22 February 2010

Dear Jane,

ANNUAL BUDGET CONSULTATION 2010-11

I would like to take the opportunity to respond to the ongoing consultation on your annual budget for 2010-11. I note that you have used some of your reserves to offset any increase in the general levy and that is commendable, but I am strongly of the view that this does not go far enough.

I understand that this financial year you have generated income of around £2.3m and that your predicted costs of £2.9m are now forecast to be £2.6m\(^1\). The shortfall between income and expenditure will be met by your contingency fund should that remain untouched and in effect your budget will balance this year. However the surplus funds generated during your first 9 months of operation recorded as £1.5m are likely to remain untouched.

Whilst I recognise that during your initial year of operation the workload and consequently expenditure was difficult to predict, having built up a significant reserve fund in this financial year, it is essential that the Commission takes full account of this reserve in determining the amount of annual general levy and the complaints levy that is reasonably sufficient to meet its expenditure for the next financial year. Where the Commission has existing reserves, it

\(^1\) SLSO funding and expenditure has been excluded from these figures.
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must ensure that, taking one financial year with another, the amount of the proposed general levy and complaints levy is reasonably sufficient to meet its expenditure, in particular, any estimated shortfall including for contingencies.

I do not think it is sufficient to use these reserves to merely off-set an assumed increase in the proposed amount of the annual general levy for next year. I therefore invite the Commission to give early and serious consideration to reducing the proposed amount of the annual general levy and the complaints levy to ensure that these do not, taking one financial year with another, exceed what is reasonably sufficient to meet its expenditure.

I appreciate that it is important for the SLCC to manage their financial risks and hold some contingency funding and I know that officials here would be happy to discuss how this could be achieved in ways which did not rely on large reserves.

I appreciate also that, as the legislation stands, the levy is a matter for the SLCC to determine, and that Ministers have no power to order SLCC to take any particular action in respect of the levy.

It is for the SLCC itself to ensure that the level of charge is justifiable, in the light of the demands on it. I trust that you will exercise that discretion appropriately, having regard to the views expressed by consultees.

I would wish to give fair notice that Ministers will review the situation following the setting of this year’s levies to see whether any change in the respective powers of Ministers and the Commission is desirable.

I would like to meet with you at an early opportunity to discuss this in person and my office will be in touch to arrange a suitable time. I know that you are required to publish consultation responses and we will also arrange for this response to be published on our website.

Yours sincerely

FERGUS EWING

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