

**Title: SLCC Budget 01 July 2014 to 30 June 2015**

**Date: 8 April 2014**

## Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Summary .....</b>	<b>3</b>
<b>3</b>	<b>Approach.....</b>	<b>3</b>
<b>4</b>	<b>Expenditure.....</b>	<b>3</b>
<b>5</b>	<b>Reserves .....</b>	<b>4</b>
<b>6</b>	<b>Income.....</b>	<b>4</b>
	<b>Appendix 1 – Summary Budget .....</b>	<b>5</b>
	<b>Appendix 2 - Proposed Expenditure 2014/15 .....</b>	<b>6</b>
	<b>Appendix 3 – General and Complaints Levy .....</b>	<b>7</b>
	<b>Appendix 4 – Strategic Objectives.....</b>	<b>8</b>

## 1 Introduction

- 1.1 This document sets out the SLCC's draft budget for the operational year 2014/15. It provides information on the expenditure, general levy and complaints levy proposed for the 2014/15 financial year.
- 1.2 The budget spreadsheets are attached as appendices.

## 2 Summary

- 2.1 Anticipated expenditure: £2,772,580 (previous year £2,913,410)
- 2.2 Anticipated income: £2,695,871 (previous year £2,709,286 )
- 2.3 Anticipated funds released from reserves: £76,709 (previous year £204,124)
- 2.4 General levy: £324 full levy (previous year £324- no increase on previous year)
- 2.5 Complaints levy – there will be no change to the complaints levy

## 3 Approach

- 3.1 In line with policy and past years the approach follows these steps.
  - (i) The SLCC sets out anticipated expenditure based on its operational plan
  - (ii) The general levy is then calculated on the basis of covering anticipated expenditure in full (ie nothing available from reserves)
  - (iii) The current year forecast outturn at December 2013 is reviewed to give an estimate of anticipated reserves at year end, and what can be made available to underwrite the general levy
  - (iv) The proposed levy is set and the budget issued for consultation (including the complaints levy)
  - (v) The draft budget is reviewed in April taking into account consultation responses and a further quarter's financial data
  - (vi) The SLCC sets the final budget and lays it before Parliament by April 30

## 4 Expenditure

- 4.1 Appendix 1 contains the summary of expenditure by line item, with a comparison to the previous year (i.e. the 2013/14 year). The overall budget shows a decrease of 5%.
- 4.2 The most significant area of spend continues to be on staff. The budget for 2013/14 was based on a head count of 47.1. The budget for 2014/15 is based on a headcount of 44.2. This reflects the changes since the SLCC reviewed its staffing levels as part of the restructuring during 2012/13 and the movement in the volume of work related to complaints and oversight.
- 4.3 SLCC has sought to offset the impact of staff costs by ensuring efficient use of all non-staff resources. This is reflected in savings in the following areas
  - (i) Insurance costs. We have sought and obtained competitive quotations for the appropriate insurance services, and fixed these costs for the following year at a lower level.
  - (ii) Office running costs have been reduced through changes to stationery and photocopying suppliers.
  - (iii) Audit Fees. A revision of audit requirements has resulted in a reduction in internal audit expenditure.
  - (iv) Corporate legal costs and special projects and research. Savings have been achieved through the use of internal resources.

- 4.4 SLCC have taken the decision to exclude a contingency provision from the 2014/15 budget. It is felt that the budgeting process and experience of previous years' outturn provide a sufficiently accurate forecast of anticipated spend. In the event of additional unforeseen expenditure requirements, SLCC would have recourse to its reserves.


## **5 Reserves**

- 5.1 Reserves are anticipated to be a minimum of £725,000 at the start of the 2014/15 financial year. This is greater than the two to three month level set out in the current reserves policy.
- 5.2 This position will change in 2014/15 as SLCC intend to utilise £77,000 from reserves within the year. SLCC is of the view that as the current level of reserves is higher than existing reserves policy this position should be rectified and observed in future.

## **6 Income**

- 6.1 The SLCC has based income on:
- (i) anticipated income from the general levy. The bulk of this is from the Law Society of Scotland and is calculated on the basis of the number of practising certificates at the start of the current year. Final adjustments will be made in consultation with the Professional Bodies. The underlying calculations are based on the same approach as in previous years but it is proposed that in addition to there being no increase in general levy, those categories which attract fewest complaints will benefit from a small reduction in levy for 2014/15. Appendix 3 sets out the calculations.
  - (ii) anticipated income from interest earned on deposits. This is forecast to be lower than in previous years, reflecting the reduction in the level of reserves and increasingly low investment returns; and
  - (iii) income from Scottish Government in relation to legacy work carried out under the ex-SLSO's powers. This is anticipated to be nil for 2014/15.
- 6.2 Income does not include complaints levy income.

# Appendix 1 – Summary Budget

			
<b>SLCC</b>			
<b>Summary Budget</b>			
<b>1 July 2014 to 30 June 2015</b>			
<b>Expenditure</b>		£	
	staff	2,020,180	
	running costs	752,400	
	contingency	0	
	<b>total</b>	<b>2,772,580</b>	
↓			
<b>Indicative Income and Levy (not underwritten by reserves)</b>			
↓			
<b>Baseline income required to cover expenditure</b>		£	
	Levy from Law Society	-2,671,882	
	Levy from Faculty of Advocates	-75,405	
	Levy from Assoc of Commercial Attorneys	-220	
	Other Income	0	
	SLSO Costs Recovered from SG	0	
	Estimate of Interest Earned	-25,000	
	<b>Total</b>	<b>-2,772,507</b>	
↓			
<b>Baseline General Levy</b>		£	
	Solicitors with 3+ years experience	333	
	Conveyancing Practitioner or Executory Practitioner 3+ years exp	333	
	Solicitors in 1st 3 years of practice	165	
	Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	165	
	Practising Outwith Scotland	111	
	In-house Conveyancing Practitioner or Executory Practitioner	110	
	In-house lawyers	110	
	Advocates	165	
	Assoc of Commercial Attorneys	110	
↓			
↓			
<b>Actual Income and Levy Underwritten By Reserves</b>			
↓			
<b>Actual income including contribution from reserves</b>		£	
	Levy from Law Society	-2,597,996	
	Levy from Faculty of Advocates	-72,663	
	Levy from Assoc of Commercial Attorneys	-212	
	Other Income	0	
	SLSO Costs Recovered from SG	0	
	Estimate of Interest Earned	-25,000	
	<b>Total</b>	<b>-2,695,871</b>	
↓			
<b>Contribution from SLCC Reserves</b>			
↓			
<b>Total Funds Available</b>			
↓			
<b>Actual general levy set</b>		£	
	Solicitors with 3+ years experience	324	
	Conveyancing Practitioner or Executory Practitioner 3+ years exp	324	
	Solicitors in 1st 3 years of practice	162	
	Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	162	
	Practising Outwith Scotland	108	
	In-house Conveyancing Practitioner or Executory Practitioner	106	
	In-house lawyers	106	
	Advocates	159	
	Assoc of Commercial Attorneys	106	
↓			
<b>Total actual levy required from each professional body</b>			£
	Law Society of Scotland	2,597,996	
	Faculty of Advocates	72,663	
	Association of Commercial Attorneys	212	
	<b>total</b>	<b>2,670,871</b>	

## Appendix 2 - Proposed Expenditure 2014/15

Budget 1 July 2014 to 30 June 2015		<small>scottish legal</small> <small>complaints commission</small> <b>slcc</b>		
Summary of Expenditure	Budget 2014/15	Budget 2013/14	Variance	Variance
	£	£	£	%
<b>Staff Remuneration and support costs</b>				
<i>Direct Staff costs</i>				
Staff salaries and NIC	1,775,180	1,879,591	104,411	7
Member salaries and NIC	165,000	219,479	54,479	25
	<b>1,940,180</b>	<b>2,099,070</b>	<b>158,890</b>	<b>9</b>
<i>Indirect Staff Costs</i>				
Staff training and development	24,000	30,000	6,000	20
Member training and development	9,000	14,000	5,000	36
Staff travel & subsistence	4,000	3,600	-400	-11
Member travel & subsistence	15,000	10,200	-4,800	-47
Other staff costs	28,000	27,180	-820	-3
	<b>80,000</b>	<b>84,980</b>	<b>4,980</b>	<b>6</b>
<b>Total Staff Costs</b>	<b>2,020,180</b>	<b>2,184,050</b>	<b>163,870</b>	<b>9.1</b>
<b>Non-staff costs</b>				
Property costs	285,400	285,500	100	0
Insurance	8,000	24,250	16,250	45
Office running costs	47,000	50,010	3,010	5
Direct case costs	129,500	148,900	19,400	13
Communications	36,500	35,000	-1,500	-3
IT Costs	71,000	53,400	-17,600	-33
Corporate legal costs	20,000	46,800	26,800	35
Audit Fees	20,000	29,500	9,500	32
Special projects and research	20,000	20,000	0	0
Rechargeable costs	0	0	0	0
Building Services and maintenance	0	6,000	6,000	100
Capital Asset Depreciation	115,000	30,000	-85,000	-327
<b>Total Non-Staff Costs</b>	<b>752,400</b>	<b>729,360</b>	<b>-23,040</b>	<b>-3</b>
<b>Total of staff and non staff running costs</b>	<b>2,772,580</b>	<b>2,913,410</b>	<b>140,830</b>	<b>5</b>
Operational contingency	0	0	0	0
<b>Total Costs</b>	<b>2,772,580</b>	<b>2,913,410</b>	<b>140,830</b>	<b>5.01</b>

## Appendix 3 – General and Complaints Levy

2014/15 Baseline Annual Levy to recover full costs				
			scottish legal complaints commission <b>slcc</b>	
Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,560	<b>333</b>	2,184,480
Conveyancing Practitioner or Executry Practitioner 3+ years exp	Annual Levy	6	<b>333</b>	1,998
Solicitors in 1st 3 years of practice	Annual Levy less 50%	734	<b>165</b>	121,110
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	Annual Levy less 50%		<b>165</b>	0
Practising Outwith Scotland	Annual Levy less 66.6%	634	<b>111</b>	70,374
In-house Conveyancing Practitioner or Executry Practitioner	Annual Levy less 66.6%	4	<b>110</b>	440
In-house lawyers	Annual Levy less 66.6%	2,668	<b>110</b>	293,480
Advocates	Annual Levy less 50%	457	<b>165</b>	75,405
Assoc of Commercial Attorneys	Annual Levy less 66.6%	2	<b>110</b>	220
		<b>11,065</b>		<b>2,747,507</b>

2014/15 Proposed Annual Levy				
			scottish legal complaints commission <b>slcc</b>	
Category	Waiver	Practising Certificates	Annual Levy	Total Income
Solicitors with 3+ years experience	Annual Levy	6,560	<b>324</b>	2,125,440
Conveyancing Practitioner or Executry Practitioner 3+ years exp	Annual Levy	6	<b>324</b>	1,944
Solicitors in 1st 3 years of practice	Annual Levy less 50%	734	<b>162</b>	118,908
Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice	Annual Levy less 50%		<b>162</b>	0
Practising Outwith Scotland	Annual Levy less 66.6%	634	<b>108</b>	68,472
In-house Conveyancing Practitioner or Executry Practitioner	Annual Levy less 66.6%	4	<b>106</b>	424
In-house lawyers	Annual Levy less 66.6%	2,668	<b>106</b>	282,808
Advocates	Annual Levy less 50%	457	<b>159</b>	72,663
Assoc of Commercial Attorneys	Annual Levy less 66.6%	2	<b>106</b>	212
		<b>11,065</b>		<b>2,670,871</b>
			total expenditure less other income	<b>76,709</b>

## Appendix 4 – Strategic Objectives

The SLCC aims to improve trust in legal services in Scotland. To achieve this, we have three strategic objectives. We will be

- A high quality, independent and impartial complaint handling service, focussed on early resolution and centred on the needs of users
- An efficient and accountable organisation which tracks performance and acts to improve on it
- An influential organisation providing guidance and insight to improve standards of legal service

Our operating plan is structured around these three objectives.

The Annual Report for 2012/13, which we published in December, sets out the significant progress which we have made whilst indicating that there is much work still to be done. Our 2012/13 operating year was our most productive yet, seeing us close 33% more complaints than the previous year. Our work in progress and unit costs reduced accordingly.

We are continuing to focus on efficiency and effectiveness, so our proposed budget sets out a headcount reduction and saving in staff costs of over 9%. Our non-staff costs will rise by 3% as we invest in our case management systems and our website to support better service for the public and the profession. Overall this equates to a 5% reduction in expenditure against our budget for the 2013/14 operating year.

Through increased productivity and careful stewardship we are able to freeze the levy for all practitioners, despite the pressures of inflation, and for some parts of the profession we have reduced it. We have reviewed our reserves policy to reflect experience and have reduced the cover to between two and three months. Consequently, we will release over £75,000 from reserves, thus reducing the amount required from the general levy.

In our Annual Report we highlighted that the costs of enforcing our decisions in an increasing number of cases. Our reserves have been reduced by the failure of a part of the profession to foot the bill for complaints which have been upheld against them. We estimate these costs will be £43k for the 2013/14 operating year. Had we been in a position to release these sums from our reserves, a universal reduction to the general levy would have been proposed. Instead, in calculating the levy for different categories of practitioner, we have recognised that the issue of non-compliance is more pronounced in some areas than others.

Our operating plan identifies non-compliance, risk and levy structure as amongst our key priorities for 2014/15. We will work with the professional organisations to tackle non-compliance more effectively. We believe that a funding structure which explicitly links the risk to the public to the cost paid by the practitioner would be in the interests of both the public and the profession. Nevertheless, we are mindful that our funding must be secure and that the mechanics for collecting the levy should not be over complicated. We will work closely with the relevant professional organisations to explore how this might be done.

Our role is not constrained to complaint handling and there are benefits for the whole profession from the oversight work which we perform. Our operating plan sets out our plans to improve our work in providing analysis, guidance, training and support to encourage better complaint handling in the profession. We intend to start publishing some of our decisions. This is commonplace amongst other complaint handlers and ombudsmen. It supports transparency and consistency in decision making and serves the public and the profession by clarifying expectations around legal services. We are aware that this is an initiative where thoughtful consultation with the professional organisations and consumer groups will be required so that all can have confidence in how and when we publish.