follows:

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



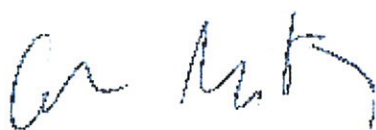
## Appendix – Scottish Minister's Direction



### 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 (FRM) 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