Scottish Legal Complaints Commission

Annual Report and Financial Statements

Year ended 30 June 2021

Laid before the Scottish Parliament by the Scottish Ministers under section 15(2) of Schedule 1 to the Legal Profession and Legal Aid (Scotland) Act 2007 and section 22(5) of the Public Finance and Accountability Act 2000.
November 2021
SG/2021/274

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1. Performance report

Performance overview

Introduction

The purpose of this section is to provide an overview of the organisation, how our work links to the national performance outcomes, our functions and powers, and our strategy.

With that context set, details are then provided of our performance and key outcomes for the year.

History and statutory background

The Scottish Legal Complaints Commission ("the SLCC") is constituted under the terms of the Legal Profession and Legal Aid (Scotland) Act 2007, enacted on 1 October 2008.

The SLCC is a body corporate and is domiciled in Scotland.

Purpose: statutory powers and responsibilities

The SLCC's statutory functions cover three main areas: legal complaints, oversight of complaint handling by the legal profession, and monitoring the effectiveness of the Scottish Solicitors' Guarantee Fund (more recently trading as the "Client Protection Fund") controlled and managed by the Law Society of Scotland ("the LSS") and professional indemnity arrangements maintained by the Relevant Professional Organisations ("RPOs") on behalf of their members (e.g. the Master Policy).

The SLCC's statutory function in respect of legal complaints is to:

- Provide a ***gateway for all complaints*** about lawyers in Scotland;
- ***Give advice*** on complaints to all parties;
- Assess if the complaint is **eligible**, against a number of legal tests;
- Directly manage complaints that relate to the ***service*** provided by lawyers – providing redress where appropriate (whether that service is provided by a traditional law firm or a new "Licensed Provider");
- Refer complaints about the ***personal conduct*** of lawyers to the RPO;
- Refer ***regulatory complaints*** about Licensed Providers to the Approved Regulatory Body;
- Manage complaints about how the RPO and "Approved Regulators" have dealt with those conduct issues (called '***handling complaints***'); and
- Manage complaints about "***Approved Regulators***".

The SLCC's statutory function in respect of oversight of complaint handling includes:

- ***Investigating "handling" complaints about RPO*** investigations into conduct;
- ***Auditing RPOs'*** conduct complaints records;
- ***Monitoring and reporting on trends*** in the way the legal profession deals with complaints – to help ensure the sector learns from complaints made; and
- ***Issuing guidance*** to the legal profession on dealing with complaints, and promoting best practice.

The SLCC's function in respect of the effectiveness of the Client Protection Fund and indemnity arrangements allows us to make recommendations to the RPOs about the arrangements in place and has included research into the Client Protection Fund and the Master Policy.

The SLCC supports an independent advisory Consumer Panel. Its statutory functions are to:

- Make recommendations on how SLCC can improve our policies and processes;
- Suggest topics for research connected to legal consumers; and
- Express a view on matters relating to the SLCC's functions.

While the SLCC is an independent body, the work we do is influenced by the Scottish Government's National Performance Framework. We contribute through the delivery of our functions to the following outcomes:

- ***Communities:*** live in communities that are inclusive, empowered, resilient and safe;
- ***Culture:*** are creative and vibrant and diverse cultures are expressed and enjoyed widely;
- ***Economy:*** have a globally competitive, entrepreneurial, inclusive and sustainable economy;
- ***Fair Work and Business:*** have thriving and innovative businesses, with quality jobs and fair work for everyone.

We also take account of the Scottish Government "Vision and Priorities for Justice in Scotland" (which was updated in 2017). Although less directly relevant, we also reviewed the Scottish Courts and Tribunal service "Respond, Recover, Renew: Supporting Justice through the pandemic and beyond" document.

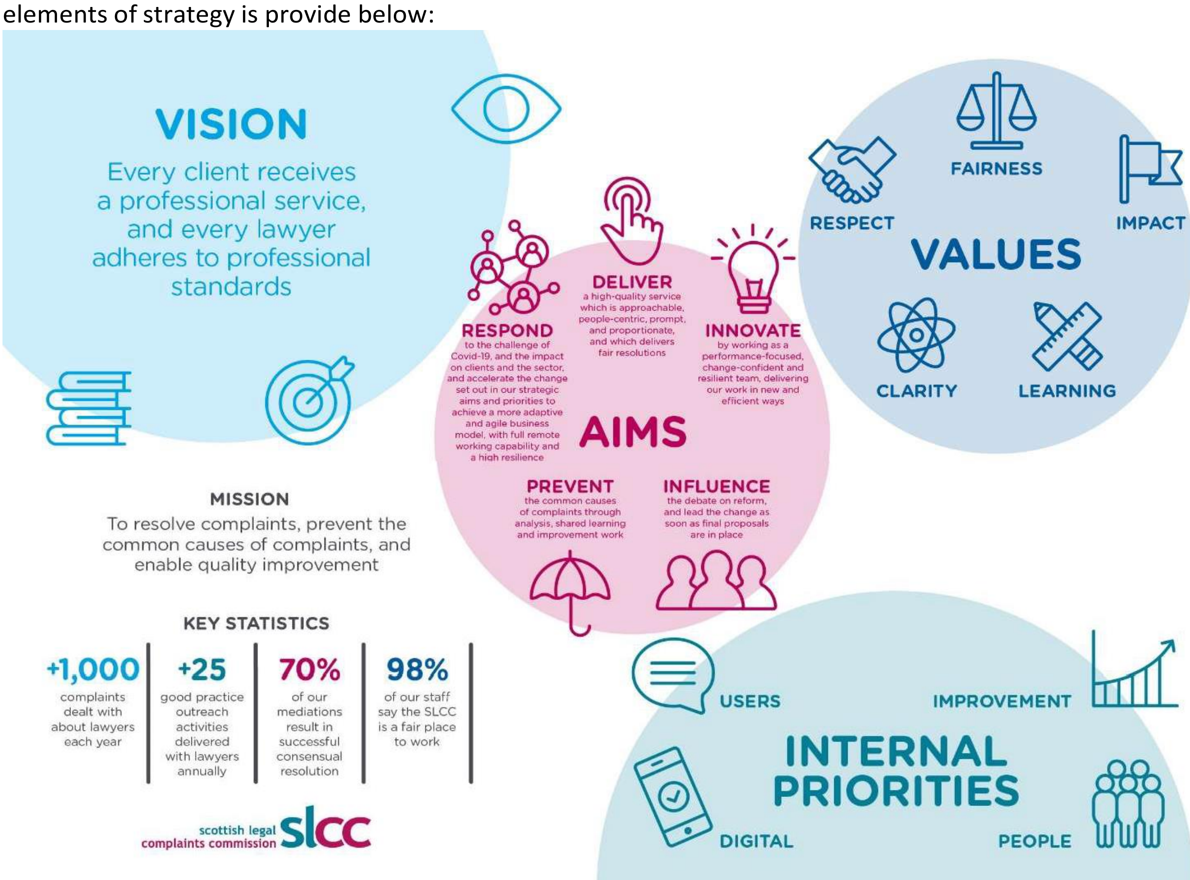
Organisational Structure

Purpose: strategy and process

During the course of the previous year (2019/20) we developed a new strategy. The operational year covered in this annual report (2020/21) is the first year of the new strategy.

The process we used to develop the strategy was published as part of our annual statutory consultation on work planning and budgets. This background context can be found at: https://www.scottishlegalcomplaints.org.uk/media/2118/background-document-final.pdf. Full details of the strategy can be found at: https://www.scottishlegalcomplaints.org.uk/media/2172/strategy-and-op-plan.pdf

A review during the course of this year, in light of Covid-19, added an additional element. This was to ensure a focus on responding to the crisis and its impact on consumers and the sector. We also seized opportunities which came from new ways of working and new skills developed during lockdown. A summary of the key elements of strategy is provide below:



Summary statement of the CEO

Our business planning cycle is set in statute. Each year we must consult in January on an operating plan and on a budget sufficient to meet planned expenditure. We must publish consultation responses in March, and lay a budget before parliament in April. Our Annual Report and Financial Statements then complete the cycle, reporting on performance within that year.

In this performance analysis section we give a full account of our performance against our operating plan, key achievements and activity, our key performance data (on the complaints process), our financial position, key risks, and the future development of the organisation. Later we provide remuneration information, governance information, the full financial statements, and the detailed notes to the financial statements. However, this section provides a high level summary.

We delivered the majority of the projects in our published Operating Plan for 2020/21 with the Board approving a mid-year update on one project based on changes of circumstances and priorities. This meant 97% of projects were completed, which exceeds the 85% completion target set by the Board.

We continued the improved core performance of our complaints process. Details of the volumes of cases handled and the different outcomes provide transparency on our core work, and demonstrate a further improvement on 'Work in Progress' within the business, and the 'Journey Time' for complaints which users of our service experience. On both work in progress and journey time, we met the targets set by the Board.

Our rapid response to the Covid-19 situations allowed significant savings in our 2020/21 budget. The SLCC has always achieved income and expenditure close to the levels predicted in advance as part of the budgeting process. The formal target, in usual circumstances, is that actual expenditures is +/- 5% of planned expenditure. This year far greater savings were possible as incoming numbers of complaints reduced and the executive, working with the Board, rapidly responded to cut costs.

The main drivers of the surplus in this financial year against the 2020/21 budget are:

Income received greater than budget:	£108,806
Expenditure at lower level than budget:	£424,288
Variance from Budget:	£533,094

The main drivers of increased income against budget were:

- Additional Complaints Levy Income (£78,800) generated by a policy change to focus more on a 'polluter pays' approach for upheld complaints, and recovery of historic unpaid debt from the profession. This offsets an in year bad debt provision (-£22,750).
- Secondment Income (£57,787) generated by immediate steps to reduce staff resourcing as lower incoming rates became visible.
- This offset a reduction in bank interest (-£25,959) due to lower interest rates and a collaborative agreement with the Law Society of Scotland to defer payment of 50% of the general levy from solicitors meaning lower bank holding for a significant period of the year.

The main driver of decreased expenditure was:

- Staff and Member Salaries (£416,102) created by both our on-going efficiency work and our immediate work to reduce headcount and staff costs as complaints numbers slowed.

This funding is collected from the profession, and can only be used for the purposes the SLCC was established to deliver. The funding is initially returned to reserves, also assisting us in meeting a reserves policy of three months operating costs, which we currently fall short of. We feel this is a prudent approach, in light of the current uncertain environment and will provide the organisation with more financial resilience. In the future, this funding can be used to reduce, or avoid increases in the levy, or to allow long-term investment which will assist in keeping levy costs as low as possible. This will depend on other factors, such as the level of incoming complaints and other cost pressures.

When our budget was set by our Board in March 2020, just as the first lockdown was announced, it was not possible to predict whether complaints would go up or down, and we are required to ensure sufficient budget for the work in hand. We were very conscious of the impact of the situation on the profession, but also have duties to the public, whose need may have increased during this period. We considered various scenarios and consulted with the profession on expected trends. At that stage, there were no clear indications that complaints levels were more likely to fall than rise (and we have seen many other sectors where they have risen). On that basis, we set a flat budget.

In reality, we saw strong business delivery and performance. Our output was not affected by lockdown and all backlogs had been cleared in the previous year. This was set against dips in complaint levels during lockdown periods, and we took swift action to ensure these reductions led to cost savings, rather than a drop in productivity. We did not see the rise in complaints that might have been expected, and that is a testament to the work of the legal profession in very challenging circumstances. Those factors combined have allowed us to reduce our expenditure in year.

Our anticipation of this surplus at our six-month budget review gave us confidence to reduce the levy for all lawyers in the 2021/22 budget year, which lawyers pay in July 2021. There is learning for the future too, it is always a challenge for the SLCC predicting budget need 18 months ahead. However, overall, and based on the data available at the time, we believe that reasonable decisions were taken, and that the statutory model set for SLCC finances, which ensures this money is used for future benefit against our intended purposes, has worked to deal with the uncertainty in budgeting, even in this extreme situation.

Key issues and risks – looking forward

Our risk policy and risk register were maintained, updated, and scrutinised at Audit Committee and Board throughout this year.

An exercise was carried out in the previous year to rethink risks from first principles (sometimes called a 'de novo' review) and to ensure alignment of the risk register to the new strategy. This thinking was used to fully refresh the risk register at the end of that operational year, and ensure it was aligned to the new strategy.

The impact of Covid-19 has been significant for us as an organisation, the sector that funds us and which we provide services to, and for the nation.

In our 2019/20 financial statements we set out detailed information on how we responded – supporting the profession and complainers, and ensuring all services continued to be offered. This can be found starting on page 8: https://www.scottishlegalcomplaints.org.uk/about-us/how-we-are-funded/our-annual-accounts/.

Our work included a variation of our normal arrangements for collecting our levy for the 2020/21, working in partnership with the Law Society of Scotland. A joint statement on this can be found here: https://www.scottishlegalcomplaints.org.uk/about-us/news/joint-statement-from-the-scottish-legal-complaints-commission-and-the-law-society-of-scotland/.

No new issues arose from Covid-19 in this operational year. Like many organisations we continued to work remotely (but were able to offer all of our services), faced the uncertainty of when lockdowns would ease, and have had to work hard to support staff in a variety of ways (hardware, software, pastoral support, training, etc.) as they coped with this situation.

We noted last year that incoming complaints would be hard to predict. We noted a risk complaints might increase (based on issues law firms faced in dealing with Covid-19) or decrease as transactions numbers fell. Whilst at the end of Q2 we looked set for a rise, the second lockdown, in January 2021, saw number dip again, and by year end we only saw a marginal increase (1054, compared to 1036 the previous year). We envisage that, if there was no further lockdowns in 2021 to 2022 then number may increase again this year (although remain lower than historic highs pre Covid-19), but uncertainty on numbers remains higher than in past years.

Opportunities from Covid-19 and new ways of working. In October 2020, a joint working party of senior managers and Board members was set up to examine the experiences of working during lockdown, and to identify opportunities in terms of our future operating model.

The working party reported back to the Board in January 2021, and their recommendations were approved by the Board. The recommendations included the adjustment to our overall strategy (noted above). They also included examining the potential to move to an IT model which was not dependent on any physical office location being required by the SLCC, and examining the potential for an even more agile staffing model (around location and times of work). Timescales were set linked to the next lease review clause for the SLCC in September 2023.

We have now commissioned an independent review of the IT to make recommendations as to how we meet the above aim, and have started informal discussions with staff and unions on the future working model.

The SLCC may be subject to external reform. Two years ago an independent review of the regulation of legal services in Scotland was published (October 2018). The Report recommended the creation of a single regulator, merging the functions of five statutory bodies.

This could be seen as a major strategic risk to the business, and something needing to be taken into account in all planning.

However, this was in line with many of the SLCC's own recommendations to the review, and the report was positively welcomed by the SLCC, which continues to consider the current map of five separate statutory bodies regulating approximately 13,000 people as inefficient and in need of modernisation in many areas.

Furthermore, the Scottish Government response to the review did not appear to fully endorse these recommendations, and raised concern at a debate which had 'polarised' around the issue of a single organisation. The response noted a need to find consensus. A working party was established by the Scottish Government, which the SLCC are part of, and has met throughout the previous year.

We had expected a consultation in the spring of 2021, but this was delayed due to Covid-19 and the approaching election. The consultation was finally published on 1 October 2021.

As primary legislation will be required, it is highly unlikely that any reform, which would question the future of the organisation, will be completed in the next three to four years. This assessment is also made in the context of the 2010 legal services reform legislation, which a decade on, has still not been fully implemented.

Even if there were significant changes, the functions of the SLCC are likely to continue to exist, albeit in a new organisation, meaning TUPE would likely apply to most or all staff. When the SLCC was established it replaced the Scottish Legal Services Ombudsman (SLSO), so we have insight into, and experience of, how the Scottish Government may choose to transfer functions and liability (SLCC still maintain some legacy functions and liabilities for SLSO).

It should be noted there are also discussions on mutually agreed minor changes to the SLCC's statutory basis, potentially achievable through Statutory Instrument. However, these do not fundamentally change the operating context.

On this basis, and until notified otherwise, the Board of the SLCC need to plan on a 'business as usual' basis for at least a three to four year period, and this was a key assumption of the new strategy developed for 2020 to 2024.

This year we avoided any serious IT security or failure incidents. We have achieved this by ensuring regular software updates and patches are carried out, as well as an upgrade programme this year to ensure all software in use is fully supported. We have invested in independent penetration testing and an independent IT review including examining security. We have followed cyber-attacks on other organisations to ensure we learn lessons and take appropriate action. We continue to focus on mitigations around security and staff training to minimise risk.

Brexit. We had previously assessed there would be minimal impact to our work from Brexit. This has proven to be the case.

Other issues. No other major financial risks, issues or process failures were reported or identified. There were no data breaches within the course of the year requiring a report to the Information Commissioner's Office (ICO), compared with none in 2019/20.

These medium and long-term risks will be reviewed regularly by the Audit Committee and Board.

Summary: Covid-19, and the long term impact on the economy and therefore legal services market remains the biggest uncertainty for the coming year leaving us less able to predict both workload and income than in past years. This risk is highly rated on our risk register and will be monitored closely. Reform remains a longer term uncertainty. As with many organisations cybersecurity is a key ongoing risk, with multiple mitigations but the risk is still considered 'red' simply due to how sophisticated and intense attacks can now be if someone is so minded. In other respects our assumption is that the operating environment will be similar in the coming year.

The link between KPIs, risk and uncertainty

The most important factor influencing our performance is the incoming case load of complaints. We can make assumptions, but there is uncertainty in any forecast model. The key risk for the business is a sharp increase, or decrease, in complaints which takes resource and budget out of alignment with workload.

When setting our budget in March 2020 (pre 'lockdown') we predicted a small increase in complaints for 2020/21. Whilst this proved correct, the increase was marginal (1054, compared to 1036 the previous year). The increase was likely to be greater had it not been for the second lockdown. This means our best prediction for the coming year is another small increase but falling short of a return to the historic highs seen prior to lockdown.

If there is an increase, above our budgeted prediction, this immediately affects KPIs. Contingency plans for higher workloads can be put in place, but this will often have an implication for the following year's levy. Increases also reduce our capacity to deliver projects or deal with other risks that materialise within the year.

Statement of going concern

In reviewing financial performance, operating performance, and the assessment of risk set out in this document, there is no reason not to adopt the going concern concept. This is further referenced in the Accountability Report (see page 19).

Performance against operating plan - key activities and achievements

In our Strategy for 2020-2024 we set out four strategic aims as well as internal priorities to support this.

This performance report sets out progress towards our strategic aims, cross referencing that to the internal priorities: (U) Users, (I) Improvement, (D) Digital, and (P) People.

DELIVER a high-quality service which is approachable, people-centric, prompt, and proportionate, and which delivers fair resolutions.

- We deployed training on accessible English to all staff. (U, P)
- We reviewed all standard template letters and emails for accessible English. (U, P)
- We continued an extensive programme of improvement, with 17 'sprints' (rapid test and deploy cycles of improvement) running within the operational year. These included using digital telephony

to improve customer service, changing communication and administration at eligibility and mediation to create faster and more efficient communication for customers, testing of different remote mediation models, and new software to improve the accessibility of English in our customer communications. (U, I, D, P).

- We used a service design approach to improve how we respond to customers when a complaint is ‘premature’ (when it has not yet been made to the law firm) using customer feedback and testing to refine our process. (U, I)
- We changed our approach to customer service feedback, allowing more granular assessment of the user (lawyer and complainer) experience at each stage of our process. (U, I)
- We learned from consumer groups about the specific needs of their service users (including older people and women who have experienced domestic abuse) to inform our accessibility and customer service. (U)
- Our Consumer Panel informed and challenged our work on customer service and plain English, as well as promoting the need for consumer focused regulatory reform. (U, I)
- To ensure our focus on digital and innovation does not cause any issues for users of our service we have developed and deployed a digital exclusion checklist to ensure we always have other methods of delivery for those that need it. (U, I, D)
- Although delayed at the start of the year, to allow firms to adapt to lockdown working, we have moved to a more robust approach to accessing solicitor files to tackle a longstanding issue of lack of engagement from the profession causing cost and delay in the process. We are now moving automatically to issuing statutory notices, and then pre litigation notices, to gain access to files (which should be being provided by firms under the 2007 Act). (U, I)
- We worked with Scottish Government to recruit three new Board members, and provided training and induction to ensure a smooth transition which did not impact customer service levels for those awaiting a decision on complaints. (U, P)
- We have continued our focus on early resolution, developing key messages and ‘myth-busting’ communications to use in our engagement with the legal profession. (I)
- We have reviewed all of our statutory ‘oversight’ powers and considered how these can be used to improve quality within the sector, created a new strategic approach to how we will use these powers, and have consulted with key stakeholders both informally and formally, and will publish this in the coming year. (U, I).
- A first outcome from this new approach has already been delivered, with our review of the ‘Master Policy’ tender by the Law Society of Scotland leading to a strategic plan for the coming five years, which SLCC will monitor to ensure the effectiveness of indemnity arrangements if properly considered and overseen. (U, I).

INNOVATE by working as a performance-focused, change-confident and resilient team, delivering our work in new and efficient ways.

- We created a ‘Digital Specialist’ role in our case investigator team. We have also reviewed the pilots of, and embedded, two new career pathways allowing development as ‘specialists’ within our ‘eligibility’ and ‘investigation’ functions. (I, P)
- We created and piloted a new ‘app’ (using Power Automate) to support decision making in complaints. (D, I, P)

- We have reviewed the use of AI by other complaints bodies and by law firms to assess opportunities for the SLCC to improve its work (either our own processes, or to identify where AI use by firms may be an issue within complaints). (I, D)
- We have engaged with and responded to the Scottish Government consultation on an AI strategy for Scotland. (I, D)
- We have reviewed our rules, issued under our statutory powers, to ensure they empower a 'digital first' organisation and approach, and will consult on these in the coming year. (U, I, D).
- We have invested in hardware and software to ensure that whilst we have been working fully remotely we can offer the same standards of service to customer across all of our work. (U, D)
- We have supported people in new ways of working and remote working through training, coaching, and guidance. (P).
- We have worked with our Wellbeing and Inclusion Staff Group, with Union representatives, and with our staff ambassador to ensure the health and wellbeing of colleagues during a challenging year through a range of online events, resources, care packages and one to one support. (P)

PREVENT the common causes of complaints through analysis, shared learning and improvement work.

- We held a discussion session with Client Relations Managers to better understand how firms consider third party complaints, and have used the findings to inform our outreach work. (U, I)
- We delivered 17 outreach sessions to the profession, including 1:1 sessions with individual firms, presentations and workshops with groups and associations, speaking slots at sector conferences and events and on university diploma courses. We have reached out across the sector from students, trainees and young lawyers, to new partners, and established Client Relations Managers. We developed our approach to delivering our training remotely, experimenting with podcasts and online courses. (U, I, D)
- We increased our engagement with the profession via social media, developing bite-sized messages that can be delivered in an engaging way via LinkedIn (including graphics and video), and using that to highlight our wider guidance, advice and support. (U, I, D)
- We used our quarterly e-newsletter to deliver engaging content to the profession, including on early resolution, consumer vulnerability, and the impact of Covid-19 on complaints. We used case studies from our decisions to bring this to life, and used our social media activity to signpost to this content and increase our readership. (U, I)

INFLUENCE the debate on reform, and lead the change as soon as final proposals are in place.

- We worked with the Scottish Government, Law Society of Scotland, and Faculty of Advocates on proposals for medium term changes to the legislation through statutory instrument (U, I).
- We responded to the public consultation on the above (U, I).
- We continued to publish articles and give talks to make the case for longer term and wider reform of the system for legal regulation (U, I).
- We liaised with Scottish Government and the Law Society of Scotland on the implementation of the Legal Services (Scotland) Act 2010 (U, I).
- We wrote to all incoming MSPs and justice spokespeople following the May 2021 elections to make the case for change (U, I).

Work we had planned, but which did not take place or where we amended our approach:

In all instances this related to prioritisation of work to address Covid-19, lockdown, and remote working.

- We had intended to change our approach to the production and publication of information on the work of our Board. This has instead been carried over into the next year. (I)
- We had intended to measure our carbon footprint, to allow a baseline measurement prior to work to move to a paperless approach which had been planned prior to Covid-19. The more sudden move to this way of working meant this would no longer provide a before and after measurement, so was deprioritised (although work to keep reducing carbon use was not). (I)

Summary: We delivered over 97% of our Operating Plan for the year, with 85% being the target set by our Board (to take account of the facts some projects will always be affected by external factors outwith our control, or priorities may change mid-year). Performance on quantitative performance measures is detailed below in the Performance Report.

Key performance data in complaints

Set out below are comparative volumes of work over the last four years. These figures are similar to the statistical information we share with the relevant professional organisations on a quarterly basis.

COMPLAINTS & ELIGIBILITY	2020/21	2019/20	2018/19	2017/18
Complaints in hand at start of year	**436**	685	849*	807
Complaints received in year	**1,054**	1,036	1,326	1,227
Premature complaints reopened (closed in previous years)	**7**	11	13	22
Premature complaints reopened (closed in year)	**77**	81	67	67
Net change – reassessed as eligible/ineligible on appeal	**0**	-1	0	0
Complaints under consideration	**1,574**	1,812	2,255	2,123
Ineligible	**-180**	-224	-253	-164
Withdrawn	**-25**	-48	-69	-48
Discontinued	**-24**	-31	-38	-37
Resolved at eligibility	**-236**	-239	-336	-195
Premature	**-196**	-215	-192	-274
Conduct	**-96**	-155	-216	-213
Adjustments for administrative reasons*	**16**	26	-21	-
Potential service complaints	**833**	926	1,130	1,192
Complaints closed	**-445**	-490	-445	-337
Complaints awaiting eligibility assessment at year end	**201**	157	344	575
Eligible service or hybrid complaints in progress	**187**	279	341	263
Complaints in hand at end of year	**388**	436	685	849*
METHOD OF RESOLUTION (Complaints Closed)	**2020/21**	2019/20	2018/19	2017/18
Mediation	**90**	45	80	52
Investigation (conciliation without report)	**104**	138	111	57
Investigation (settlement with report)	**81**	63	71	63
Withdrawn at investigation	**39**	46	45	29
Determination	**131**	198	138	136
Total	**445**	490	445	337
% Upheld at Determination	**43%**	43%	51%	50%

** "Adjustment for administrative reasons" – not all numbers will add to the totals provided. We are making more transparent a number of adjustments that take place for administrative reasons. Examples would include where someone has submitted an identical paper and electronic complaint form, or where two complaints are merged (issues a complainer has raised separately but which represent one complaint).*

Incoming complaints rose marginally after a historic low in 2019/20 caused by the first lockdown.

Ineligible complaints reduced slightly from last year.

Resolution at eligibility remained high, at 236 cases (equivalent to almost a quarter of incoming cases within a year). In these cases we invest time in trying to identify a solution which both parties are comfortable with, this can take some weeks and considerable staff resource, but remains a more cost-effective way of resolving complaints than moving to a formal adjudication. We also generally find that both parties are more content with an outcome which they have been involved in the negotiation of and have agreed to. Almost all these cases would progress to being a full service complaint without the investment of resource in resolution at this early stage (although that does not necessarily mean they would go on to be upheld at final determination).

Complaints admitted as service (eligible, and not resolved at eligibility) decreased this year. Again, this is in part an impact of lower incoming number in the last two years due to Covid-19, and having no waiting cases.

The number of cases closed through mediation increased significantly, as parties were willing to mediate again (although online mediation had been offered in the previous year, the impact of the first lockdown was significant).

Settlement at investigation (whether with or without a full report being issued) remained broadly similar to previous. Where this is possible, and both parties consent, it gives parties an outcome faster than proceeding to full determination, and is also more cost effective for the SLCC.

Determination rates are down significantly on the previous year. This is partly to do with lower incoming over two years (it takes time for a lower incoming at the first stage to impact determination rates) and partly to do with the lower WIP in the last two years with no waiting cases at any stage.

For the fourth consecutive year we have managed to reduce the number of complaints in hand at the end of the year. This means we enter 2021/22 in a strong position.

We also monitor the average 'Journey Time' of cases - the aggregate of the average age of cases at each stage of our process. For 2020/21 we saw further improvement with an average journey time at year end of 6.7 months. This is dramatically different to 2016/17 when this figure was 14.7 months, with process improvement seeing this drop each subsequent year including this one (10.5 2017/18, 8.2 2018/19, 7.3 2019/20). This is a key factor for complainers and lawyers, and the positive result of ongoing efficiency work.

All parties are issued a customer service feedback form at the end of each complaint. During 2020/21 we received a 10% response rate (compared to 13.1% in 2019/20, and 13.8% in 2018/19).

Our Operating Plan for 2020/21 had a project to review our whole approach to customer feedback to ensure this works for those providing feedback and provides data that we can use to make improvements. We continue to receive more feedback responses from consumers rather than practitioners 70%:30% 2020/21 (70%:30% 2019/20).

Responses based on Stage in Complaints Process	Consumer	Practitioner
Eligibility	13%	20%
Mediation	7%	7%
Investigation	42%	40%
Determination	38%	33%
Total	**100%**	**100%**

From the new feedback report we can see we receive the highest responses from both consumers and practitioners whose complaint closes at our investigation stage. We will continue to monitor trends going forward.

We monitor several factors in these surveys – asking if individuals are satisfied (or not) with our helpfulness, the information we provide, how we explain the process, clarity of communication, the reasoning provided for our decision, and so on.

Practitioner feedback is strongly positive (irrespective of the case being upheld or not). Reasoning, the information provided, process explanation, communication, and comprehension all scored above 76% in terms of practitioners recording they were satisfied. Across the whole year satisfaction rates for all criteria were between 43% (satisfaction with the recommendation) and 80% (information provided).

On average, consumer satisfaction levels are lower than practitioner levels, between 41% (satisfaction with the recommendation) to 65% (satisfaction with process explanation).

On average consumers whose complaint closes at Mediation are most satisfied with the service they receive and we see lower rates of satisfaction from consumers whose complaint closes at Determination. At this stage we see a reduction in the level of satisfaction around our timescales and impartiality.

On average practitioners are most satisfied when a complaint closes at Eligibility, compared with those who reach the investigation stage of our process.

Budget performance

The SLCC outturn against budget is shown in the table below:

	Year ended 30th June 2021		Year ended 30th June 2020
	Budget	Actual	Actual
Income	**(3,993,180)**	**(4,101,986)**	(4,082,112)
Expenditure	**3,993,166**	**3,568,878**	3,798,251
(Surplus)	**(14)**	**(533,108)**	(283,861)
Pension Valuation	**0**	**0**	18,000
(Surplus)	**(14)**	**(533,108)**	(265,861)

Income was £108,806 higher than expected, based on higher complaint levy income than anticipated (paid when a complaint is upheld) and recovered secondment income and also offset a reduction in bank interest.

Expenditure was underspent by £424,288 or 10.6% under the anticipated budget.

The main area of underspend was staffing costs. Within the budget the SLCC had accounted for an FTE of 65.75, due to on-going efficiency works and the impact Covid-19 has had on the way we work, we were able to reduce our FTE to 53.8 through attrition, which led to a saving of £359,449. There were also savings on member salaries of £56,653.

This has meant the SLCC are reporting a yearend surplus of £533,108 for 2020/21.

In the SLCC's 2019/20 financial statements the organisation held £659,316 in reserves, this amount fell short of our reserves policy position of three months average expenditure. The SLCC Board has committed to strengthening the reserves position to three months to better prepare for any impact on our cash flow. By returning the current year surplus to our reserves we are now in a position where we will hold three months average expenditure within reserves.

Payment of creditors and regularity of expenditure

The SLCC is committed to prompt payment of bills for goods and services received. Payments are made as specified in the agreed contract conditions. Where there is no contractual obligation or other understanding, we aim to pay for goods and services within 30 days. On average the SLCC took 15 days to pay for goods and services (2019/20: 17 days) and the SLCC's payment performance was 97% (2019/20: 90%).

Social matters

The SLCC is an equal opportunities employer and has become a member of the Employers Network for Equality and Inclusion in 2019/20 to strengthen our work in diversity and inclusion. All staff are expected to comply with a range of policies covering legal and behavioural matters and are encouraged to play an active part in our sustainability and dignity at work areas. Staff policies are regularly updated for any new legislation and these changes are flagged to staff so they can review the relevant policy. Our staff code of conduct adopts the nine key principles for public bodies. Staff are reminded on an annual basis of the organisation's whistleblowing policy. The staff conflict of interest policy covers fraud and anti-bribery legislation and is reviewed regularly.

Sustainability Report

The SLCC recognises that the changing climate will have far reaching effects in Scotland's economy, people and environment. One of our strategic objectives is to deliver a sustainable operation and reduce our environmental impact through staff led initiatives and delivery of our biodiversity duties.

As sustainability features on our current strategic plan, the SLCC Board have sight of the work done in this area through our Operational Plan reporting and within our Strategic Risk Register we highlight any risk to the organisation.

The SLCC is also committed to supporting national aims and policies on Environmental and Sustainable Development. We published an updated three-year review (2018-2020) in December 2020, reporting on our work to meet the Scottish Bio-diversity Duty, is available online: https://www.scottishlegalcomplaints.org.uk/about-us/rules-policies-and-publications/biodiversity-reporting/.

Explanation of the development and performance of the entity

After five years of increasing complaints we started to see a slight slowing of incoming numbers in the first half of the operational year, and then when lockdown started a sudden decrease.

Last year we flagged that investment and process improvement work, which commenced in April 2018, had started to show real results in WIP, complaints in hand at year end, and customer journey times. Further improvement is clearly visible in this year's results in those areas.

In combination this means that, at yearend there were no meaningful backlogs at any stage of the process.

Our budget for 2020/21, set in March 2020, predicted a further small increase in incoming numbers, based on the best data available at the time.

As noted earlier in the financial statements the anomaly of the lockdown period and uncertainty as to its medium-term impact on the sector make predicting the post lockdown position difficult. Complaints numbers are a key determinant of workload and cost, and are not something we have direct control of. As noted, complaints fell during lockdown, but appear to be rebounding at least to some extent. There are possible scenarios of decreasing complaints, a short-term spike, or a return to the increasing long-term trend.

Summary: The key performance challenge may now move from improvement on the speed and efficiency of the process to ensuring resource is matched to currently lower volumes of work (cost efficiency) and returning to look at the quality of work and customer service provided (in line with the new Strategy and Operating Plan). We may bring the planning process for next year forward (there is a statutory requirement to consult in January, but we can start earlier than that as long as it concludes in that month) to allow discussion as to whether the Covid-19 situation has fundamentally affected the pattern of legal work and complaints and therefore impacted our likely future workloads.

Annual Audit

The financial statements are audited by external auditor's appointed by the Auditor General for Scotland and he has appointed Deloitte LLP as the SLCC Auditor's for 2020/21. As Accountable Officer, I am not aware of any relevant audit information of which our auditor's is unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditor's is also aware of this information.

DocuSigned by:

Neil Stevenson

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Neil Stevenson
Chief Executive Officer

06 October 2021

2. Accountability report

Corporate Governance Report

Details of our governance arrangements are published online. This includes a governance statement, a scheme of delegation, the arrangements for the management of conflict of interest, a code of conduct and a risk management policy.
https://www.scottishlegalcomplaints.org.uk/about-us/rules-policies-and-publications/the-slccs-governance-arrangements.

Compliance with our governance framework is periodically reviewed, including the use of internal audit where appropriate. There were no reported breaches or concerns this year. Further details on governance are provided in the remainder of this section.

The Directors Report

Date of Issue

The Accountable Officer authorises these financial statements for issue on 06 October 2021.

The Senior Management Team

The SMT is responsible for the day to day management of the SLCC's activities and operations. Key legal responsibility for the organisation rests with the Board, and with the Chief Executive and the Accountable Officer (a single role, and not a Board member), as outlined in this report.

The Board

The SLCC comprises a lay chair, and eight further members – five lay and three legal. The Board has responsibility for establishing and taking forward the strategic aims and objectives of the SLCC, and demonstrating high standards of corporate governance by using the Audit Committee to address key financial and other risks.

During 2020/21 two lay members, and one legal member stepped down from the Board at the end of their statutory five-year terms. The SLCC started planning for this in May 2020, with an initial discussion with Scottish Government in June 2020. To replace them a recruitment exercise was be run by Scottish Government, and the appointments are made by Scottish Ministers.

Board Appointments	Appointment From	To	Years	Notes on change over
Chairing Member (Lay)				
Jim Martin	01/01/2018	31/12/2022	5	
Lay Members				
Emma Hutton	01/04/2016	31/03/2021	5	Departed during year
Dr Michelle Hynd	01/04/2016	31/03/2021	5	Departed during year
Sara Hesp	01/01/2017	31/12/2021	5	
Sarah McLuckie	01/01/2017	31/12/2021	5	
Morag Sheppard	01/01/2018	31/12/2022	5	
June Andrews	01/04/2021	31/03/2026	5	Joined during year
Niki McLean	01/04/2021	31/03/2026	5	Joined during year
Legal Members				
Amanda Pringle	01/04/2016	31/03/2021	5	Departed during year

Denise Loney	01/01/2017	31/12/2021	5	
Kay Springham QC	01/01/2017	31/12/2021	5	
Frank Gill	01/04/2021	31/03/2026	5	Joined during year

In 2021/22 a further two legal members and one lay member will step down from the Board. Replacements were recruited in the same recruitment described above, which will allow induction well in advance of commencement dates, effectively managing any risks around continuity during a period with a large number of changes.

However, in July 2021 the personal circumstances of one lay member due to start with the SLCC changed meaning they could not take up the appointment. Then in September 2021 one of our legal members resigned from the SLCC Board, due to being offered a position with the Judiciary of Scotland. This leaves us potentially two members short from 1st January 2022.

We are currently in conversation with our sponsor team at Scottish Government on how to replace these members. There is a particular focus on the legal member, as certain roles are reserved to them in our legislation. We are investigating whether we can make a temporary appointment of a previous legal member on the basis of an 'in extremis' situation. A number of options are being considered around the lay vacancy. There are then two further members to depart the SLCC Board in December 2022 as part of our normal cycle. This would then be an opportunity and to fill any gaps alongside the recruitment for a new chair and lay member.

If this is not possible there could be some risk to the SLCC as we will only have two legal members which could impact complaint journey time and has an impact on the workload of two new legal members in chairing our determination committees.

The Board met formally for six meetings during the course of the year, as well as taking part in a planning and strategy workshop and several development sessions. All meetings were conducted remotely by video conference. Minutes are published on our website:
https://www.scottishlegalcomplaints.org.uk/about-us/who-we-are/our-board/board-meeting-minutes/.

Board meetings deliver the governance function of the Board. Under our governing statute Board members have a separate role in determining individual cases at two stages in our process, either sitting individually or in groups of three, chaired by a legal member.

The Board review their effectiveness through a confidential discussion at the start and end of each Board meeting, through dialogue on the planning of Board agendas and papers, and through discussion of topics and learning needs for the five development sessions in this operational year.

Accountable Officer's responsibilities

The CEO is designated in statute the Accountable Officer for the SLCC. This is confirmed in the SLCC's governance arrangements.

The relevant responsibilities as Accountable Officer are set out in the Memorandum to Accountable Officers for other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual and reflected in the SLCC's rules. These responsibilities include responsibility for the propriety and regularity of finances and for the keeping of proper records. The Memorandum is available at:
http://www.scotland.gov.uk/Topics/Government/Finance/spfm/Accountability/aomemoother

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 the Scottish Ministers. The financial statements 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 financial statements, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FReM) and in particular to:

(i) Observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

(ii) Make judgements and estimates on a reasonable basis;

(iii) State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and

(iv) Prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the SLCC will continue in operation.

Neil Stevenson joined the organisation as the Chief Executive and the Accountable Officer on 20 July 2015.

The Accountable Officer is required to confirm that he is unaware of any relevant audit information of which our auditor's is unaware and further confirm that he has taken all necessary steps to ensure that he is aware of any relevant audit information and to establish that the auditor's is also aware of this information.

The Accountable Officer must be of the opinion that the Annual Report and Financial Statements as a whole are fair, balanced and understandable. I accept personal responsibility for the Annual Report and Financial Statements and for the judgements required for determining that they are fair, balanced and understandable.

Governance statement

Scope of responsibility

I took up the permanent post of Accountable Officer on 20 July 2015. 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 from 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 continue to evolve to identify the principal risks to the achievements of the SLCC's policies, aims and objectives, to evaluate the nature and extent of those risks, and manage them efficiently, effectively and economically.

The processes within the organisation have regard to the guidance to Public Bodies in Scotland issued by the Scottish Ministers and set out in the Scottish Public Finance Manual, and the Scottish Government Audit Handbook (updated April 2019).

Governance framework

The SLCC has a governance framework which comprises of the systems and processes (including a formal scheme of delegation covering all aspects of work), culture and values by which the SLCC is directed and controlled.

The governance framework has been in place for the year ended 30 June 2021 and up to the date of approval of the annual report and financial statements.

The governance framework is overseen by the Senior Management Team comprising the Chief Executive Officer, the Director of Business Performance, the Director of Public Policy, and the Director of Resolution.

Our Audit Committee meets four times per year. The Audit Committee consists of three members of the Board. From June 2020 to end March 2021 the committee comprised Michelle Hynd (as Chair), with Sara Hesp and Morag Sheppard as members. Following the changes to Board membership from the start of April 2021 to year end the committee comprised Sara Hesp (as Chair), with Morag Sheppard and Denise Loney as members.

The meeting is attended by our internal and external auditor's. The Committee provides support to the Board in respect of their responsibilities for issues of risk, control and governance. Through the year the Committee met by video conference due to 'lockdown'.

A Board level Health and Safety Committee assists with this key area, and met four times, again by video conference.

The Remuneration Committee met four times during the course of this business year. This year they have discussed succession planning, absence, equal pay, a competency framework, member expenses, staff survey results, CEO salary process, succession planning, the impact of Covid-19 and pay discussions.

Declarations of Interest for the Senior Management Team, and for all staff, are managed under a policy approved by Board and are updated regularly. The Board register of interests is available at: https://www.scottishlegalcomplaints.org.uk/about-slcc/who-we-are.aspx.

As part of the framework the SLCC has a risk policy which sets out our approach to risk management and appetite for risk. It is supported by a corporate risk register, monitored by the Audit Committee, which is part of an ongoing process designed to identify and manage the principal risks to the SLCC of achieving its corporate objectives.

The SLCC's risk management system identifies the key risks facing the organisation, their potential impact and the control measures put in place to mitigate either the likelihood of a risk materialising, and/or its impact on achievement of corporate aims. This involves evaluating the nature and extent of risks and putting in place effective and affordable management and control systems.

A detailed Scheme of Delegation was in place throughout the year, and an updated version approved by the Board during the course of the year. We updated our arrangements for how business would be conducted in the absence of the Chair.

Other than a move to video conference meetings, no changes in our governance processes, controls or rigour has been required due to Covid-19 as systems already took account of remote working and agile approaches.

Review of effectiveness and Annual Report of the Audit Committee

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

(i) The work of the Board, and in particular the strategic direction it gives to the SLCC;

(ii) The work of the Audit Committee in its consideration of risk, financial management, risk and audit reports;

(iii) Reports from the internal auditor's on the adequacy and effectiveness of the system of internal control; and

(iv) The work of the management team.

During the year 2020/21 the SLCC has worked continuously to review and refine its systems of internal control. These items also represent the 'Annual Report' of the Audit Committee. In particular we have:

Formal Internal Audit (Azets – formally Scott Moncreiff)

- Reviewed the close out report on the internal audit plan for the previous year (2019/20).
- Approved an internal audit plan for the current year (2020/21).
- Started preparation of the internal audit plan for the coming year (2021/22).
- Received reports from our outsourced internal auditor's on our IT refresh, our approach to budget setting and monitoring, and of our management of the costs and authorisation around Court of Session appeals.
- Subsequent to year end (July 21 meeting) reviewed the close out report on the internal audit plan for the year (2020/21).

Formal External Audit (Deloitte, on behalf of Audit Scotland)

- Reviewed the governance statement and financial statements from the previous financial year (2019/20).
- Reviewed the ISA 260 external audit report on the previous (2019/20) financial year.
- Held a review discussion on the outcome and effectiveness of the external audit for the previous year (2019/20).
- Approved the external audit plan for the year (2020/21).

Ensuring compliance with best practice

- Provided external training on audit to new members joining the committee.
- Received updates on fraud risks in the public sector and reviewed learning and key themes from the work of the Scottish Parliament Public Audit Committee.
- Attended external events to grow knowledge and help identify best practice. For the Accountable Officer this included NDPB Chief Executive Forums.
- Reviewed the new statement on 'Good Governance in the Scottish Government' and ensure that SLCC is incorporating that practices into its own processes and approaches.
- Reviewed Audit Scotland '*Emerging Fraud Risk*' guidance, their '*COVID-19 Guide for Audit and Risk Committee'*, and their report on '*Tracking the implications of COVID-19 on Scotland's Public Finances'*.

Other assurance activity

- Reviewed our approach to medium term financial planning, and current three-year projections for income and expenditure (to aid future planning, and in response to a recommendation within the external audit).
- Considered the feedback report from independent penetration testing of the security of our IT systems, and the management action plan in response to this.
- Received briefings and updates on learning from cybersecurity incidents, such as the SEPA attack, to inform our learning and approaches.
- Continued to ensure a lead Board member was place on cyber security issues.
- Considered interim updates on a complete independent review of IT, looking at how we achieve a new operating model which has no dependency on a physical location by September 2023.

- Oversaw 'fail safe' mechanisms to ensure finance if there was a default by one of our funders due to Covid-19 – including contractual variation of arrangements with one funder, securing a bank credit line in case of an issue, and securing a Scottish Government loan commitment in case of an issue.
- Undertook risk and assurance work to support other plans for a new operating model by September 2023, including looking at key opportunities and risks in transition, experience and competence within the organisation to support change, and effective engagement with staff to support change.
- Considered issues arising from a hard or soft Brexit, and its interface with Covid-19's impact on the economy, and approved a Brexit Management paper.
- Reviewed the succession planning process within the organisation (joint work with our Remuneration Committee).
- Increased oversight of the Court of Session appeals process, recognising the costs and reputational issues in this part of our work.
- Received updates on our work to ensure automated (rather than manual) compliance with deletion of case management files after the prescribed period (an outstanding action from a previous Internal Audit).
- Reviewed the member expenses policy within the organisation (joint work with our Remuneration Committee).
- Refreshed all Health and Safety risk assessments during this year – working with our Board level Health and Safety Committee.
- Continued to use external expertise to examine statistical data on the throughput of our complaints process, and continued to develop our 'predictive model' to improve our understanding of how cases will progress over 6, 12, and 18 months.
- Completed a feedback cycle on performance. All Board and Audit Committee members were given the opportunity to feedback to the Chair on the performance of the CEO and Accountable Officer, and to feedback to the CEO on the performance of the senior management team.
- Discussed every risk on the strategic risk register on a quarterly basis, with a detailed discussion at the Audit Committee and approval at Board.

The SLCC complies with the principles of the Scottish Public Finance Manual and the Scottish Government Audit Handbook (updated April 2019).

I am satisfied that the SLCC has robust, proportionate and appropriate systems of control in place.

Remuneration and staff report

Remuneration policy and report

The Board having considered the requirements of the Government Financial Reporting Manual and the responsibilities of managers within the SLCC, consider that only the remuneration of the CEO, SMT and Board Members should be disclosed.

Remuneration - CEO

The CEO's remuneration is approved by the Board. It is subject to and compliant with The Public Sector Pay Policy for Senior Appointments. Neil Stevenson joined the SLCC on 20 July 2015. The CEO's salary shown includes basic salary only. It does not include employer national insurance or pension contributions. During the year to 30 June 2021, £10,143 was paid into a money purchase pension scheme on behalf of the CEO in line with his contract. The table below has been audited by our external auditor's.

	Year Ended 30 June 2021				Year Ended 30 June 2020			
	Salary £000	Pension Benefit £000	Benefit in Kind	Total £000	Salary £000	Pension Benefit £000	Benefit in Kind	Total £000
Neil Stevenson	80-85	10-15	Nil	90-95	80-85	5-10	Nil	85-90

Remuneration - SMT

The SMT's remuneration is approved by the CEO. It is subject to and compliant with the Public Sector Pay Policy and their grades are included within the overall SLCC grading structure. The three Director's salaries shown includes basic salary only. It does not include employer national insurance or pension contributions. During the year to 30 June 2021, a total of £13,484 was paid into a money purchase pension scheme on behalf of the three Director's in line with their contract. The table below has been audited by our external auditor's.

	Year Ended 30 June 2021				Year Ended 30 June 2020			
	Salary £000	Pension Benefit £000	Benefit in Kind	Total £000	Salary £000	Pension Benefit £000	Benefit in Kind	Total £000
Caroline Robertson	60-65	0-5	Nil	65-70	55-60	0-5	Nil	60-65
Louise Burnett	50-55	0-5	Nil	55-60	50-55	0-5	Nil	55-60
Vicky Crichton	50-55	0-5	Nil	55-60	50-55	0-5	Nil	50-55

Chair and Board fees

SLCC Board members are eligible to claim out of pocket expenses relating to their work as SLCC Board members (both in relation to their governance role, and their role in determining individual cases). Board remuneration has been determined in line with Public Sector Pay Policy for Senior Appointments; Chief Executive, Chairs and Members. The table below has been audited by our external auditor's. Further information can be found at www.scotland.gov.uk/publications.

	Year Ended 30 June 2021		Year Ended 30 June 2020	
	Daily Fee £	Total £000	Daily Fee £	Total £000
Jim Martin, Chair	319	15-20	319	15-20
Emma Hutton	216	0-5	216	0-5
Dr Michelle Hynd	216	5-10	216	5-10
Sara Hesp	216	5-10	216	5-10
Sarah McLuckie	216	0-5	216	0-5
Morag Sheppard	216	5-10	216	5-10
Amanda Pringle	216	10-15	216	10-15
Denise Loney	216	5-10	216	5-10
Kay Springham QC	216	0-5	216	5-10
Frank Gill	216	0-5	-	-
Niki MacLean	216	0-5	-	-
June Andrews	216	-	-	-

Note: Overall payments vary between members due to several factors. The Chair's role is affected by the number of external engagements. Each member will be involved in a differing number of Eligibility and Determination Committee decisions and have a caseload of varying complexity. Legal members have an additional role to play as 'Chairs' of Determination Committees. Some members also sit on other Committees (such as the Audit Committee). Expenditure in relation to the chair can reasonably be expected to rise as the role develops, particularly in a year when significant changes in legal complaints regulation are anticipated.

Hutton review of fair pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The relationship between the remuneration of the highest paid member of staff and the median remuneration of the staff is as follows:

	Year ended 30 June 2021	Year ended 30 June 2020
Annualised remuneration of the highest paid member of staff	**84,586**	83,366
Median Remuneration of staff	**38,622**	37,405
Remuneration Ratio	**1 : 2.2**	1 : 2.2
Lowest Remuneration Paid	**23,518**	22,332

The median remuneration for the SLCC's staff is based upon annualised full-time equivalent salary of the employees at 30 June 2021.

In 2020/21, no employees received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

To implement the nationally agreed public sector pay policy, in April 2021, the SLCC applied an increase of £800 of those earning under £25,000, 2% for those earning between £25,000 and £40,000 and 1% to those earning over £40,000.

The following table shows the salary and related costs for all staff for the year ended 30 June 2021, identifying staff and members separately.

	Year ended 30 June 2021			Year ended 30 June 2020
	Staff £000	Members £000	Total £000	Total £000
Salaries	**2,186**	**67**	**2,253**	2,236
Social security costs	**208**	**2**	**210**	202
Pension costs	**179**	**-**	**179**	262
Outsourced staff costs	**-**	**-**	**-**	13
Total Salary Costs	**2,573**	**69**	**2,642**	**2,713**

During the year to 30 June 2021 zero employees received an exit package (2019/20 2 exit packages at a total cost of £32,988).

No off-payroll payments were made.

The SLCC currently holds the Living Wage accreditation.

Information disclosed within the Remuneration Report were reviewed by Deloitte to ensure that they are consistent with the financial statements.

Staff report (including staff engagement)

The average number of full time equivalent staff (FTE) employed by the SLCC is shown in the table below.

	Year ended 30 June 2021	Year ended 30 June 2020
Average FTE	**56**	59

Staffing was slightly lower than last year, with SLCC reducing resource based on the impact of efficiency work carried out in previous years and a continued recruitment freeze in light of Covid-19.

In 2020/21 an average of 5.9 days (including leavers) were lost per staff member compared to 13.6 days from 2019/20. This includes long-term sickness absence. There has been in an increase in long-term sickness absence in 2020/21, with 80% of all absence related to long-term sick.

Turnover of staff was 10.48% in the year (2019/20: 19.83%). This reduction was expected and is a more normal turnover percentage for our organisation.

In November 2020 we ran our annual staff engagement survey. The response rate this year was 87% (72% in 2019/20). We saw positive increases in all answers compared with our 2019 survey, with the exception of 1 question, ‘my good work receives recognition or praise in some form’, (80% 2020/21, 85% 2019/20)

Overall we were pleased to see that we received a 16% increase in the responses to ‘there is a team spirit and everyone is respectful and considerate to each other’, particularly in the context of Covid-19 and remote working, (83% 2020/21, 67% 2019/20) and ‘would you recommend the SLCC as a place to work’ increased by 13% this year (85% 2020/21, 72% 2019/20)

Staff composition and equal pay

As at 30 June 2021 there were 56 staff in post. The split across gender and business area is detailed in the table below.

Employees	Female	Male	Prefer not to say	Total
Senior Management Team	3	1	0	4
Complaints	27	14	0	41
Corporate Services	6	1	0	7
Oversight	3	1	0	4
Total	**39**	**17**	**0**	**56**

Our current staff composite is 70% female and 30% male, there is a 2% change in our gender balance with an increased female composite, compared with the previous year.

All staff, irrespective of gender, are paid according to our current pay and grading structure, are treated equally, and are progressing through our current pay and grading structure based on performance and length of service.

In our management grades we have one male and one female in a Grade D role (two post holders at that grade). At Grade E roles there are more males than females (three males to two females). At Grade F there are two females, while at Grade G there is one female. The current Chief Executive is male.

Grade C is our largest grade in terms of numbers of staff. Within this Grade there are 35 staff, 25 females (71%) and 10 males (29%). Within the lower three spine points there are 5 females and 3 males, and within the top two spine points there are 20 females and 7 males. This relates solely to length of satisfactory service and suggests no structural issue.

In Grades A and B we have more females than males. We will continue to consider in terms of recruitment, benefits and other aspects of employment how we can continue to be attractive to different genders.

In terms of both grades and the organisation overall we continue to deliver equal pay.

Equal opportunities and diversity statement

The SLCC is committed to the principle of equal opportunities across our functions and in our employment practices. We are committed to pursuing positive action in our policies and practices to ensure that no individual is discriminated against directly or indirectly, unlawfully, unjustifiably or unfairly because of their personal status in relation to race, ethnic or national origin, religion, age, sex, gender identity, pregnancy or maternity, disability, sexual orientation or marital/civil partnership status.

Staff policies for disabled staff, and other employee matters

The SLCC follows the Civil Service Recruitment principles to ensure fair recruitment for all and encourages applications from those with disabilities that meet the essential selection criteria.

We continue to improve our policies and practices on disability and are aware of our equality duties under the Equality Act 2010. When developing a new policy we always carry out an equality impact assessment to ensure our policies do not discriminate or disadvantage any of our staff protected under the Equality Act.

Reasonable adjustment, unconscious bias, and equality training are provided annually for all staff and HR provide advice and support to line managers and individuals to make sure all staff are well supported. We also make reasonable adjustments and seek advice from our occupational health specialists to ensure all staff have the correct support for their disability.

In our 2021 survey 21% of our staff indicated they have a disability or long-term health condition. This compares favourably with the reported UK averages for the Civil Service in the 2020 survey (which see rates around 6% to 13% depending on grade).

We also continued with our focus on mental health and wellbeing and provided additional training for both individuals and our mental health first aiders on mental health topics. We also offered greater flexibility in how our staff worked this year and we can see the benefits this has to support a disability, caring responsibilities or simply managing a work life balance. We have made a commitment to staff to develop future working policies that build on this flexibility to continue to support staff.

There is a staff and Board member Health and Safety Committee, which met throughout the year. Risk assessments are refreshed annually, as is our policy statement on Health and Safety and staff are consulted on the risk assessments. We took part in the annual Health and Safety week, and focused on health and safety while working from home due to the current lockdown period.

Trade Union Facility Time

The SLCC recognises one trade union for the purpose of collective bargaining, Public and Commercial Services Union (PCS). The SLCC recognise the benefits of a positive and open relationship with our recognised trade union. As part of our commitment to working in partnership, and in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties.

Trade Union Representatives (TU)

Number of employees who were relevant Union Officials during the relevant year	FTE employee numbers
2	2

Percentage of time spent on Facility Time

Percentage of Time	Number of Representatives
1% -50%	2

Percentage of pay bill on Facility Time

Total Cost of Facility Time	£3,876
Total Pay Bill	£2,573,356
Percentage of Total Pay Bill Spent on Facility Time	0.15%

Paid TU Activities

Time spent on paid TU Activities as a % of total paid Facility Time	28%

Parliamentary accountability

The SLCC is held to account by the Scottish Parliament under the terms of its founding Act. The Statement of Accounts of the SLCC is subject to audit by the Auditor General for Scotland and the audited statement is laid before Parliament in accordance with such directions as may be given by Scottish Ministers. The SLCC must also prepare an annual report on its functions and submit that report to the Scottish Ministers as soon as practicable after the end of each financial year.

DocuSigned by:
Neil Stevenson
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Neil Stevenson
Chief Executive Officer

06 October 2021

3. Independent auditor's report to the members of Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and financial statements of Scottish Legal Complaints Commission for the year ended 30 June 2021 under the Legal Profession and Legal Aid (Scotland) Act 2007. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 30 June 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- considering the nature of the body's control environment and reviewing the body's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;

- identifying which laws and regulations are significant in the context of the body;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Legal Profession and Legal Aid (Scotland) Act 2007.

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the recognition of income from levies. The risk is that the income recognised is not complete and accurate. In response to this risk, we have tested a sample of levy income recognised in the year and performed cut-off procedures to test the accuracy of the amounts received.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

DocuSigned by:

P. Kenny

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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
06 October 2021

4. Statement of comprehensive net expenditure for year ended 30 June 2021

	Notes	Year ended 30 June 2021	Year ended 30 June 2020
		£000	**£000**
Operating Income	2	**(4,102)**	(4,082)
Expenditure			
Staff Costs	3,4	**2,642**	2,713
Other Administration Costs	5	**849**	1,025
Interest and Other Finance Costs	6	**5**	2
Depreciation and Amortisation	7,8	**73**	58
Net Operating (Income)		**(533)**	**(284)**
Other Comprehensive Income			
Actuarial Loss/(Gain) in respect of Pension Scheme		**-**	18
Total Comprehensive (surplus) for the year		**(533)**	**(266)**

All amounts relate to continuing activities.

The accompanying notes on pages 39 to 49 form an integral part of these financial statements.

scottish legal complaints commission slcc

5. Statement of financial position as at 30 June 2021

	Notes	Year ended 30 June 2021	Year ended 30 June 2020
		£000	£000
Non-Current Assets			
Property, Plant and Equipment	7	**107**	161
Intangible Assets	8	**18**	39
Total Non-Current Assets		**125**	200
Current Assets			
Trade and Other Receivables	9	**185**	153
Cash and Cash Equivalents	10	**1,493**	984
Total Current Assets		**1,678**	1,137
Current Liabilities			
Trade and Other Payables	11	**(449)**	(424)
Total Current Liabilities		**(449)**	(424)
Net Current Assets		**1,229**	713
Non-Current Assets plus Net Current Assets		**1,354**	913
Non-Current Liabilities			
Creditors - amounts falling due after more than one year	12	**(43)**	(140)
Provisions for liabilities and charges	13	**(119)**	(114)
Assets less liabilities		**1,192**	659
Equity			
General Fund		**1,192**	659
Total Equity		**1,192**	659

The General Fund represents net assets available to the SLCC at the balance sheet date. The accompanying notes on pages 39 to 49 form an integral part of these financial statements.

DocuSigned by:

Neil Stevenson

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Neil Stevenson
Chief Executive Officer
06 October 2021

6. Statement of cash flow for year ended 30 June 2021

	Notes	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Cash Flow from Generated Activities			
Net Operating Income/(Expenditure)		**538**	288
Interest and Other Finance Costs	6	**(5)**	(2)
Adjustment for Non Cash Transactions			
Depreciation	7	**52**	32
Amortisation	8	**21**	26
Net Charges for Retirement Benefits	19	**-**	5
Employer's Contribution payable to LPF	19	**-**	(2)
Net Charges for Settlement	19	**-**	(100)
Net Interest on Pension Scheme	19	**-**	-
Increase in Trade and Other Receivables	9	**(32)**	(27)
Increase in Trade and Other Payables	11	**25**	209
Increase in Creditors - amounts falling due after more than 1 year	12	**(97)**	140
Increase in Provisions for liabilities and charges	13	**5**	(31)
Increase from Generated Activities		**507**	**538**
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	7	**-**	(176)
Purchase of Intangible Assets	8	**-**	(44)
Net Cash Outflow used in Investing Activities		**-**	**(220)**
Increase in Cash		**507**	**318**
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of year		**986**	668
Cash and Cash Equivalents at the end of year		**1,493**	986
Increase in Cash		**507**	**318**

7. Statement of changes in reserves for year ended 30 June 2021

	Notes	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Balance as at 1 July 2020		**659**	**393**
Surplus on Provision of Services		533	284
Actuarial (Loss) on Pension Scheme	19	0	(18)
Balance as at 30 June 2021		**1,192**	**659**

The accompanying notes on pages 39 to 49 form an integral part of these financial statements.

8. Notes to the Financial Statements

1. Accounting policies

In accordance with the accounts direction issued by Scottish Ministers under section 15(1) of The Legal Profession and Legal Aid (Scotland) Act 2007, these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual. This follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS), International Financial Reporting Interpretation Committee (IFRIC) and Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Scottish Government are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts and financial statements have been prepared using the going concern basis.

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. The increased complexity of cases in relation to interpretation of the Legal Profession and Legal Aid (Scotland) Act 2007 has been reflected in the estimation of legal provision and in the treatment of potentially bad debts arising from determination decisions made by the SLCC.

Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

Going Concern

The concept of going concern is applied in a different way in the public sector. Public bodies exist to deliver essential public services. It is reasonable to presume that those services will continue to be delivered using the same assets unless there is evidence to the contrary. This presumption continues to hold even where responsibility for delivery is transferred by the government to another body or bodies.

In determining the appropriateness of the going concern basis of accounting, the continued use of the assets to deliver services is more important than the continued existence of a particular public body. The financial framework in the public sector recognises the presumption of the continuation of public services.

In preparing the accounts, the Scottish Legal Complaints Commission's Accountable Officer is required to comply with the Government Financial Reporting Manual (FReM) and in particular to prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the SLCC will continue in operation.

Management have assessed the appropriateness of the going concern basis of accounting required by IAS 1 and has concluded that the use of going concern basis is appropriate. This is informed by the following:

- There has been no substantive change to the Legal Profession and Legal Aid (Scotland) Act 2007 in the operational year;
- If the SLCC did not exist it is likely the Scottish Government would be required to appoint another organisation to carry out the legal complaints process;
- There is a strategic plan in place until 2024;
- Financial planning in place for 2021/22 and the budget has been laid before parliament;
- Funding levels are linked to the number of practitioners in the sector and data shows this is not declining; and
- Consultation on longer term reform is now underway but it is highly unlikely that any reform, which would question the future of the organisation, will be completed in the next three to four years. This

assessment is also made in the context of the 2010 legal services reform legislation, which a decade on, has still not been fully implemented.

In reviewing financial performance, operating performance, and the assessment of risk set out in this document, there is no reason not to adopt the going concern concept

Critical accounting estimates and judgements

The SLCC makes estimates and assumptions about financial transactions or those involving uncertainty about future events. There are no specific judgements in relation to accounting policies which have a material impact upon these financial statements.

Provisions are based on estimates. A provision has been included to take into account appeals that we had conceded by the end of the financial year and are expecting to pay expenses in the new Financial Year. Legal provisions are calculated on 80% of the cost involved to defend or bring the action.

Accounting convention

These accounts have been prepared under the historical cost convention. The going concern basis has also been adopted in the preparation of these financial statements.

Newly adopted IFRS

In the current operational year, a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2020 have been applied. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 9: Applying IFRS 9 with IFRS 4.
- Amendment to IFRS 3: Definition of a Business.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 1).
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

There are no new standards, amendments or interpretations early adopted this year.

IFRS issued not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted):

- IFRS 16: Leases. HM Treasury have agreed to defer implementation until 1 April 2022.
- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IAS 16: Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022.
- Amendments to IAS 37: Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022.
- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2). Applicable for periods beginning on or after 1 January 2021.

- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

The SLCC does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the SLCC have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. The SLCC expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future year's new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right of-use assets which represent the SLCC's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

The SLCC does not expect the implementation of this standard to have a material impact on the financial statements.

Property, plant and equipment

Capitalisation
Purchases of qualifying assets with a value exceeding £500 inclusive of irrecoverable VAT are treated as capital.

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

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, fixtures and fittings - 5 years; and
- IT and telecoms equipment - 3 years

Intangible assets comprise externally purchased software licenses, recognised at cost less amortisation.

- Amortisation is charged on cost in equal instalments over the estimated useful life of the software which is 3 years.

Finance Leases

Where substantially all of the risks and rewards of ownership of a leased asset are borne by the SLCC, the asset is recorded as an as an asset and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease and are derecognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Operating Leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Pension Costs

The SLCC operate a money purchase scheme administered by Standard Life. All existing and new staff are enrolled in this scheme, unless the individual chooses to opt out.

In 2019/20 the SLCC ceased as an employer of the Lothian Pension Fund (Fund) due to the last remaining member of staff leaving the organisation. An actuarial valuation of the SLCC was undertaken as at 9 November to determine liabilities that remained and a cessation payment was agreed. The final cessation payment agreed was £178,000 and a payment plan was agreed with Lothian Pension Fund, £22,250 was paid in 2019/20 and during the course of 2020/21 £89,000 was paid back. A balance of £66,750 remains to be paid back in 2021/22 (see note 11).

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.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement as, 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.

Recognition of Income

Levy income is recognised in the accounting year to which it relates. Interest income is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is receivable. Grant income is recognised in the year in the year to which it relates.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

2. Operating Income

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Levy from Law Society of Scotland	**3,779**	3,626
Levy from Faculty of Advocates	**82**	79
Approved Regulator Levy (Law Society of Scotland)	**0**	8
Complaints Levies	**179**	264
Total levies for the year	**4,040**	**3,976**
Bank interest	**5**	38
Recovery of legal expenses	**0**	3
Secondment Income	**57**	66
Scottish Government ABS contribution	**0**	0
Total other income	**62**	**106**
Total income from all sources	**4,102**	**4,082**

3. Staff Costs and Numbers

Staff employed

The average number of staff full time equivalent (FTE) employed by the SLCC during the year was 56 FTE, detailed as follows:

	Year ended 30 June 2021	Year ended 30 June 2020
CEO	**1**	1
SMT	**3**	3
Staff	**52**	55
Total average FTE	**56**	**59**
Permanent FTE	**55**	**59**
Temporary FTE	**1**	**0**
Total average FTE	**56**	**59**

Breakdown of Board members

	Year ended 30 June 2021	Year ended 30 June 2020
Chair	**1**	1
Members	**8**	8
Total average FTE	**9**	**9**

Breakdown of staff and member costs

	Year ended 30 June 2021 Staff £000	Members £000	Total £000	Year ended 30 June 2020 Staff £000	Members £000	Total £000
Salaries	**2,186**	**67**	**2,253**	2,167	69	2,236
Social security costs	**208**	**2**	**210**	198	4	202
Pension costs	**179**	**-**	**179**	262	-	262
Outsourced staff costs	**-**	**-**	**-**	13	-	13
Total Salary Costs	**2,573**	**69**	**2,642**	**2,640**	**73**	**2,713**

4. Pension Costs

For 2020/21, employer's contributions of £176,007 (2019/20: £169,488) were payable to Standard Life at 8% and 12% of pensionable pay.

5. Other Administration Costs

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Property	**354**	331
Office	**63**	67
Staff Training & Recruitment	**43**	46
Travel & hospitality	**0**	7
IT	**142**	150
Outreach	**16**	19
Research	**27**	24
Legal	**155**	291
Financial	**26**	26
Other Professional Fees	**0**	2
Bad Debt Provision	**23**	63
Other Administration Costs	**849**	**1,025**

The above total includes the external auditor's remuneration of £12,890 (2019/20: £12,580).

The external auditor's received no fees in relation to non-audit work.

6. Interest and Other Finance Costs

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Interest Payable from Leases	**5**	2
Total Operating Expenditure	**5**	**2**

7. Property, Plant and Equipment

	Year ended 30 June 2021 Furniture fixtures & fittings £000	IT and telecoms equipment £000	Total tangible assets £000	Year ended 30 June 2020 Furniture fixtures & fittings £000	IT and telecoms equipment £000	Total tangible assets £000
Cost						
As at 1 July 2020	**243**	**295**	**538**	159	203	362
Additions	**-**	**-**	**-**	84	92	176
Disposals	**(1)**	**(2)**	**(3)**	-	-	-
As at 30 June 2021	**242**	**293**	**535**	**243**	**295**	**538**
Depreciation						
As at 1 July 2020	**168**	**209**	**377**	157	188	345
Charge for year	**17**	**35**	**52**	11	21	32
Disposals	**-**	**(1)**	**(1)**	-	-	-
As at 30 June 2021	**185**	**243**	**428**	**168**	**209**	**377**
Net Book Value	**57**	**50**	**107**	**75**	**86**	**161**
Owned Assets	**57**	**5**	**62**	75	13	88
Leased Assets	**-**	**45**	**45**	-	73	73
Net Book Value	**57**	**50**	**107**	**75**	**86**	**161**

8. Intangible Assets

	Year ended 30 June 2021 Software £000	Year ended 30 June 2020 Software £000
Cost		
As at 1 July 2020	**362**	318
Additions	**0**	44
As at 30 June 2021	**362**	**362**
Depreciation		
As at 1 July 2020	**323**	297
Charge for year	**21**	26
As at 30 June 2021	**344**	**323**
Net Book Value	**18**	**39**
Owned Assets	**3**	12
Leased Assets	**15**	26
Net Book Value	**18**	**39**

9. Trade and Other Receivables

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Other Debtors	**125**	111
Expected credit losses	**(96)**	(79)
Prepayments	**156**	121
Total	**185**	**153**

All of the debtors are held at amortised cost. The expected credit losses are in relation to the trade receivables as a whole which are similar in nature. These receivables relate to complaints levy invoices. An expected credit loss provision has been made where the Solicitor Firm, or Sole Trader or Partnership has gone out of business or the invoice is more than 28 days overdue. This is based on historic default rates and this is not expected to change looking forward and is therefore appropriate. The expected credit loss provision has increased year on year due to the complaints levy increasing and therefore the debtors increasing.

10. Cash and Cash Equivalents

	Year ended 30 June 2021	Year ended 30 June 2020
	£000	£000
Opening Balance	**984**	668
Net change in cash and cash equivalent balances	**509**	316
Total	**1,493**	**984**
Analysed as:		
Cash	60	51
Term Deposits	1,433	933
	1,493	**984**

11. Trade and Other Payables

	Year ended 30 June 2021	Year ended 30 June 2020
	£000	£000
Trade Payables	**166**	96
Taxes and Social Security Costs	**85**	61
Accruals and Other Creditors	**100**	147
Lease Payments	**31**	31
Pension Cessation	**67**	89
Total	**449**	**424**

All of the creditors are held at amortised cost.

12. Creditors – amounts falling due after more than one year

	Year ended 30 June 2021	Year ended 30 June 2020
	£000	£000
Lease Payments	**43**	73
Pension Cessation	**0**	67
Total	**43**	**140**
Analysis		
Due within one year	31	120
Due within one and two years	26	98
Due within two and five years	16	42
Total	**73**	**260**

13. Provisions for liabilities and charges

	Year ended 30 June 2021 Dilapidation Provision	Legal Provision	Total Provisions	Year ended 30 June 2020 Dilapidation Provision	Legal Provision	Total Provisions
	£000	£000	£000	£000	£000	£000
As at 1 July 2020	**69**	**45**	**114**	69	76	145
Provided in year	**17**	**33**	**50**	-	45	45
Released from provisions	-	**(45)**	**(45)**	-	(76)	(76)
As at 30 June 2021	**86**	**33**	**119**	**69**	**45**	**114**

The provision for dilapidation costs relates to the SLCC's contractual duty to repair leasehold property on termination of the lease. The provision is made on the basis of a dilapidations report that the SLCC commissioned to assess the likely liability. The provision has been made on the assumption that there would be the requirement for a strip out, repairs and redecoration to the current floor space. It also assumes we would have to replace floor coverings and remove all alterations to return the space back to an open plan office.

The provision in respect of legal expenses reflects an estimate of costs payable by the SLCC in respect of recent appeal decisions.

14. Operating Lease Commitments

Operating Lease Payment Commitments expiring:	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Not later than One Year	**125**	125
Later than one but less than Five Years	**502**	502
Later than Five Years	**276**	401
Total	**903**	**1,028**

The previous five year property lease expired in September 2018. Under the re-negotiated ten year lease (with a five year break clause) annual lease costs are £125,000 (2019/20: £125,000). Future annual costs will average £125,000 over the duration of the lease which ends in September 2028. There are no restrictions on activities in respect of this lease.

15. Capital commitments

There were no contracted capital commitments as at 30 June 2021 (2019/20: Nil).

16. Related party transactions

The SLCC is an Executive Non-Departmental Public Body (NDPB) and not part of the Scottish Government or Scottish Administration. As a NDPB the SLCC carry out regulatory functions on behalf of Government.

During the year there were no related party transactions undertaken by the SLCC Management Team or Board.

17. 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. It's not practicable to quantify and there isn't an actual liability at the year end, given that the cases are ongoing.

Given the nature of our services provided, there are a number of appeals ongoing at any given time.

18. Post Balance Sheet Events

No event has occurred since the date of the balance sheet which materially affects the financial statements.

19. Defined Benefit Pension Scheme

In 2019/20 SLCC left Lothian Pension Fund and are no longer a member of the defined benefit pension scheme. Details on the 2019/20 note 19 disclosures can be found on pages 46 to 48 of our previous year financial statements, which can be viewed on our website.

https://www.scottishlegalcomplaints.org.uk/media/2217/slcc-signed-accounts-2019-2020.pdf

Appendix 1 – Direction by Scottish Ministers

The Scottish Government

SCOTTISH LEGAL COMPLAINTS COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 15(1) of The Legal Profession and Legal Aid (Scotland) Act 2007, hereby give the following direction.

2. The statement of accounts for the financial year ended 30 June 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. In accordance with section 15(1) (c) of the Act a copy of the statement of accounts should be sent to the Scottish Ministers. following the financial year ended 30 June. The accounts will be sent by Scottish Ministers to the Auditor General for Scotland and will be subject to audit by auditors appointed by the Auditor General for Scotland. The audited statement of accounts will be laid before the Scottish Parliament.

5. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 19 October 2009