

Building on...

- Improved performance: increasing quality and maintaining pace
- A 'new norm' of complaint volumes and complexity
- A culture of change and innovation
- An agile response to an uncertain operating environment

Our operating plan and budget for July 2021 - June 2022

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1 Executive Summary

- 1.1 This document sets out the SLCC's budget for 2021 -2022, proposed within the context of a strategy and operating plan which are published separately but summarised in this document.
- 1.2 **A consultation ran from 30 January 2021 to 18 March 2021.** Responses were published on our website on 31 March 2021. The consultation dates and process are set in statute.

CONTEXT TO OUR PLANNING

- 1.3 **2020 and the global pandemic was a year like no other.** The SLCC demonstrated strong resilience. We continued to deliver our statutory functions for the public and profession throughout, whilst continuing to improve our core performance. In the [consultation document](#) we outlined in detail how we responded to the challenges, our work to support users of legal services and practitioners, and how this changes our planning for the future.
- 1.4 **In October 2020 we consulted solicitors, advocates, commercial attorneys, and their professional bodies on the impact of Covid-19.** We asked about how the situation was likely to impact the volume and nature of complaints that might be made to lawyers and to the SLCC. Again, our [consultation document](#) outlined the findings from this work.
- 1.5 **We have reviewed and refined our strategy.** Our new strategy had already set out a plan for a more flexible and digital organisation to cope with increased uncertainty and disruption. This was based on Brexit uncertainty, the possibility of an 'IndyRef2', the risk of recession, the increased risk of environmental events, and the need to reduce environmental impact. However, it prepared us well for Covid-19, which has only accelerated the need for changes we planned, rather than altering them. Our review of our strategy in light of the events of 2020 has led to one amendment to our long-term focus (see **Section 2**), and significant changes in the detail of our Operating Plan for this year (see **Section 3**). We will continue to monitor the situation and the ongoing implications of Covid-19 for users of legal services and the sector.

KEY INFORMATION IN THE CONSULTATION

- 1.6 **Our core operational work next year** will include helping over 2,400 people resolve over 1,200 complaints. This is a slightly lower assumption than in previous years. We also anticipate dealing with 65 Data Subject Access Requests, 30 Freedom of Information requests, 12 handling complaints, and 13 Inner House of the Court of Session actions, when a party challenges one of our decisions and we have to respond. It will also include complying with our statutory duties to monitor trends and oversee the indemnity arrangements in the profession, as well as communication, education and outreach work. We explain the assumptions behind these forecasts in **Section 3**.
- 1.7 **In Section 5 we note efficiency savings of £318,840 for the coming year.** This includes a significant reduction in headcount compared to the 2020 - 2021 business year. The reduction in resources needed also reflects the anticipation of a slightly lower number of incoming cases in 2021 – 2022.

- 1.8 **However, in Section 6 we note those factors driving cost** – including significant factors outwith our direct control, for example, the public sector pay settlement. (£140,150)
- 1.9 **Overall, we are proposing a reduction in our income of £172,524 and expenditure of £178,691.**
- 1.10 This is achievable based on:
- a. efficiency work delivered in the last two years leading to the lowest ‘work in progress’ within the business in many year (as discussed in our Annual Accounts for last year)
 - b. significantly reduced incoming complaints within the 2020 – 2021 business year during the peak months of lockdown (March to June)
 - c. complaint numbers rebounding in the latter half of 2020, but currently still at a lower rate than in previous years, and anticipated to remain slightly lower in 2021 -2022
 - d. financial performance in 2020 – 2021 allowing reserves to be moved closer to our reserves policy, and therefore placing the SLCC in a more secure financial position.
- 1.11 **We therefore confirm a reduction in the levy for solicitors, advocates and commercial attorneys, with a 5% reduction in the levies paid by all lawyers and a 20% reduction for all lawyers within their first three years of practice.**
- 1.12 **Appendix 1** contains the full budget.
- 1.13 **We continue to focus on three strands of work to improve efficiency** – internal change within our control, medium term change working with the Scottish Government and professional bodies, and promoting long term change as recommended by the 2018 independent review of the regulation of legal services in Scotland.
- 1.14 We received three responses to our consultation, which are published on our website along with the consultation paper.
- 1.15 The abbreviations and technical terms we use are explained in a glossary at **Appendix 2**.

2 Summary of our strategy – 2020 - 2024

- 2.1 Our vision is that ‘every client receives a professional service, and every lawyer adheres to professional standards’.
- 2.2 Our mission is to **resolve complaints, prevent the common causes of complaints, and enable quality improvement.**
- 2.3 **We have five strategic aims** to achieve our ambition to be an efficient and effective complaints and improvement body, delivering a quality service. Our aims are to:

Deliver	Deliver a high-quality service which is approachable, people-centric, prompt, and proportionate, and which delivers fair resolutions.
Innovate	Innovate by working as a performance-focused, change-confident and resilient team, delivering our work in new and efficient ways.
Prevent	Prevent the common causes of complaints through analysis, shared learning and improvement work.
Influence	Influence the debate on reform, and lead the change as soon as final proposals are in place.
Respond	ADDED in 2021: Respond to the challenge of Covid-19, and the impact on clients and the sector, and accelerate the change set out in our strategic aims and priorities to achieve a more adaptive and agile business model, with full remote working capability and a high resilience.

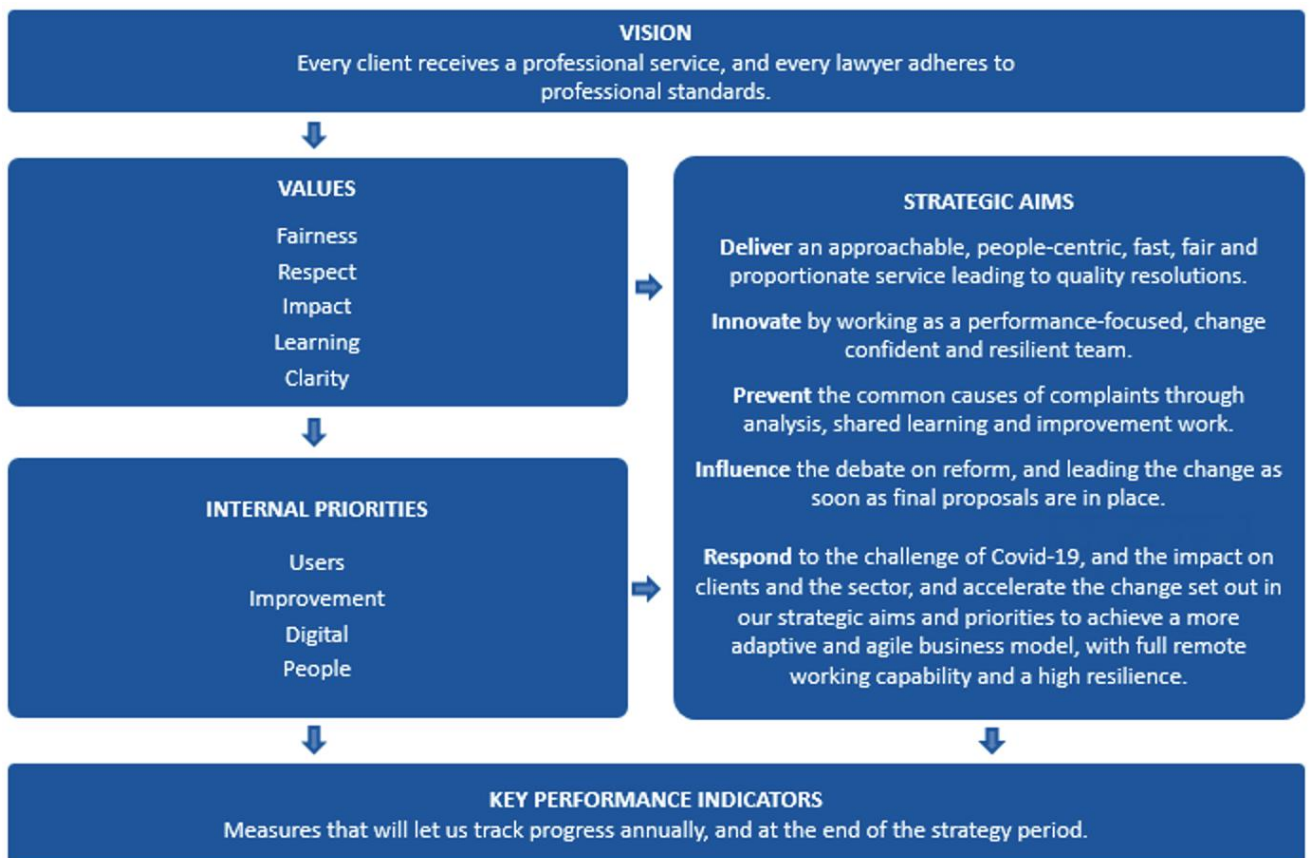
- 2.4 **We have four internal priorities which will influence all our work and will ensure delivery of our aims:**

Users	Good customer experience is at the heart of how we design and deliver services, and feedback drives our improvement work.
Improvement	Our people, processes, and outcomes demonstrate a commitment to, and delivery of, continuous quality improvement and best value.
Digital	Our thinking will focus on digital solutions, paperless processes and ‘social’ engagement, whilst ensuring access for all.
People	Our approach to wellbeing, development and a high performance culture ensures we can meet the challenges of ongoing change and increased demand, in a stimulating and enjoyable environment.

2.5 Our values are:

Fairness	Our processes and outcomes can be trusted by all as fair, independent and impartial.
Respect	We understand and respect the diverse groups we work with, work inclusively, and offer a good customer experience to all.
Impact	Every element of our work will deliver a meaningful result.
Learning	We continuously learn and develop, and share that learning, so we all improve our processes and the quality of our work.
Clarity	Our decisions, explanations, communication, and services will be clear and accessible.

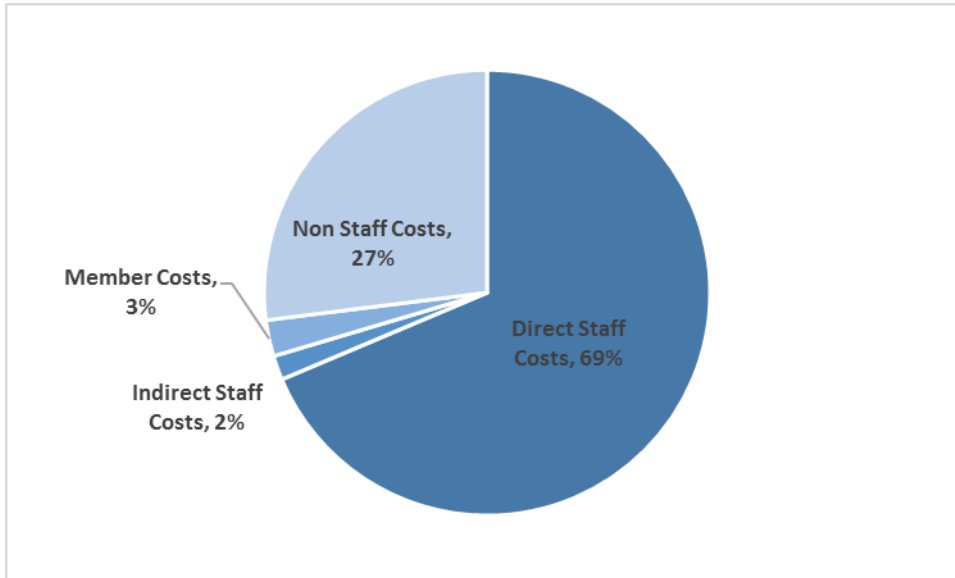
2.6 How these elements work together:



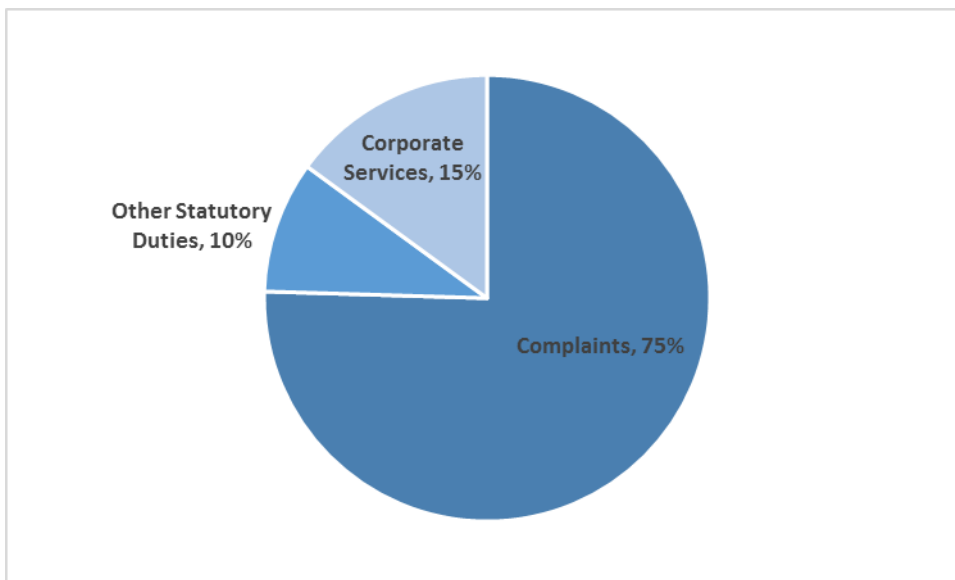
3 Our operational delivery for 2021 - 2022

Introduction

3.1 The majority of our costs relate to our people:



3.2 The majority of our people costs are spent on staff dealing directly with complaints:



Complaints about lawyers – anticipated volumes

3.3 Our frontline complaints service is where the majority of our staffing and resources is directed. Our performance is monitored by a non-executive Board appointed by Scottish Ministers.

3.4 How we deal with legal complaints is shaped by several factors. This includes the incoming number of complaints and their complexity, how these complaints are categorised, and whether they pass the first stages of our process. It then depends on whether an agreed resolution is achieved or a formal determination is required, and whether any such determination is

appealed. We have to respond to a demand-driven caseload and have a statutory obligation to have adequate resources to process that workload.

- 3.5 Information about our complaints processes is available on our website at <https://www.scottishlegalcomplaints.org.uk/your-complaint/>
- 3.6 Following the imposition of the first lockdown (March 2020) we saw a dramatic reduction in incoming complaints, with a 44% drop compared to the same quarter in the previous year (186, compared to 335).
- 3.7 As business resumed in the summer of 2020 complaints quickly started to rebound. In quarter 1 (July, August, September) we saw complaints only 13% lower than the same quarter in the previous year (252, compared to 291).
- 3.8 In quarter 2 (October, November, December) complaints returned to a point just 4% lower than the same quarter in the previous year (274, compared to 285).
- 3.9 Data for Q3 of the year (January, February, March) was not yet available when the Board considered the budget 23 March 2021.
- 3.10 The data can be summarised as:

Year	2018 - 2019	2019 - 2020	% reduction (same quarter in previous year)
Q4 (Apr – May – Jun)	335	186	44%
-	2019 - 2020	2020 - 2021	-
Q1 (July – Aug – Sept)	291	252	13%
Q2 (Oct – Nov – Dec)	285	274	4%

- 3.11 What we have observed in these figures corresponds with the feedback we received late in 2020 from professional bodies and the sector (as outlined in Section 2). In summary, that work was slowly returning to similar, albeit slightly lower, levels, and that there were no factors to strongly indicate either a significant drop or rise in numbers).
- 3.12 As we started to consult we entered another lockdown period, which continued for the next full quarter of our year (Q3 of 2020 – 2021, January, February, and March). We noted we thought this would have a different impact to the first lockdown. Legal businesses had adapted and are likely to be working remotely. In the previous lockdown Registers of Scotland and the Scottish Courts and Tribunal Service largely stopped transactions for a significant number of weeks, but this time civil business is continuing, and the courts estimated 25% of criminal business would go ahead.

3.13 This proved to be the case, with a drop in complaints in January and February, but March actually seeing the highest incoming number of complaints since pre Covid 19 (Feb 2020).

3.14 In summary, the best assumptions we can make are:

- 2019 – 2020 was significantly impacted by lockdown, seeing the lowest aggregate incoming number in five years (1035).
- 2018 – 2019 is a more likely comparison (1330) – but we know that this was an unusually high incoming number, influenced by 84 linked cases (as noted in our Annual Accounts for that year).
- In the most recent quarter cases are only 4% down on the previous year (unaffected by lockdown), and the trend has been a return to levels seen prior to lockdown (although slightly lower than recent peak years).
- Information from professional bodies and the sector suggested a return to previous levels of complaints or above. However, with continued uncertainty, and the new lockdown imposed from January 2021, we are currently projecting a slightly lower level than the peak years just prior to Covid-19.
- The second lockdown (January 2021) is different, as firms have adapted and many transactions dependent on court and Registers of Scotland will continue, and faster recovery in incoming numbers is already visible compared to the first lockdown.
- We will therefore see a gradual return in 2021 – 2022 (the year this consultation relates to) to case load similar to, but perhaps slightly lower than, before lockdown.

3.15 Our anticipated caseloads are:

Complaints about lawyers	2019-2020 Past year	2020-2021 Current Year	2021-22 Forecast
	Actual	Forecast	Forecast
Complaints incoming and requiring a formal prematurity and / or eligibility determination.	1,036	1,100*	1,200
Of those eligibility decisions, 'FVTWM' and 'Time bar' are reserved to Commissioners:	224	250	300
Full service mediations will be required on the following:	45	60	70
Full service investigations will be required on the following:	445	430	494
Case not resolved at eligibility, mediation or investigation and requiring a panel of three commissioners to make the final determination	198	104	120

* of this forecast, 526 had already been received by 31 Dec 2020.

3.16 Forecasting the future is never fully accurate. While we use a variety of recognised techniques and have independent support on our 'predictive model', the outputs are never more than an estimate.

3.17 Detailed information on our past performance and complaint volumes can also be found on our website at <https://www.scottishlegalcomplaints.org.uk/about-us/who-we-are/our-annual-report/>

Complaints about lawyers - KPIs

3.18 Before the start of the business year 2021 - 2022 the Board of the SLCC will set specific targets, based on:

- the latest performance data available
- the anticipated incoming complaints for the year ahead
- the improvement in performance the organisation wishes to see.

3.19 KPIs are set, and then monitored every two months in Board meetings, on areas such as:

- 'Work in Progress' within the business
- The time taken from receipt of a complaint, to allocation to a dedicated staff member to start the first stage of the process
- Whether production targets by staff and teams are achieved (productivity)
- Journey time for the complaint to be completed
- The early resolution rate (how many complaints can be settled without formal determination)
- Cost per case.

Other case related activity

3.20 We are also responsible for investigating 'handling complaints' which look at how the Relevant Professional Organisations (RPOs) deal with complaints about 'conduct'. This can vary any year, but we have seen numbers above forecast in the current year, and so we are predicting at a similar level next year.

3.21 We also have a significant caseload assisting people with Data Subject Access Requests (DSAR) and Freedom of Information (FOI) requests. These requests tend to be in proportion to the number of complaints we receive. In 2019-2020 FOI requests were slightly higher than our prediction, but DSARs slightly lower. The tight statutory turnaround times, and potential for significant fines, means this work must always be fully resourced.

3.22 After appeals increasing in recent years, in line with increasing underlying complaints volumes, we are currently seeing a drop both in real terms, and relative to complaint numbers. We have revised forecasts down. In time, and if sustained, this may lead to cost reduction in this area (costs come at the end of the appeals process, often many months after we made a decision on the case).

Others case types	2019-2020 Actual	2020-2021 Forecast	2021-2022 Forecast
Handling complaints	8	10	12
Freedom of Information Requests	33	30	30
Data Subject Access Requests	50	65	65
Appeals	12	15	13

Other case related activity - KPIs

3.23 Handling complaints – respond in 14-21 days for eligibility, 4-8 months for investigation dependent on complexity.

3.24 Freedom of Information Requests – statutory duty to respond to all cases within 20 working days.

3.25 Data Subject Access Request – statutory duty to respond to cases within 1 month (with an extension available on complex cases of 3 months).

3.26 Appeals – less than 2.5% of cases appealed.

Our operating plan – including our other statutory duties

3.27 We have a range of other statutory functions which must also be included among our annual priorities. These include:

- giving advice on complaints
- issuing guidance on best practice
- monitoring trends
- monitoring the effectiveness of the Client Protection Fund (Guarantee Fund) and Master Policy (these are insurance arrangements which help protect clients)
- supporting our statutory Consumer Panel.

3.28 The remainder of our planned operating activity:

- supports these additional statutory duties;
- supports or enhances our complaints functions; or
- is part of responding to Covid-19 and preparing for a different operating model in the future.

Detailed operating plan

3.29 Our detailed operating plan is published separately. However, this section summarises the main work to provide context to the budget.

Users

3.30 Actions set out in our detailed operating plan include ones to:

- Taking a ‘service design’ approach which places customers at the heart of how we plan and deliver services

- improve the accessibility of language and layout in correspondence for a diverse range of audiences
- improve our general levels of customer service
- improve the feedback system for complainers and practitioners
- engage with the profession on preventing the common causes of complaints and good complaint handling
- work with consumer bodies.

Improvement

3.31 Actions set out in our detailed operating plan include ones to:

- Carry out further work to improve our core processing of complaints
- Publish content to explain what early resolution is, and the benefits to all parties
- Publish a policy on how we will use our powers to tackle a very low response rate from the profession when we raise a complaint with them (which adds to costs and delay)
- Finalise and publish a plan for use of our ‘oversight’ powers in the coming three years, and start on implementation
- Continue to deliver an outreach and CPD programme
- Continue to promote reform of the complaints process and legal regulation based on our *#ReimagineRegulation* proposals
- Review our publication of quarterly performance data and Board papers
- Meet our legal bio-diversity duties, and support Climate Change Week
- Continue to work to implement the Legal Services (Scotland) Act 2010 when the first body becomes both approved and authorised under that Act
- Put in place plans to take advantage of the opportunities and learning coming from new ways of working during Covid 19
- Tender our legal services panel work, as part of a regular programme of retendering.

Digital

3.32 This strand of work already anticipated the need for a move to a fully digital, paperless and remote offering (whilst still ensuring access and preventing digital exclusion). The experience of coronavirus only underscores further why this is a priority area of work.

3.33 Actions set out in our detailed operating plan include ones to:

- Make the push to fully ‘paperless’ working for our internal process for complaints, as well as an approach which is no longer dependent on IT or telephony hosted within our own premises
- Approve new statutory rules to support the move to a fully paperless service, including external interactions with the profession and access to client files
- Make more of our advice and guidance easily accessible online to provide support to firms on good complaint handling and reducing the common causes of complaints

- Track developments in AI which might improve our efficiency or effectiveness
- Ensure this work does not create any 'digital exclusion' for those with restricted access to digital tools.

People

3.34 Actions set out in our detailed operating plan include ones to:

- Further work on flexible working for staff
- Working with PCS on a pay deal
- Identify new pools of talent for recruitment
- Finalise our succession and workforce plans
- Training and development on digital, change, innovation and wellbeing
- The induction of new Board members appointed in April 2021 (3 members) and in advance of January 2022 (4 members). Working with the Public Appointments Team, on the recruitment of a new Chair and one new lay member (as terms of office come to an end in December 2022)
- Adapt to a blended (home and office) form of working once this is permitted.

Consumer Panel

3.35 The statutory Consumer Panel is part of the SLCC and is funded and supported by it. However, it has a remit defined in law and its decision making and prioritisation is independent of the SLCC's Board and Executive.

3.36 Whilst the SLCC's adjudication functions are impartial, the Consumer Panel exists to ensure an equal voice for consumers in a context where legal professional input is more readily available from established and well-funded organisations. It also assists in ensuring our services are equally understandable and accessible to all, again in a context where lawyers already find this easier due to their professional knowledge and expertise.

3.37 The Consumer Panel consulted on its priorities:

- Provide input and advice to the SLCC on customer service and improving the clarity of consumer communications
- Identify opportunities to build evidence and insight on consumer needs, including as part of the Scottish Government's reform proposals
- Supporting actions to gather and act on consumer insight and feedback.

Our operating plan – including our other statutory duties - KPIs

3.38 The Board sets a global operating plan delivery target of 85% of projects fully delivered on time and on budget. Where there are variances (external factors, overrun outwith control, etc.) these are raised with the Board on a quarterly basis.

4 What increases costs in the environment we work in?

- 4.1 Over the last few years a key driver of costs was increasing number of complaints. This is not a factor in the current year (for the reasons noted earlier in this consultation) and we are not projecting a significant increase for next year.
- 4.2 However, other costs have increased, and are detailed below.
- 4.3 The net position allows a reduction in income and budget, and a consequent reduction in the proposed levy within the 2021 – 2022 budget.
- 4.4 **Salaries** – due to ongoing efficiencies salaries are showing a saving for this budget year. However the budget does include a salary increase for staff as each year we must award at least the minimum Scottish Government pay settlement. For 2021-2022 the Scottish Government Pay Policy is £800 guaranteed cash underpin for those paid under £25k, 2% for those paid over £25k but under £40k, 1% to those paid over £40k and £800 cap for those earning more than £80k.

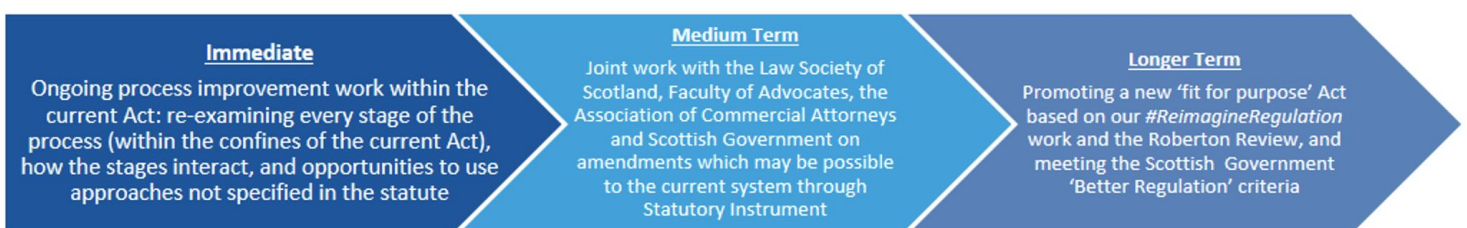
Operating cost increases

- 4.5 **Covid-19 related costs** – some costs have increased entirely, or in large part, due to the Covid-19 situation. These include:
- a. Increased property cost – cleaning has been increased in line with new health and safety requirements (**£11,873**). The office provides a key hub for paper files coming in from solicitors to the SLCC, out to staff to process, back to the office, and then returned to firms. We are looking at rules changes or incentives for firms to send electronic files to reduce these costs. This figure does also include an element of increased property insurance, which is not directly Covid-19 related.
 - b. Increased courier costs (see above Point a.) (**£2,065**).
 - c. Cost of increased IT, increased IT support, and new packages to support remote working (**£54,575**) (this is contained within ‘other costs’ on page 38 – see 6.7 below for further information). A small element of this is not directly related to Covid-19.
 - d. Costs of leases on new IT equipment as we moved to a full remote model (**£3,184**).
- 4.6 We are also seeing increased costs of mediation (**£7,830**), of which an element is Covid-19 related (stages have been added to the processes which used to be combined into a single face-to-face meeting, new technology to support mediation, increased challenges of getting parties to agree dates compared to pre-lockdown).
- 4.7 Also included within our ‘other costs’ (alongside the IT described at 6.5 above), our external audit costs increased – these fees are set by Audit Scotland and not within the control of the SLCC (**£6,310**) and we have reallocated some costs from communications costs to other costs (**£7,451**).
- 4.8 Increased investment in technology to aid a possible future reduction in office accommodation needs and costs (**£54,313**). The experience of remote working has shown we could use this

model more, and reduce office costs at the next lease break clause (September 2023). However this would require having the right IT to fully support remote working and maintain customer service.

Structural issues affecting cost

- 4.9 **We continue to see a measurable increase in the complexity of complaints**, with the number of distinct issues per complaint increasing. This increase in complexity is something other complaints bodies are also reporting.
- 4.10 **We have work planned to try to prevent the common causes of complaints**. However, none of this work is likely to lead to reduced complaints beyond the more conservative projections already made for 2021 – 2022, although it may have a longer-term positive impact.
- 4.11 **Failure of solicitors to respond** – in previous consultations and annual reports we have noted the cost of having to repeatedly chase solicitors for files, and moving to legal action to obtain them. This applies to a high percentage of cases. In the last 12 months we have taken a more flexible approach, as we needed to consider the context of lockdown and lack of access to offices and systems at some points in the year. There was a risk regulatory action was taken against solicitors willing to comply but facing issues accessing the file, rather than the group we wish to target where it is simple lack of engagement with the complaint process. This remains a significant cost to the SLCC. In February work restarted to tackle a failure to respond, and several cases are now being considered for referral to the court under the 2007 Act.
- 4.12 **Process complexity** – since 2015 we have been active in discussing the uniquely complex, duplicative, and costly complaints process set out in statute. This is in stark contrast to much simpler and more efficient models for other complaints bodies in Scotland, or legal complaints bodies in other jurisdictions, which deliver the same level of effectiveness. ‘Eligibility’, which was meant to be the ‘quick sift’ continues to consume more resource than investigation and adjudication combined due to the statutory provisions, again in contrast to the distribution of resource in the majority of complaints bodies.
- 4.13 Process reform at the SLCC continues at three levels:



- 4.14 We are pleased the Scottish Government has recently consulted on the medium-term changes described above. However, with responses not due to be considered until after the election, and time needed to develop and consult on any regulations, then to develop and consult on SLCC rules changes, and then to implement, and changes are unlikely to have any material impact by the end of the 2021 – 2022 financial year.
- 4.15 Bold reform which would more fundamentally tackle appeal costs and process complexity was proposed following the independent Robertson Review published in October 2018. We continue

to be a key voice calling for its implementation, and are disappointed that a consultation on this planned for autumn 2020 has been delayed, at least until the second half of 2021.

4.16 We also want to continue to improve performance across three domains:

- a. The time a complaint takes from the day of submission to the final outcome.
- b. The customer satisfaction scores of those who use our services.
- c. The quality and clarity of information provided and of the final decision issued – especially in terms of clear, accessible and understandable language and reasoning.

4.17 Further details of past financial performance, in our published accounts, can be found at:

<https://www.scottishlegalcomplaints.org.uk/about-us/how-we-are-funded/our-annual-accounts/>

4.18 Audit Scotland publish the outcome of their audits of our financial performance, and these are available on their website at: [https://www.audit-](https://www.audit-scotland.gov.uk/report/search?search=Scottish%20Legal%20Complaints)

[scotland.gov.uk/report/search?search=Scottish%20Legal%20Complaints](https://www.audit-scotland.gov.uk/report/search?search=Scottish%20Legal%20Complaints)

5 Where can efficiencies be found?

- 5.1 The SLCC is committed to finding efficiency savings each year. Where possible, we use these to offset the need for increases to the general levy.
- 5.2 Since 2015 we have set out savings made each year in this consultation. Past examples continue to deliver annual savings compared the previous arrangements, including:
- Reduction in senior management numbers
 - Successful ‘agile’ testing over 60 changes to our core complaints process to assess their impact in efficiency, with many delivering results (see reduced staff costs, below)
 - Pension savings negotiated with Lothian Pension Trust, as we have made arrangements for the final closure of the scheme inherited from the Scottish Legal Services Ombudsman Bringing payroll inhouse
 - Lease savings negotiated with our landlord, as well as decreasing the floor plate we rent
 - Reductions in print and IT costs.
- 5.3 This year significant efficiency saving made include:
- The impact of efficiency work and the lower incoming numbers resulting from Covid-19 mean we are projecting a saving in staff costs in the coming year of **£269,391**
 - Saving on member costs leads to a further projected saving of **£25,180**
 - Reduced travel for Staff and members attending Board meetings and Determination Committees, as we continue a more remote model of working, means we have a potential saving of **£7,401** on travel
 - We are reducing our comms costs by **£15,061**
 - Our depreciation costs are reduced by **£1,807**.

6 What is the headline budget, and how does it impact the levies?

6.1 This section contains the key information on the overall budget and expenditure. It sets out the key statutory levies we require to consult on each year.

Overall income and expenditure:		
Anticipated income:	£ 3,820,657	(previous year £3,993,181)
Anticipated expenditure:	£3,814,476	(previous year £3,993,167)
Levies – individual lawyers (2007 Act):		
General levy:	£ 467*	(previous year £492) <i>* the majority of lawyers pay a discounted rate well below this.</i>
Complaints levy:	£5,000	(previous year £5,000)
Levies – ‘alternative business structures’ (2010 Act):		
Approved Regulator (AR) Fee:	£3,000	(previous year: £3,000)
AR complaints levy:	£8,000	(previous year: £8,000)
Licensed Provider (LP) Fee:	£1,000	(previous year: £1,000)

6.2 Definitions of these levies, and further details on the approach we have taken to the budget, expenditure and levies are in **Sections 7 & 8** below.

6.3 The full budget, and details of levy discounts, can be found in **Appendix 1**.

7 Approach to budgeting

- 7.1 In line with policy and the practice followed in past years, we followed the same approach this year and as set out in this section.
- 7.2 As context, the last three years of financial and operational performance are reviewed.
- 7.3 A set of assumptions are created around incoming complaint volumes, business needs, lawyer numbers, work required by law and anticipated under our strategy, and other factors.
- 7.4 Three year projections of income, expenditure, and reserves are created, giving a longer term indicative model.
- 7.5 This is then mapped to the Scottish Government's five year financial strategy – to give wider public sector context.
- 7.6 The SLCC then sets out anticipated expenditures based on its operational plan.
- 7.7 The general levy is then calculated on the basis of covering anticipated expenditure in full (taking account of small amounts of additional income from bank interest and the separate complaints levy).
- 7.8 The current year forecast outturn at December 2020 is reviewed, together with the results for the financial year to 30 June 2020. This provides an estimate of anticipated reserves at year end, and the implications for the general levy for 2021 - 2022.
- 7.9 The proposed levy is set, and the budget is issued for consultation.
- 7.10 The responses to the consultation must, by law, be published before the end of March 2021.
- 7.11 The draft budget is reviewed in April 2021, taking into account consultation responses and a further quarter's financial data.
- 7.12 The SLCC sets the final budget and lays it before Parliament by 30 April 2021.
- 7.13 The final strategy and operating plan are set in May 2021.

8 Further details on levies

The general levy

8.1 The general levy has been noted in **Section 6** (above), However, for completeness the proposed general levy is:

- **The suggested general levy is £467** (last year £492)

8.2 Although by law a single levy is set, the SLCC Board has the discretion to discount the levy. The significant majority of lawyers pay a discounted rate. The discounted rates are

Actual General Levy Set	£
Private Practice Solicitors +3 Years (Principals/Managers)	467.00
Private Practice Solicitors +3 Years (Employed)	380.00
Conveyancing or Executry Practitioner 3+ years	380.00
Solicitors in first 3 years of practice	160.00
Practising outwith Scotland	124.00
In-house Conveyancing or Executry Practitioner	114.00
In-house Lawyers	114.00
Advocates +3 Years	180.00
Advocates in first 3 years of practice	151.00
Association of Commercial Attorneys	121.00

The complaints levy

8.3 The complaints levy is charged when a complaint is upheld. The statutory aim was to ensure that an element of costs could be recovered, often known as ‘polluter pays’, when a complaint was upheld. This was to balance income from the general levy.

8.4 Since July 2019 the complaint levy has been £5,000. Prior to that it had been set at £3,500 since July 2012. The SLCC operates a policy of discounting this levy where a firm has handled the complaint well, and taking into account various other factors.

8.5 The levy of £5,000 is calculated from the cost of a complaint which has gone through every stage of the complaints process to determination (only around 10% of our total caseload) and requires a panel of three independent Commissioners to make the final decision.

8.6 No change is proposed this year.

8.7 The full complaints levy policy can be found at:
<https://www.scottishlegalcomplaints.org.uk/media/1341/ch037-complaints-levy-policy-from-01-july-2019-v0101-201905-public.pdf>

- **The suggested complaints levy is £5,000** (last year £5,000)

Alternative Business Structure (ABS) Approved Regulator (AR) levies

- 8.8 **AR levy:** Last year this was £3,000 in (having dropped from £20,000, then £8,000). Two years ago we received an element of set-up funding from the Scottish Government to cover historical costs and ensure that set-up was finalised within our last business year.
- 8.9 No AR complaints have been received, although we have had several enquiries.
- 8.10 The AR has not yet achieved 'authorisation' under the 2010 Act, meaning there are no Licensed Providers (LPs).
- 8.11 However, we understand that the Scottish Government and the Law Society of Scotland are both actively seeking ways to get to the point of 'authorisation' this year.
- 8.12 The levy is currently set at a notional amount to represent low costs. The fee ensures the minimal work we must do such as continuing to form policy on this annually, assessing the likelihood of this being the year the arrangements from 2010 are implemented, consulting on levies, and other related work are not subsidised by income from the main levy.
- 8.13 This year we again communicated early with the AR to indicate that if they did not wish to pay the levy, this was within their control in terms of actions they could take by stepping away from their AR status if they would not be moving to authorisation. The AR indicated they were forming a project plan with a view to seek final authorisation in the coming year. Scottish Government also have indicated they think authorisation may happen this year. Both bodies noted SLCC input would be needed on consultations or work finalised to deliver the SLCC's statutory role.
- 8.14 This levy will be collected.
- 8.15 In future years this levy may fluctuate significantly again, depending on the work we have to carry out.
- 8.16 **AR complaints levy:** The complaints levy allows some of the costs of a complaint that is upheld to be mitigated. Modelled on similar functions in other similar bodies, an investigation and a decision could range in cost from a few thousand pounds to £100,000. With set-up costs now being recovered this reduced two years ago from £10,000 to £8,000. We did not consider there is any new data to vary the amount further this year, and the fee is only charged if a complaint is upheld (and can be waived in part or full).
- 8.17 It is unlikely any AR complaints levy will be received within the year. The levy may change significantly in future years.

- **The suggested AR levy is £3,000** (last year £3,000).
- **The suggested AR complaints levy (for a complaint that is upheld) is £8,000** (last year £8,000).

- 8.18 **Licensed Provider (LP) Levy:** Complaints about LPs are similar to the types of complaint the SLCC already handles, although new systems and templates are required, and new legal issues will arise.

- 8.19 Based on discussions we have had with the LSS and Scottish Government, it appears unlikely that any LPs will be fully licensed by July 2021, when the first levy will be collected. As a consequence, it may be that no fees are collected.
- 8.20 An LP may have a single lawyer providing legal services within it, but may have tens or hundreds of other professionals and/or advisers working within it. While the budget consultation is still drafted, we have no information from the LSS on the likely size of new LPs, or on what model they will follow. We remain concerned that, at the moment, no advertising campaign or major engagement with possible new entrants to the market appears to be planned with a view to rapidly increasing the number of LPs that contribute to the costs of this regulatory scheme. We are thus also concerned that the market may remain small for the next three to five years.
- 8.21 It is unlikely any LP levies will be received within the year. The levy may change significantly in future years.

- **The suggested LP fee is £1,000** (last year, £1,000).

9 Reserves

- 9.1 Reserves are currently £659,330 at the start of the 2020-21 financial year and forecast to increase to £955,376 by the yearend.
- 9.2 This figure is in line with the parameters set out in the reserves policy, which is constantly under review based on risks and operating costs. It does represent an increase in reserves from the previous years, as we try to return to a position in line with our reserves policy.
- 9.3 Reserves had reduced as we invested in our core operations during consecutive years of increasing incoming caseloads. We did this to avoid excessive levy increases. This was in line with the statutory requirement to work on the basis of 'taking one financial year with another' to ensure sufficient funding.
- 9.4 The return to reserves helps strengthen the SLCC's financial position and build financial stability for the organisation. It also helps in the face of uncertainty with both COVID and Cyber Crime increasing. This has also be welcomed by our Auditors.
- 9.5 The budget proposed for this year envisages a modest surplus of £6,181.

10 Income

10.1 The SLCC has based income on:

- Anticipated income from the **general and AR levies**. This is forecast to be £3,685,352 for 2021 - 2022.
- Anticipated income from the **approved regulator levy**. This is forecast to be £3,000 for 2021 - 2022.
- Anticipated income from **interest earned on deposits**. This is forecast to be £15,000 for 2021 - 2022, thus reflecting current and anticipated levels of investment return.
- Anticipate income from **Other Sources (for example Secondments)**. This is forecast to be £37,305 for 2021-2022
- Estimated **complaints levy** income of £80,000 has been recognised for budget purposes for the financial year 2021 - 2022.

Appendix 1: Draft budget for 2021 - 2022

Summary of levies, income and expenditure

2021-2022 Levy & Budget

Actual General Levy Set	£
Private Practice Solicitors +3 Years (Principals/Managers)	467.00
Private Practice Solicitors +3 Years (Employed)	380.00
Conveyancing or Executry Practitioner 3+ years	380.00
Solicitors in first 3 years of practice	160.00
Practising outwith Scotland	124.00
In-house Conveyancing or Executry Practitioner	114.00
In-house Lawyers	114.00
Advocates +3 Years	180.00
Advocates within first 3 years of practice	151.00
Association of Commercial Attorneys	121.00

Total actual levy required from each professional body	£
Law Society of Scotland	3,608,536
Faculty of Advocates	76,211
Association of Commercial Attorneys	605
	3,685,352

Income and Levy	£
Levy from Law Society of Scotland	3,608,536
Levy from Faculty of Advocates	76,211
Levy from Association of Commercial Attorneys	605
Contribution from Complaints Levy	80,000
Approved Regulator Levy	3,000
Other Income	37,305
Estimate of Interest Earned	15,000
Total from Levy	3,820,657

Expenditure	
Staff and Related Costs	2,788,124
Non-Staff Costs	1,026,352
Total Expenditure	3,814,476

Contribution to SLCC Reserves	6,181
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Breakdown and comparison of expenditure and levy

Expenditure

	2021- 2022 Budget	2020- 2021 Budget	Variance	% Variance
Staffing Costs				
Staff Salaries and Oncosts	2,620,863	2,890,254	269,391	9%
Member Salaries and Oncosts	100,000	125,180	25,180	20%
Total Staff Costs	2,720,863	3,015,434	294,571	

Indirect Staff Costs

Staff Training & Development	30,000	30,000	0	0%
Member Training & Development	6,500	6,500	0	0%
Staff Expenses	2,500	5,000	2,500	50%
Member Expenses	7,500	12,000	4,500	38%
Other Staff Costs	20,762	21,162	401	2%
Total Indirect Staff Costs	67,262	74,662	7,401	

Expenditure

Property Costs	346,457	334,584	(11,873)	-4%
Office Running Costs	53,965	50,781	(3,184)	-6%
Direct Case Costs	237,195	227,300	(9,895)	-4%
Communication Costs	24,500	39,561	15,061	38%
Other Costs	229,730	168,845	(60,885)	-36%
Investment to reduce Office Dependency	54,313		(54,313)	-100%
Depreciation Costs	80,193	82,000	1,807	2%
Total Expenditure	1,026,352	903,071	(123,281)	

Total Costs	3,814,476	3,993,167	178,691	4%
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Levy Income

2021-2022	Income		
	Levy	No's	Income
Annual Levy			
Private Practice Solicitors +3 Years (Principals/Managers)	467.00	3,236	1,511,212
Private Practice Solicitors +3 Years (Employed)	380.00	3,820	1,451,600
Conveyancing or Executry Practitioner 3+ years	380.00	4	1,520
Solicitors in first 3 years of practice	160.00	815	130,400
Practising outwith Scotland	124.00	924	114,576
In-house Conveyancing or Executry Practitioner	114.00	3	342
In-house Lawyers	114.00	3,499	398,886
Advocates +3 Years	180.00	389	70,020
Advocates in first 3 years of practice	151.00	41	6,191
Association of Commercial Attorneys	121.00	5	605
		12,736	3,685,352

Appendix 2: Abbreviations and technical terms

Abbreviation or Term	Meaning
ABS	Alternative Business Structure; the name used in the media for LPs (see below).
AR	Approved Regulator; a regulatory body created by the Legal Services (Scotland) Act 2010.
CPD	Continuing Professional Development; the ongoing training that many professionals are required to undertake as part of their right to practice.
CPI	Consumer Price Index
CRM	Client Relations Manager
DP	Data Protection.
First-tier complaints	When a law firm or advocate/advocate's clerk manages the initial complaint about a lawyer. Usually a consumer must first complain to that lawyer before they can come to the SLCC.
FoA	Faculty of Advocates; the professional body for advocates and one of the RPOs in terms of our statute.
FOI request	A request made under The Freedom of Information (Scotland) Act 2002.
FVTWM	Frivolous, vexatious, or totally without merit
HR	Human Resources.
KPIs	Key Performance Indicators; these are key elements of data from our business which let us know how we are performing and if we are meeting our goals.
LP	Licensed Provider; a new type of legal services business ('law firm') created by the Legal Services (Scotland) Act 2010.
LSS	The Law Society of Scotland; the professional body for solicitors and one of the RPOs in terms of our statute.
Our statute/the Act	The Legal Profession and Legal Aid (Scotland) Act 2007.
PCS	Public and Commercial Services Union
Reporter	An independent individual who assists in undertaking an investigation and writing an investigation report.
RPO	Relevant Professional Organisation; in terms of our statute. These are currently The Law Society of Scotland, the Faculty of Advocates and the Association of Commercial Attorneys.
Second-tier complaints	When a complaint comes to the SLCC, generally after having given the lawyer and/or firm that is the subject of the complaint the opportunity to consider that complaint first.
SLCC	Scottish Legal Complaints Commission.
SSDT	Scottish Solicitors' Discipline Tribunal; the independent tribunal at which the LSS prosecutes solicitors for professional misconduct.