scottish legal complaints commission slcc

Scottish Legal Complaints Commission

Annual Report and Financial Statements

Year ended 30 June 2020

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.
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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 "Value and Priorities for Justice in Scotland" (which was updated in 2017).

Purpose: strategy and process

In July 2016 we launched a four year strategy. As well as improving the efficiency and performance of our core process, our strategic priorities are to:

i. **Build trust** - so that consumers and lawyers know we are here and have confidence in how we will handle a complaint;
ii. **Promote strong relationships** - between consumers and their lawyers to fix issues quickly and reduce the causes of complaints;
iii. **Deliver early resolution & redress** - through an independent, impartial, fair, and accessible service which is efficient and effective;
iv. **Drive improvement** - through a culture of learning from complaints, quality improvement, and our influence in the sector; and
v. **Develop high performance** - as a complaints organisation and employer to: attract and retain talented people, provide quality systems, ensure faster and more efficient services, and increase transparency.

Our work is delivered in line with a set of core values set out in our strategy:

- **People focussed** - we understand and are mindful of the needs of our diverse service users;
- **Trust** - our processes and outcomes can be trusted by all as fair, independent and impartial;
- **Respect** - we respect the diverse groups we work with and are respected as an organisation;
- **Leadership** - as recognised leaders we take decisive, well-informed action and drive improvement; and
- **Efficiency and effectiveness** - we make a positive, measurable impact.

This year is the last business year covered by our current strategy, which covered the period 1 July 2016 to 30 June 2020.

During the course of the year we developed a new strategy for the period starting 1 July 2020. Full details of the process we used to develop the strategy (including our consideration of what had gone 'well' and 'less well' in terms of the delivery of the current strategy) were published as part of our consultation on it https://www.scottishlegalcomplaints.org.uk/consultation. This will be the framework used in the next set of financial statements for performance reporting.

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 2019/20 (the final year of work under the four year strategy), with the Board approving a mid-year update of one project based on changes of circumstances and priorities. This meant 90% 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, we met the targets set by the Board.

Our management of our finances shows prudent financial planning and careful monitoring during the year to deliver our anticipated outturn before pension adjustments. We delivered within the +/- 5% target set by the Board.

We were disappointed to lose a judicial review this year, in what could be seen as a further weakening of public protection around legal services. The judicial review came out of a case where serious allegations had been made by the police, but they were not willing to make a formal complaint in their own name. The SLCC then raised a complaint in its own name, based on substantial documentation submitted to us by the police. One of the lawyers named in the complaint raised a judicial review of the SLCC's ability to do this.

The court concluded that the SLCC was not 'any person' for the purposes of the Act, and so could not raise a complaint in its own name. This meant the serious allegations could not be investigated, and leaves the SLCC in a situation where other public bodies' can forward concerns about lawyers but we can take no action.

The only major unanticipated event this year was Covid-19 and its impact on the business. This is dealt with separately, although our business contingency arrangements meant the impact on our delivery of business as usual has been minimal. The main impact will be on the legal sector we operate within, and will materialise over time for the SLCC through changes in incoming complaints and in our funding base.

In the previous year 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 this business year. It is likely the Scottish Government will consult on options for reform within the coming operational year.

As primary legislation would then be needed, and taking into account May 2021 elections, 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.

Key issues and risks – looking forward

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

We also carried out an exercise to rethink risks from first principles (sometimes called a 'de novo' review). This thinking was used to fully refresh the risk register at the end of the 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.

We immediately issued a statement to the profession on how our approach to issues during lockdown could be adjusted to take account of the challenges the sector were facing: https://www.scottishlegalcomplaints.org.uk/for-lawyers/coronavirus-advice-for-lawyers/.

Initial risks were well managed, and prove the value of business continuity planning. We moved quickly to fully remote working, and have sustained high levels of 'business as usual' across our functions. We had work in hand, and new incoming work continued to arrive (although in lower numbers). Assessing our positon we noted:

(i) We have a statutory duty to deliver the work;
(ii) We could deliver almost all work remotely;
(iii) We continued to have sufficient work to fully utilise staff resource;
(iv) Delaying work would lead to greater cost in the long run (additional communication with parties, backlogs, etc.) ;
(v) Individual parties (both lawyers and the public) were generally still seeking a resolution and closure of their complaint;
(vi) We did not know in the initial stages if lockdown might lead to greater public need for advice on complaints and issues (one of our statutory functions) as transactions stalled;
(vii) Scottish Government and UK Government statements on continuing to provide public services where possible.

Together, these factors led to the decision that furlough or ceasing work for a period of time was not appropriate.

This meant our decisions had reputational and relationship risks with the sector, exacerbated by a statutory duty to collect the levy that funds the body during the height of lockdown.

We understood the representations made that there was a severe impact from lockdown on the sector. However, as a statutory body with statutory functions to dispense, the ability to keep providing those, and the risk of greater cost in the long-term in stopping work, were other relevant factors that had to be considered.

We also noted the sector were actively lobbying for a resumption of civil justice work more generally, flagging the importance of access to justice even in challenging times. As part of the civil justice family, and a body able to dispense its functions, it would have been counter to these requests from the sector to shut down our service when it could continue to run. It was felt shutting down our service could undermine those access to justice arguments if it were felt the sector were seeking that for others, while suspending access in relation to their own sector.

We are grateful to the Law Society of Scotland for suggesting and then collaborating on a constructive way to mitigate the impact of the levy. This involved the SLCC deferring enforcement of the collection of 50% of the levy for six months, allowing the Law Society, which collects the majority of the levy, to allow law firms to delay their payments. A joint statement was issued on this agreement: https://www.scottishlegalcomplaints.org.uk/about-us/news/joint-statement-from-the-scottish-legal-complaints-commission-and-the-law-society-of-scotland/.

Medium-term impacts are harder to assess. As the lockdown started to impact, our incoming complaints fell. Quarter 4 (April, May, June) of our financial year saw complaints down 44% on the same quarter in the previous year (186, instead of 335). However, following year-end, in July we started to see incoming numbers rebound. Data is currently only available from two months of the first quarter, July and August, but for those two months complaints are only down 16% compared to the same months in the previous year (165, compared to 197). Two scenarios are possible as lockdown continues to ease and transactions increase. One sees complaints continue at a lower level, as a whole period of transactions simply did not happen, and the return to 'normal' will be slow for the economy generally. However, another possible scenario is a quick resumption to normal levels, or even an increase or 'spike' as service issues from during lockdown come into the system. We know complainers often do not complain until the end of a transaction, so there may be a backlog of issues within 'stalled' transactions. As firms face the pressure of reduced staffing, financial pressures, and remote or blended working, the risk of issues leading to complaints may also increase. The management of medium-term risk on workload therefore needs carefully monitored.

As noted above, there is a risk, in one possible scenario, in which complaints increase. The general trend, until lockdown, over the last five years was of increasing incoming numbers (around 30%). This would mean more work for the organisation and ongoing and increasing pressure on resources. It links to risks around setting the levy, the sustainability of this statutory model for the sector, and the reputational issues associated with that. Significant mitigations have been put in place through a programme of work to re-engineer the complaints process to maximise efficiency. This is delivering significant results, discussed in the performance section, but the risk remains that increasing complaints outstrip performance improvements.

There is also a risk complaints drop, and we have periods of being 'over-resourced'. A recruitment freeze is currently in place for case investigators, and temporary contracts and other measures will be considered in the future. The Scottish Government policy around no compulsory redundancies means phased reduction in staffing through departures will be the likely response if no other option is viable. It will also depend on longer-term estimates of incoming complaints. It takes six months to train case investigators, and a year before they are fully productive; meaning losing too many trained staff creates future cost if complaints numbers return to a pre lockdown positon.

There has also been a drop in productivity. This has been due to some staff working reduced hours during 'lockdown' because of caring responsibilities, and staff adjusting to remote working. All staff are now back working their full contracted hours, and we are actively working with staff to make sure they have the hardware and set up they require to allow them to work from home. Also a number of our digital projects for the upcoming operational year will focus on issues raised by staff while working remotely.

Longer-term, a key risk for the organisation is now the long-term impact of Covid-19 on the sector. This may lead to a reduction of lawyers, business units, income, and work. If accompanied by a strong decrease in complaints, this may be more manageable, but if accompanied by the ongoing increases we have seen over the last four years then two key factors (workload vs funding base) are pulling in opposite directions.

Our exposure to Brexit scenarios was re-assessed during the year and presented to Audit Committee (just after year end, in July). Pre-Covid-19 we had considered risks minimal out-with general economic and societal threats and opportunities. We came to this conclusion given our staff, remit, finance, key stakeholders and suppliers are all Scottish (or occasionally other UK) based. However, Covid-19 complicates matters, reducing the resilience and reserves of businesses to then deal with the changes from Brexit.

The two risks (Covid-19 and Brexit) will need considered together, in terms of the turbulence and challenge they may bring to the sector, and possible impact on our workload and funding base.

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

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 continue to focus on mitigations around security and staff training to minimise risk.

There is a risk in relation to the outcome of the independent review into the regulation of legal services, this is addressed in the CEO statement above.

There are a number of potential risks if a new regulator is finally authorised by the Scottish Government under the Legal Services (Scotland) Act 2010. These relate to four new types of complaint that the SLCC will be required under statute to consider, within a new legislative and regulatory framework (as yet untested), and with new providers of legal services (who may not have experience of prior legal regulation). Delivering a large volume of new policy and process, within a complex legal structure, always carries a number of risks. Careful planning, legal advice, and the monitoring of core risks within this area will be used to mitigate this risk.

We are also concerned that the financial model for regulation under this new legislation may not be viable or sustainable, if only a small number of firms apply. This could lead to more work for the SLCC which is not adequately funded. This is exacerbated by the independent review recommending an approach which would do away with the need for specific arrangements for Alternative Business Structures (ABS), creating uncertainty in the market. These are factors out-with the control of the SLCC. In last year's Annual Report and Financial Statements we noted that Scottish Government had intimated an implementation date of December 2018. Implementation did not take place on that date, and we currently have no firm date for implementation. In mitigation we continue to plan, update information and systems to ensure readiness, update staff to ensure ongoing awareness, and request regular updates from the relevant other organisations involved.

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 2018/19.

No other major financial risks, issues or process failures were reported or identified.

Summary: Covid-19, and the impact on the economy and therefore legal services market (alongside any Brexit impact), is the biggest uncertainty 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. 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 an increase in complaints for the June 2020 to July 2021 year. It is now uncertain whether there may be a sustained decrease, a return to normal, or even a spike if issues of service arise from lockdown, each is perfectly possible. Currently, the best projected incoming load for the coming year (2020/21) is a return by the end of Quarter 1 to pre-lockdown levels, and a similar end of year number of complaints as to last 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 below).

Performance analysis

Performance against operating plan - key activities and achievements

In our 2019/20 Operating Plans and budget we indicated five priority areas for work, above our normal ' business as usual' delivery. The first three directly relate to improving the delivery of our largest area of work, individual complaints from the public about lawyers, which account for over 80% of our budget spend. The remaining areas relate to the need for reform and to the improvement of other aspects of the organisation which impact on performance.

These in-year priorities clearly link to our overall strategy, as set out in page 6 above. The numbers in square brackets below cross reference the key activities to strategic aims.

Area 1* - Improving the customer complaints journey – faster outcomes, proportionate processes, fair decisions *[iii & v]. We continued to deliver a major programme of internal improvement work, including 21 'sprints' (rapid tests of new ways of working, on small cases numbers). This has supported further improvements in core performance this year – including reduced 'work in progress' (WIP) within the business and improved customer journey times.

A major success has been the move to 'remote' Determination Committees, using technology to deliver a decision faster and at lower cost. This also prepared us well for the impact of Covid-19.

We worked with the Law Society of Scotland and the Scottish Government on improvements which may be deliverable through statutory instrument, and have now agreed a final package of changes which the Scottish Government will consult on. These will address issues that all main stakeholders agree on, so do not represent the wider reform most believe necessary, but allow interim changes to be made which will have a marginal impact on efficiency.

We held a round table event with organisations recognised for innovative or outstanding performance management, to bring external scrutiny to our internal systems. Their challenge and constructive input informed our operational approach and our new strategy.

We reviewed our arrangements for our widely praised mediation system, working with our mediation panel, and also have started the move to online mediation both looking at efficiencies and customer service, and then further prioritised due to Covid-19.

We have introduced a new internal quality assurance framework, and started reporting quality indicators quarterly to our Board.

We have continued to prepare for new complaints types under the Legal Service (Scotland) Act 2010.

The quantitative results of this work can be seen in the Performance Analysis below.

Area 2 - Reducing common causes of complaints – tackling unnecessary costs, focussing resources on the right issues *[i, ii, & iv]*

We have reviewed the use of statutory oversight functions, to consider how we can best use these to support quality improvement in the sector and within the Relevant Professional Organisations. Having carried out the internal stages of this review, we will move to external consultation in the coming year.

We have continued to refine and adapt our outreach and learning offering, based on feedback from the profession and learning from best practice, including developing more interactive sessions and informal 1:1 outreach for firms. During lockdown we were able to continue to deliver a significant proportion of our planned outreach remotely, which prepares us well for delivering further digital content in the coming year.

We completed a significant trend analysis into conveyancing complaints, which forms a substantial proportion of our caseload. We are using this to update our existing guidance and consider what other learning might be drawn to help to avoid the common causes of complaints in this area.

Based on the last quarter of the year we are moving to publishing quarterly information in a new way, providing statistics and case studies to inform the profession and public about our work and the outcomes it leads to. This will be trialled and refined throughout the coming business year.

We also looked at ways to reduce common causes of complaints we see in firms. The output from this project will be piloted in the coming business year. Firms will be sent a formative 'critical incident review' template and guide, and encouraged to plan how to prevent the issues which have led to an upheld complaint from occurring again.

Area 3 – Understanding and delivering high-quality customer service to a diverse customer base [i, iii, iv & v]

During the year we brought in independent external expertise to review the accessibility of our services and review our approach to equality and inclusion. Recommendations will start to be implemented in the coming operational year.

We piloted new software to improve the accessibility and 'plain English' of our communications. We are now investing in this further, and will be rolling out to all front-line staff in the coming business year.

Our Consumer Panel has met with Scottish Government, and been strongly recommending that any consultation on the reform of legal services and legal regulation must be accessible to the general public, and seek to truly and meaningfully engage those who use legal services (following various reviews over the last 20 years which have flagged the lack of research with Scottish consumers of legal services).

We have developed a tool to support those making a complaint, and this will go live on our website at the start of the coming operational year.

We completed research into service standards which will inform a project in 2020/21 for the Consumer Panel to gather consumer insight on the needs of users of legal services.

Area 4 - Continuing to make the case for reforming a regulatory and complaints system now widely recognised as statutorily inefficient and overly complex [iii & v]

We published the results of research with the public, undertaken for us by YouGov, and public expectations around complaints systems and the perceived barriers to raising a complaint.

We responded to the Competition and Markets Authority review of the legal services market and regulation in Scotland, and supported the findings.

We continued to use a variety of tools and techniques to engage direct with the profession on issues including preventing the common causes of complaint, how we can improve our guidance and learning offering, and on our levy and budget.

We actively contributed to the Scottish Government working party on reform, submitting papers on priorities and improvements to the complaints model.

Area 5* - Business improvement enablers, statutory obligations, and delivering change *[iii & v]

We have created and advertised internally a new 'digital specialist' role, as we increase our focus on how technology can aid efficiency and service user satisfaction.

We consolidated our records management policies (Freedom of Information, Data Protection, Records Management, etc.) to create an integrated information governance framework.

We completed a refresh of facilities within the office, to ensure a flexible environment which promotes team-working and wellbeing.

We partially delivered our IT refresh, before lockdown slowed progress. This included replacement of hardware and software which was due to go out of support, and therefore did not meet required standards around cyber security. This will be completed in the coming operational year.

We reviewed our salaries in line with the Scottish Government pay deal, and refreshed other aspects of our reward package.

We introduced new reporting on quality indicators to our Board, as the balance between work on efficiency and quality / customer service starts to shift.

We delivered a year-long programme of learning and development for staff and Board Members.

Summary: We delivered over 90% 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 out-with 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 (the period covered by our current strategy). These figures are similar to the statistical information we share with the relevant professional organisations on a quarterly basis.

As noted in last year's report, data for 2016/17 was impacted by a significant court case which affected categorisation.

COMPLAINTS & ELIGIBILITY	2019/20	2018/19	2017/18	2016/17
Complaints in hand at start of year	**685**	849	807	664
Complaints received in year	**1,036**	1,326	1,227	1,155
Premature complaints reopened (closed in previous years)	**11**	13	22	20
Premature complaints reopened (closed in year)	**81**	67	67	72
Net change – reassessed as eligible/ineligible on appeal	**-1**	0	0	0
Complaints under consideration	**1,812**	2,255	2,123	1,911
Ineligible	**-224**	-253	-164	-183
Withdrawn	**-48**	-69	-48	-83
Discontinued	**-31**	-38	-37	-45
Resolved at eligibility	**-239**	-336	-195	-123
Premature	**-215**	-192	-274	-256
Conduct	**-155**	-216	-213	-138
Adjustments for administrative reasons*	**+26**	-21	-6	-23
Potential service complaints	**926**	1,130	1,192	1,083
Complaints closed	**-490**	-445	-337	-253
Complaints awaiting eligibility assessment at year end	**157**	344	575	510
Eligible service or hybrid complaints in progress	**279**	341	263	297
Complaints in hand at end of year	**436**	685	849	807

METHOD OF RESOLUTION (Complaints closed)	2019/20	2018/19	2017/18	2016/17
Mediation	**45**	80	52	27
Investigation (resolved without report)	**138**	111	57	19
Investigation (settlement with report)	**63**	71	63	44
Withdrawn at investigation	**46**	45	29	68
Determination	**198**	138	136	95
Total	**490**	445	337	253
% Upheld at Determination	**43%**	51%	50%	45%

** "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).*

Ineligible complaints reduced slightly from last year.

Resolution at eligibility remained high, at 239 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). Last year's figure was particularly high due to a group of 42 linked cases.

Service complaints decreased this year to 926 (2018/19: 1,130). This is due to slightly slower incoming complaints in the first six months of the operational year, but the main impact being low incoming complaints during 'lockdown'

The number of cases closed through mediation, investigation or determination increased again at 490, up 94% on the first year of the strategy (2016/17: 253).

This high closure rate means complaints in hand at the end of the year have reduced again, to 436, down 46% on the first year of strategy (2016/17:807).

Many other changes in volumes represent fairly typical fluctuations in caseloads and outcomes each year.

We also monitor the average 'Journey Time' of cases - the aggregate of the average age of cases at each stage of our process. For 2019/20 we saw further improvement with an average journey time at year end of 7.3 months. This is significantly down from 8.2 months in 2018/19, 10.5 months reported in the 2017/18 financial statements, and 14.7 months in 2016/17. 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 2019/20 we received a 13.1% response rate (compared to 13.8% in 2018/19, and 12.5% in 2017/18).

Our Operating Plan for 2020/21 has 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 will also be considering how to separate out views on the eventual outcome of the case (where one party tends to be disappointed) from the customer service we offer in dealing with the complaint.

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 impartiality all scored above 80% in terms of practitioners recording they were satisfied. Across the whole year satisfaction rates for all criteria were between 25% (satisfaction with the recommendation) and 84% (information provided).

On average, consumer satisfaction levels are lower than practitioner levels, between 37% (satisfaction with the recommendation) to 55% (satisfaction with process explanation). The consumer scores are lower than previous years, and have been a particular source of the discussion by the executive and Board. A major focus of the coming year is 'plain English' to help improve communication and customer service, and to try to tackle these issues. There has also been a decision to change our approach to collecting feedback to gain greater insight which might enable us to improve our performance further.

In relation to all the data in this section, we start a new strategy in the coming operational year, with a different focus and priorities, and we may amend the data we report in the financial statements for 2020/21.

Budget performance

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

	Year ended 30th June 2020 Budget	Actual	Year ended 30th June 2019 Actual
Income	**(3,719,544)**	**(4,082,112)**	(3,580,246)
Expenditure	**3,719,950**	**3,798,251**	3,579,049
(Surplus)/Deficit	**406**	**(283,861)**	(5,197)
Pension Valuation	**0**	**18,000**	69,000
(Surplus)/Deficit	**406**	**(265,861)**	63,803

Income was £362,568 higher than expected, based on higher than anticipated numbers of lawyers, far higher complaint levy income than anticipated (paid when a complaint is upheld) and recovered secondment income.

Expenditure was within 2% of anticipated budget, and was tightly controlled despite the higher than anticipated income.

The main areas of overspend against budget were case specific legal expenses, IT costs and project costs. Increased legal spend reflects the rise in appeal cases brought against the SLCC, although this has remained in proportion to the number of cases we have received in percentage terms. There has also been a particular issue with cases brought by party litigants, when expenses incurred by the SLCC in these appeals are more difficult to recover.

The SLCC ceased as employer in the Lothian Pension Fund as of 9 November 2019. As a result of this under Regulation 61 of the Local Government Pension Scheme a cessation valuation was prepared. This meant that an additional cessation charge of £178,000 was included within this year's financial statements. Further information on the pension liability can be found in note 19.

Underspends against budget were experienced in relation to staffing costs, corporate legal costs and depreciation costs. Staffing cost were deliberately contained in the latter half of the year due to Covid-19, and the related drop in incoming complaints in the early days of lockdown, with posts left vacant following departures, and external secondments (where salary costs were covered) extended.

This has meant the SLCC are reporting a yearend surplus of £265,861 for 2019/20. It was felt in the context of the high uncertainty faced by the impact of Covid-19 on the organisation and the sector that the prudent decision was to report a surplus and return this to reserves.

In the SLCC's 2018/19 financial statements the organisation held £393,000 in reserves, this amount fell short of our reserves policy position of between two and three months average expenditure. Total reserves held at the end of this financial year will be £659,316, this figure means we now hold two months of average expenditure within reserves, however this is still below our reserves policy position. By strengthening our reserves position, we are better prepared for any impact on our cash flow moving forward into 2020/21 and this has been welcomed by our External Auditors, particularly given the current uncertainties in the public sector.

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 17 days to pay for goods and services (2018/19: 18 days) and the SLCC's payment performance was 90% (2018/19: 92%).

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 and in the course of 2019/20 a new whistleblowing officer was nominated. The staff conflict of interest policy covers fraud and anti-bribery legislation and is reviewed regularly.

Environmental and sustainable development matters

The SLCC is committed to supporting national aims and policies on Environmental and Sustainable Development. We endeavour to run our organisation responsibly and ethically. Our last three-year review (2015-2017), 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 an external auditor appointed by the Auditor General for Scotland and she has appointed Deloitte LLP as the SLCC Auditor for 2019/20. As Accountable Officer, I am not aware of any relevant audit information of which our auditor 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 is also aware of this information.

DocuSigned by:

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Neil Stevenson
Chief Executive Officer

6 October 2020

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.
h ttps://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 6 October 2020.

The Senior Management Team

The SLCC has senior managers with the role title "Director", however these managers are not part of the Board. 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 2020-2021 two lay members, and one legal member will step down from the Board at the end of the statutory five year terms. The recruitment exercise will be run by Scottish Government, and the appointments are made by Scottish Ministers. The SLCC started planning in May 2020, with an initial discussion with Scottish Government in June 2020.

Board Appointments	Appointment From	To	Years
Chairing Member (Lay)			
Jim Martin	01/01/2018	31/12/2022	5
Lay Members			
Emma Hutton	01/04/2016	31/03/2021	5
Dr Michelle Hynd	01/04/2016	31/03/2021	5
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
Legal Members			
Amanda Pringle	01/04/2016	31/03/2021	5
Denise Loney	01/01/2017	31/12/2021	5
Kay Springham QC	01/01/2017	31/12/2021	5

The Board met formally for five meetings during the course of the year, as well as taking part in a planning and strategy workshop and several development sessions. One Board meeting was cancelled, right at the start of the 'lockdown' period, with urgent decisions being taken by email. Meetings in the latter half of the year were conducted remotely by video conference. Minutes are published on our website.

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 terms of office for three members come to an end during the coming business year. Planning has already started, including informal liaison with the Scottish Government, about the public appointments process to replace these members.

The Board review their effectiveness through a confidential discussion at the 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 accounts are prepared on an accruals basis and must give a true and fair view of the SLCC's affairs and financial activities at the year end.

In preparing the accounts, the Accountable Officer is required to 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 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 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 2020 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. This was a new management structure introduced during the previous business year. The current Director of Public Policy joined part-way through this business year (September 2019). To minimise transition risks, an intensive week-long structured induction was delivered and a longer-term development plan put in place.

Our Audit Committee meets four times per year. The Audit Committee consists of three members of the Board. The Chair is Dr Michelle Hynd, with Sara Hesp and Morag Sheppard as members. The meeting is attended by our internal and external auditors. The Committee provides support to the Board in respect of their responsibilities for issues of risk, control and governance. In the latter half of 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, in the latter half of the year this was by video conference.

In the previous year a Remuneration Committee was established, and met five times during the course of this business year, establishing a programme of work and reviewing existing approaches. This year they have discussed 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.

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 on the adequacy and effectiveness of the system of internal control; and

(iv) The work of the management team.

During the year 2019/20 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:

- Reviewed the updated Scottish Government Audit Handbook, and carried out a self-assessment against it, with the Audit Committee contributing to that assessment, and noting learning outcomes and areas to address.
- Discussed cyber security issues throughout the year (including in the context of *'Safe, Secure and Prosperous, A Cyber Resilience Strategy for Scotland*). In the previous year we had met the Cyber Essentials standard and appointed a lead Board and Audit Committee member on cyber security The Committee considered whether to move to the Cyber Essential Plus standard, but decided we first needed to deliver the IT infrastructure upgrades planned, to then test the new system (rather than one we were replacing).
- Designed the specification for, and then received, a 'Good Governance' workshop, delivered by our internal auditors Scott Moncrieff, to support the Board in their role.
- 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.
- Reviewed our assurance mapping policy, and updated our assurance map.
- Worked on an internal audit of incoming complaints numbers, and compliance with the legislation in terms of what should be deemed a complaint, which was supervised by a Board member.

- Dealt with one set of concerns raised by a former member of staff, and reported publicly (on our website) on the outcome.
- Reviewed the arrangements and metrics used to ensure the quality of complaints outcomes and decisions.
- Started reviews of the arrangements and governance for payment of member's expenses, and of succession planning within the business, both of which were complete just after year end in July 2020.
- Worked with Scott Moncrieff on outsourced internal audits of our payroll (our largest area of expenditure), our strategy development and planning process, and the first phase of our IT hardware and software refresh (with this project being delayed due to lockdown).
- Discussed every risk on the strategic risk register on a quarterly basis, with a detailed discussion at the Audit Committee and approval at Board.
- Refreshed all Health and Safety risk assessments during this year – working with our Board level Health and Safety Committee.
- 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.
- Received management updates on our office refurbishment programme, and 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).
- Worked on a data analytics project, with Scott Moncrieff, to examine five years of case data and use different tools to spot trends in performance and complaints.
- 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.
- Attended external events to grow knowledge and help identify best practice. For the Accountable Officer this included NDPB Chief Executive Forums, for members this included some attending the Scott Moncrieff Non-Executive Director CPD sessions.
- 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.
- An internal audit plan has been approved for the coming financial year.
- A review discussion was held on the outcome and effectiveness of the external audit.

This year we ran two surprise 'business continuity exercises' for senior management and our operational management teams, simulating a threat to property (relevant due to our location next to major government and transport sites, and potential demonstration sites). Actions have included updating information and resources for how we would secure the property.

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 and Board Members falls to 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 2020, £9,806 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 auditors.

	Year Ended 30 June 2020				Year Ended 30 June 2019			
	Salary £000	Pension Benefit £000	Benefit in Kind £000	Total £000	Salary £000	Pension Benefit £000	Benefit in Kind £000	Total £000
Neil Stevenson	80-85	5-10	Nil	85-90	75-80	5-10	Nil	85-90

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 auditors. Further information can be found at www.scotland.gov.uk/publications.

	Year Ended 30 June 2020		Year Ended 30 June 2019	
	Daily Fee £	Total £000	Daily Fee £	Total £000
Jim Martin, Chair	319	15-20	319	10-15
Emma Hutton	216	0-5	216	0-5
Dr Michelle Hynd	216	5-10	216	5-10
Sara Hesp	216	5-10	216	10-15
Sarah McLuckie	216	0-5	216	0-5
Morag Sheppard	216	5-10	216	5-10
Amanda Pringle	216	10-15	216	15-20
Denise Loney	216	5-10	216	5-10
Kay Springham QC	216	5-10	216	5-10

Note: Overall payments vary between members due to a number of 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 and Risk Committee). There was no change in Board appointments for the year. 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 2020	Year ended 30 June 2019
Annualised remuneration of the highest paid member of staff	**83,366**	78,592
Median Remuneration of staff	**37,405**	33,844
Remuneration Ratio	**1 : 2.2**	1 : 2.3
Lowest Remuneration Paid	**22,332**	18,388

The median remuneration for the SLCC's staff is based upon annualised full-time equivalent salary of the employees at 30 June 2020.

In 2019/20, 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 October 2019 the SLCC applied an increase of £750 of those earning under £25,000, 3% for those earning between £25,000 and £36,500 and 2% to those earning between £36,500 and £80,000. In April 2020 the SLCC brought the cost of living increase fully in line with public sector pay policy for 2020-2021 and applied an increase of £750 of those earning under £25,000 and three percent for those earning between £25,000 and £80,000.

Also as part of the 2019/20 pay deal, which was agreed with Public and Commercial Services Union (PCS), the SLCC reduced journey time within our scale points from 6 pay progression points to 5 points. Again, this brings us in line with recommendations in public sector pay policy.

The following table shows the salary and related costs for all staff for the year ended 30 June 2020, identifying staff and members separately.

	Year ended 30 June 2020			Year ended 30 June 2019
	Staff £000	Members £000	Total £000	Total £000
Salaries	**2,167**	**69**	**2,236**	2,227
Social security costs	**198**	**4**	**202**	211
Pension costs	**262**	**-**	**262**	175
Outsourced staff costs	**13**	**-**	**13**	22
Total Salary Costs	**2,640**	**73**	**2,713**	**2,635**

During the year to 30 June 2020 two employees received an exit package and the table below summarises the exit packages by cost band:

Exit Packages	Year ended 30 June 2020 Number of voluntary departures	Year ended 30 June 2019 Number of voluntary departures
< £5k	-	-
£10k - £15k	-	-
£15k - £20k	**2**	-
Total number of exit packages	**2**	**-**
Total cost	**£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. A single total figure of remuneration, fair pay, exit packages, staff costs and numbers was audited by Deloitte.

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 2020	Year ended 30 June 2019
Average FTE	**59**	61

Staffing was slightly lower than last year, with SLCC reviewing resource requirements and the impact of 2018/19 management restructure and a recruitment freeze in light of Covid-19.

In 2019/20 an average of 13.6 days (including leavers) were lost per staff member compared to 10.9 days from 2018/19. This includes long-term sickness absence. There has been in an increase in long-term sickness absence in 2019/20, with 76% of all absence related to long-term sick and this has impacted the 2019/20 average. The 2019/20 average equates to 5.2% overall absence rate for the year.

Turnover of staff was 19.83% in the year (2018/19: 7.39%). This was a significant increase in the turnover rate due to a high number of leavers in Quarter 1 of the year, as a result of the management restructure in 2018/19.

Staff composition and equal pay

As at 30 June 2020 there were 59 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	30	16	0	46
Corporate Services	6	1	0	7
Oversight	1	1	0	2
Total	**40**	**19**	**0**	**59**

Our current staff composite is 68% female and 32% male, there is no change in our gender balance, 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 in a Grade D role (the only post holder at that grade). At Grade E roles there are more males than females (five males to two females). At Grade F there is two females, while at Grade 8 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 37 staff, 25 females (68%) and 12 males (32%). Within the lower three spine points there are 11 females and 6 males, and within the top two spine points there are 14 females and 6 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, including those with disabilities. In our 2020 survey 31% 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 2018 survey (which see rates around 6% to 10% depending on grade). We monitor issues around continuing employment and access to training and development.

In the most recent equality survey 98% of our staff reported the SLCC was a fair place to work. Reasonable adjustment, unconscious bias, and equality training are provided annually.

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 work place 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	£3,447
Total Pay Bill	£2,712,969
Percentage of Total Pay Bill Spent on Facility Time	0.13%

Paid TU Activities

Time spent on paid TU Activities as a % of total paid Facility Time	30%

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:
N. Stevenson
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Neil Stevenson
Chief Executive Officer

6 October 2020

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 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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 four 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report 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. 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

Opinions on matters prescribed by the Auditor General for Scotland

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.

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.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
6 October 2020

4. Statement of comprehensive net expenditure for year ended 30 June 2020

	Notes	Year ended 30 June 2020	Year ended 30 June 2019
		£000	£000
Operating Income	2	**(4,082)**	(3,580)
Expenditure			
Staff Costs	3,4	**2,713**	2,635
Other Administration Costs	5	**1,025**	910
Interest and Other Finance Costs	6	**2**	-
Depreciation and Amortisation	7,8	**58**	30
Net Operating (Income)/Expenditure		**(284)**	**(5)**
Other Comprehensive (Income)/Expenditure			
Actuarial Loss/(Gain) in respect of Pension Scheme		**18**	107
Pension Surplus not Recognised		**-**	(38)
Total Comprehensive (Income)/Expenditure for the year		**(266)**	**64**

All amounts relate to continuing activities.
The accompanying notes on pages 37 to 51 form an integral part of these accounts.

5. Statement of financial position as at 30 June 2020

	Notes	Year ended 30 June 2020	Year ended 30 June 2019
		£000	£000
Non-Current Assets			
Property, Plant and Equipment	7	**161**	17
Intangible Assets	8	**39**	21
Total Non-Current Assets		**200**	**38**
Current Assets			
Trade and Other Receivables	9	**153**	126
Cash and Cash Equivalents	10	**984**	668
Total Current Assets		**1,137**	**794**
Current Liabilities			
Trade and Other Payables	11	**(424)**	(215)
Total Current Liabilities		**423**	**215**
Net Current Assets		**713**	**579**
Total Assets less Current Liabilities		**913**	**617**
Pension Scheme Liability	20	**-**	79
Non-Current Assets plus Net Current Assets including Pension Liabilities		**913**	**538**
Non-Current Liabilities			
Creditors - amounts falling due after more than one year	12	**(140)**	-
Provisions for liabilities and charges	13	**(114)**	(145)
Assets less liabilities		**659**	**393**
Equity			
General Fund		**659**	472
Pension Reserve Provision		**-**	(79)
Total Equity		**659**	**393**

The General Fund represents net assets available to the SLCC at the balance sheet date. The accompanying notes on pages 37 to 51 form an integral part of these accounts.

DocuSigned by:
N. Stevenson
67BAFE99DFEE42D...

Neil Stevenson
Chief Executive Officer

6 October 2020

6. Statement of cash flow for year ended 30 June 2020

	Notes	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Cash Flow from Operating Activities			
Net Operating Income/(Expenditure)		**286**	5
Interest Payable and Other Finance Costs	6	**(2)**	
Adjustment for Non-Cash Transactions			
Depreciation	7	**32**	10
Amortisation	8	**26**	20
Net Charges for Retirement Benefits	20	**5**	17
Employer's Contribution payable to LPF	20	**(2)**	(6)
Net Charges for Settlement	20	**(100)**	-
Net Interest on Pension Scheme	20	**-**	(1)
Increase in Trade and Other Receivables	9	**(27)**	(35)
Increase in Trade and Other Payables	11	**209**	22
Increase in Creditors – amounts falling due after more than 1 year	12	**140**	-
Decrease in Provisions for liabilities and charges	13	**(31)**	31
Increase/(Decrease) from Operating Activities		**536**	**63**
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	7	**(176)**	(2)
Purchase of Intangible Assets	8	**(44)**	-
Net Cash Outflow from Investing Activities		**(220)**	**(2)**
Increase/(Decrease) in Cash		**316**	**61**
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of year		**668**	607
Cash and Cash Equivalents at the end of year		**984**	668
Increase/(Decrease) in Cash		**316**	**61**

7. Statement of changes in reserves for year ended 30 June 2020

	Notes	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Balance as at 1 July 2019		**393**	**457**
Net Operating (Income)/Expenditure		284	5
Other Comprehensive (Income)/Expenditure	20	(18)	(107)
Pension Surplus Not Recognised	20	-	38
Balance as at 30 June 2020		**659**	**393**

The accompanying notes on pages 37 to 51 form an integral part of these accounts.

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) as adopted by the European Union, 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.

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 2019 have been applied. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IFRIC 23: Uncertainty over Income Tax Treatment
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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 2021
- IFRS 17: Insurance Contracts, applicable for periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.
- Amendments to References to the Conceptual Framework in IFRS Standards, applicable for period beginning on or after 1 January 2020
- Amendments to IAS 1 and IAS 8 (Definition of Material), applicable for periods beginning on or after 1 January 2020
- Amendments to IFRS 9, IAS 29 and IFRS 7 (Interest Rate Benchmark Reform), applicable for periods beginning on or after 1 January 2020
- Amendment to IAS 1 (Classification of Liabilities as Current or Non-Current), applicable for periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However the SLCC does expect the implementation of this standard to have a material impact on the financial statements in future years.

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
- 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 staff of SLCC are members of the SLCC Pension Scheme administered by Standard Life (a money purchase scheme).

The SLCC had one member of staff who participated in the Lothian Pension Fund and left the SLCC on 9 November 2019. The SLCC ceased as an employer of the Lothian Pension Fund (Fund) on 9 November 2019. An actuarial valuation of the SLCC was undertaken as at 9 November to determine liabilities that will remain with the Fund on cessation and the final contribution due from the SLCC (i.e. an adjustment to the Rates and Adjustment Certificate) as required under Regulation 61 of the Local Government Pension Scheme Regulations (Scotland) 2018.

The SLCC has applied the IAS 19 Retirement Benefits which primarily affects disclosures in relation to defined benefit pension schemes.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the year until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are charged or credited to equity in the Statement of Comprehensive Income in the year in which they arise.

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 2020 £000	Year ended 30 June 2019 £000
Levy from Law Society of Scotland	**3,626**	3,244
Levy from Faculty of Advocates	**78**	79
Approved Regulator Levy (Law Society of Scotland)	**8**	20
Complaints Levies	**264**	116
Total levies for the year	**3,976**	**3,459**
Bank interest	**38**	37
Recovery of legal expenses	**2**	9
Secondment Income	**66**	27
Scottish Government ABS contribution	**-**	48
Total other income	**106**	**121**
Total income from all sources	**4,082**	**3,580**

3. Staff Costs and Numbers

Staff employed

The average number of staff full time equivalent (FTE) employed by the SLCC during the year was 59 FTE, detailed as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
CEO	**1**	1
SMT	**3**	3
Staff	**55**	57
Total average FTE	**59**	**61**

Breakdown of Board members

	Year ended 30 June 2020	Year ended 30 June 2019
Chair	**1**	1
Members	**8**	8
Total average FTE	**9**	**9**

Breakdown of staff and member costs

	Year ended 30 June 2020			Year ended 30 June 2019		
	Staff	Members	Total	Staff	Members	Total
	£000	£000	£000	£000	£000	£000
Salaries	**2,167**	**69**	**2,236**	2,147	80	2,227
Social security costs	**198**	**4**	**202**	200	11	211
Pension costs	**262**	**-**	**262**	175	-	175
Outsourced staff costs	**13**	**-**	**13**	22	-	22
Total Salary Costs	**2,640**	**73**	**2,713**	**2,544**	**91**	**2,635**

4. Pension Costs

For 2019/20, employer's contributions of £169,488 (2018/19: £162,278) were payable to Standard Life at 8% and 12% of pensionable pay and £2,206 (2018/19: £6,201) to Lothian Pension Fund at 17.5% of pensionable pay, based on salary bands. These figures are prior to defined benefit adjustments.

There was a further payment to Lothian Pension Fund in relation to the exit from the scheme.

Full details of the defined benefit scheme administered by Lothian Pension Fund are contained in note 19-20.

5. Other Administration Costs

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Property	**331**	317
Office	**67**	69
Staff Training & Recruitment	**46**	41
Travel & hospitality	**7**	13
IT	**150**	102
Outreach	**19**	40
Research	**24**	12
Legal	**291**	259
Financial	**26**	24
Other Professional Fees	**2**	-
Bad Debt Provision	**62**	33
Other Administration Costs	**1,025**	**910**

The above total includes the external auditor's remuneration of £12,580 (2018/19: £12,420).

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

6. Interest and Other Finance Costs

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Interest Payable from Leases	2	-
Total Operating Expenditure	**2**	**-**

7. Property, Plant and Equipment

	Year ended 30 June 2020			Year ended 30 June 2019		
	Furniture fixtures & fittings	IT and telecoms equipment	Total tangible assets	Furniture fixtures & fittings	IT and telecoms equipment	Total tangible assets
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 July 2019	159	203	362	158	202	360
Additions	84	92	176	1	1	2
Disposals	-	-	-	-	-	-
As at 30 June 2020	**243**	**295**	**538**	**159**	**203**	**362**
Depreciation						
As at 1 July 2019	157	188	345	156	179	335
Charge for year	11	21	32	1	9	10
Disposals	-	-	-	-	-	-
As at 30 June 2020	**168**	**209**	**377**	**157**	**188**	**345**
Net Book Value	**75**	**86**	**161**	**2**	**15**	**17**
Owned Assets	75	13	88	2	15	17
Leased Assets	-	73	73	-	-	-
Net Book Value	**75**	**86**	**161**	**2**	**15**	**17**

8. Intangible Assets

Included in the below is £179,000 of assets (2018/19: £179,000) donated by the Scottish Government. These assets are now fully amortised and the donated assets reserve has consequently been reduced to zero.

	Year ended 30 June 2020 Software fixtures & fittings	Year ended 30 June 2019 Software fixtures & fittings
	£000	£000
Cost		
As at 1 July 2019	**318**	318
Additions	**44**	-
As at 30 June 2020	**362**	**318**
Depreciation		
As at 1 July 2019	**297**	277
Charge for year	**26**	20
As at 30 June 2020	**323**	**297**
Net Book Value	**39**	**21**
Owned Assets	**12**	21
Leased Assets	**27**	-
Net Book Value	**39**	**21**

9. Trade and Other Receivables

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Other Debtors	**111**	98
Expected credit losses	**(79)**	(74)
Prepayments	**121**	102
Total	**153**	**126**

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 2020	Year ended 30 June 2019
	£000	£000
Opening Balance	**668**	607
Net change in cash and cash equivalent balances	**316**	61
Total	**984**	**668**
Analysed as:		
Cash	50	50
Term Deposits	933	618
	984	**668**

11. Trade and Other Payables

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Trade Payables	**96**	56
Taxes and Social Security Costs	**61**	60
Accruals and Other Creditors	**147**	99
Lease Payments	**31**	-
Pension Cessation	**89**	-
Total	**424**	**215**

All of the creditors are held at amortised cost.

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

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Lease Payments	**67**	-
Pension Cessation	**73**	
Total	**140**	**-**
Analysis		
Due within one year	120	-
Due within one and two years	98	-
Due within two and five years	42	-
Total	**260**	**-**

13. Provisions for liabilities and charges

	Year ended 30 June 2020			Year ended 30 June 2019		
	Dilapidation Provision	Legal Provision	Total Provisions	Dilapidation Provision	Legal Provision	Total Provisions
	£000	£000	£000	£000	£000	£000
As at 1 July 2019	**69**	**76**	**145**	69	45	114
Provided in year	-	**45**	**45**	-	31	31
Released from provisions	-	**(76)**	**(76)**	-	-	-
As at 30 June 2020	**69**	**45**	**114**	**69**	**76**	**145**

The provision for dilapidation costs relates to the SLCC's contractual duty to repair leasehold property on termination of the original lease in September 2018. Provision is made for the estimated cost of fully repairing leasehold properties at the balance sheet date. The SLCC negotiated a new ten year lease extension in 2018 with a five year break option. This provision has been retained as the basis for future dilapidation accounting. 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 2020 £000	Year ended 30 June 2019 £000
Not later than One Year	**125**	125
Later than one but less than Five Years	**502**	502
Later than Five Years	**401**	527
Total	**1,028**	**1,154**

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 (2018/19: £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 2020 (2018/19: Nil).

16. Related party transactions

There were no related party transactions during the year.

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

During the year the SLCC had one employee in the Lothian Pension Fund, part of the Local Government Pension Scheme, a defined benefit scheme administered by City of Edinburgh Council.

The SLCC ceased as an employer in the Lothian Pension Fund (Fund) on 9 November 2019. An actuarial valuation was undertaken as at 9 November to determine the liabilities that will remain with the Fund on cessation and the final contribution due from the SLCC (i.e. an adjustment to the Rates and Adjustment Certificate) as required under Regulation 61 of the Local Government Pension Scheme Regulations (Scotland) 2018.

The SLCC's funding position as at 9 November 2019 is set out below:

	Valuation Results 31 March 2017	Cessation Results 09 November 2019
	£000	£000
Liabilities		
Active	189	-
Deferred	246	792
Pensioner	90	113
Total Liabilities	**525**	**905**
Assets	**595**	**727**
Surplus/(Deficit)	**70**	**(178)**

As the assessed value of the past service liabilities on the cessation basis is greater than the assessed value of the SLCC's asset share at the cessation date, a cessation deficit of £178,000 is payable to the Fund.

The main financial assumptions underlying the actuarial assumptions are as follows:

	Valuation Results 31 March 2017	Cessation Results 09 November 2019
Discount rate/ Anticipated investments returns		
Pre-Retirement	3.2%	2.0%
Post-Retirement	3.2%	2.0%
Salary Increases	4.1%	3.8%
Benefit Increases	2.4%	2.1%

The valuation funding assumptions as at 31 March 2017 are those used for the 2017 formal valuation of the Fund. For further information, please see the final 2017 valuation report dated 31 March 2017.

The cessation assumptions as at 9 November 2019 are those recommended by the Actuary for the valuation of the SLCC on cessation from the Fund and are in line with the Fund's Funding Strategy Statement.

The move to cessation funding assumptions includes the impact of the McCloud loading, 1% has been added to liabilities to account for this.

The cessation assumptions are based on market conditions at 9 November 2019 but do not make any allowance for the outperformance of the Fund's assets above the rate of return on long dated gilts. The allowance in the valuation funding assumptions for the asset outperformance was 1.5% p.a.

		Valuation Results 31 March 2017	Cessation Results 09 November 2019
Life expectancy from age 65			
Current pensioners			
	Female	24.3	24.3
	Male	21.7	21.7
Future pensioners			
	Female	27.5	27.5
	Male	24.7	24.7

The cessation assumptions for longevity are those that were used for the 2017 valuation of the Employer. The liabilities shown include a 5% loading for potential further improvements in life expectancy in excess of those above. Further details on the derivation of these mortality assumptions can be found in the Fund's formal valuation report. All other assumptions are set in line with those used for the previous formal valuation of the Fund. Please see the 2017 formal valuation report for the Fund (issued March 2018) for further details.

The amounts charged or (credited) in the statement of comprehensive income and expenditure are as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Current and Past service cost	**5**	17
Interest on obligation	**7**	17
Expected return on plan assets	**(7)**	(18)
Loss/(gain) on settlement	**(100)**	-
Total	**(95)**	**16**

The amounts charged or credited in profit or loss were included in Staff Costs.

The amounts recognised in the statement of financial position are as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Fair Value of Plan Assets	**-**	664
Present Value of Funded Retirement Benefit Obligations	**-**	(743)
Pension Deficit	**-**	**79**
Pension deficit/(surplus) not recognised	-	-
Net Liability	**-**	**79**

20. Movement in net defined benefit liability/(asset)

	Year ended 30 June 2020			Year ended 30 June 2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit Liability/ (asset)	Defined benefit obligation	Fair value of plan assets	Net defined benefit Liability/ (asset)
	£000	£000	£000	£000	£000	£000
Balance at 1 July	**743**	**664**	**79**	604	604	-
Included in profit or loss						
Current and Past Service Cost	**5**	**-**	**5**	17	-	17
Effect of settlements	**(778)**	**(678)**	**(100)**			-
Interest cost/(income)	**7**	**7**	**-**	17	18	(1)
Included in OCI						
Re-measurement loss/(gain):						
Actuarial loss (gain) arising from Change in financial assumptions	**25**	**-**	**25**	146	-	146
Return on plan assets excluding interest income	**-**	**7**	**(7)**	-	39	(39)
Other Experience	**-**	**-**	**-**	-	-	-
Changes in Demographic assumptions	**-**	**-**	**-**	-	-	-
Other						
Contributions paid by the employer	**-**	**2**	**(2)**	-	6	(6)
Contributions paid by the employee	**1**	**1**	**-**	2	2	-
Benefits paid	**(3)**	**(3)**	**-**	(5)	(5)	-
Surplus not recognised	-	-	-	(38)	-	(38)
Balance as at 30 June 2020	**-**	**-**	**-**	**743**	**664**	**79**

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

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	**£000**
Opening defined benefit obligation at 1 July	**743**	604
Current & Past service cost	**5**	17
Benefits paid	**(3)**	(5)
Interest cost	**7**	17
Change in financial assumptions	**25**	146
Surplus not recognised (2019 reversed)	**-**	(38)
Changes in demographic assumptions	**-**	-
Other experiences	**-**	-
Contributions by plan participants	**1**	2
Liabilities extinguished on settlements	**(778)**	-
Closing defined benefit obligation at 30 June	**-**	**743**

Amounts for the current and previous years are as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	£000	**£000**
Fair value of plan assets at 30 June	**-**	664
Present value of defined benefit obligation at 30 June	**-**	(743)
Surplus/(deficit) in plan	**-**	(79)
Experience adjustments arising on plan assets	**-**	-
Experience adjustments arising on plan liabilities	**-**	-

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