



## **Annual General Meeting 2023**

### **Report of the Convener of the Client Protection Sub-committee (CPSC) on the Scottish Solicitors' Guarantee Fund (trading as the Client Protection Fund)**

The Fund reports a deficit for the 2021/2022 financial year of £647,000 (2020/2021: surplus of £716,000).

No subscription income was collected in the 2022 financial year following the decision of Council to set the subscription level at zero as a part of support package to help solicitors during the pandemic.

Dividends of £4,000 were received in respect of the winding up of one Judicial Factor in the year.

One grant to compensate applicants was approved by the CPSC in the year amounting to £16,800. This was a decrease from the 2 claims approved in 2020/21 at a cost of £18,000. After taking additions and disposals into account, the investment portfolio decreased in value in the year by £750,000, 12.2% (2021: £973,000 increase, 18.8%). This decrease reflected the general financial markets position during the year.

Reserves decreased to £7,193,000 at 31 October 2022 from the previous level of £7,840,000. This is almost entirely due to the reduction in value of the investment portfolios, resulting from the general reduction in global markets during the year. There were no subscriptions collected in the year, similar to the prior year, and again, this has not had an impact on reserves due to the low value of successful claim payments being made.

Previously, at an early stage following the Covid-19 outbreak, the CPSC undertook a comprehensive review to assess the appropriateness of the going concern basis of preparation for the relevant year's financial statements and to guide future decision making regarding the fund's financial position. The review considered key risks facing the fund and the risk management arrangements in place to manage these risks. Council reviewed this exercise and was content at that point there was no material uncertainty over the going concern basis of preparation for the financial statements of the Client Protection Fund. There has been no material change to the position reviewed other than the change in investment valuations noted elsewhere. The claims environment continues to remain benign, therefore the Council are satisfied it is appropriate that the accounts are prepared on the going concern basis.

The CPSC has decided that for the third year, no Client Protection Fund subscription will be collected, for 2022/23. While not collecting potential revenue increases the possibility that the fund's reserves will be reduced during the year, the extent of any reduction in reserves will depend on the extent to which the current low level of claims activity continues and the ongoing performance of the fund's investments. The CPSC will continue to monitor these indicators during the year.