

Scottish Legal Complaints Commission
***Annual Report and Financial
Statements***
Year ended 30 June 2019



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1. Performance report

Performance overview

Introduction

- 1.1 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.
- 1.2 With that context set, details are then provided of our performance and key outcomes for the year.

History and statutory background

- 1.3 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.
- 1.4 The SLCC is a body corporate and is domiciled in Scotland.

Purpose: statutory powers and responsibilities

- 1.5 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).
- 1.6 The SLCC's statutory function in respect of legal complaints is to:
 - (i) Provide a **gateway for all complaints** about lawyers in Scotland
 - (ii) **Give advice** on complaints to all parties
 - (iii) Assess if the complaint is **eligible**, against a number of legal tests
 - (iv) Manage directly 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")
 - (v) Refer complaints about the **personal conduct** of lawyers to the "Relevant Professional Organisation"
 - (vi) Refer **regulatory complaints** about Licensed Providers to the Approved Regulatory Body
 - (vii) Manage complaints about how the "Relevant Professional Organisations" and "Approved Regulators" have dealt with those conduct issues (called '**handling complaints**'), and
 - (viii) Manage complaints about "**Approved Regulators**".
- 1.7 The SLCC's statutory function in respect of oversight of complaint handling includes:
 - (i) Investigating "handling" complaints about RPO investigations into conduct
 - (ii) Auditing RPOs' conduct complaints records
 - (iii) Monitoring and reporting on trends in the way the legal profession deals with complaints – to help ensure the sector learns from complaints made, and
 - (iv) Issuing guidance to the legal profession on dealing with complaints, and promoting best practice.

- 1.8 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.
- 1.9 The SLCC supports an independent advisory Consumer Panel. Its statutory functions are to :
- (i) Make recommendations on how SLCC can improve our policies and processes
 - (ii) Suggest topics for research connected to legal consumers, and
 - (iii) Express a view on matters relating to the SLCC's functions.
- 1.10 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:
- (i) live in communities that are inclusive, empowered, resilient and safe
 - (ii) are creative and their vibrant and diverse cultures are expressed and enjoyed widely
 - (iii) have a globally competitive, entrepreneurial, inclusive and sustainable economy
 - (iv) have thriving and innovative businesses, with quality jobs and fair work for everyone
- 1.11 We also take account of the Scottish Government "Value and Priorities for Justice in Scotland" (which was updated in 2017).

Purpose: strategy and process

- 1.12 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.
- 1.13 Our work is delivered in line with a set of core values set out in our strategy:
- (i) People focussed - we understand and are mindful of the needs of our diverse service users
 - (ii) Trust - our processes and outcomes can be trusted by all as fair, independent & impartial
 - (iii) Respect - we respect the diverse groups we work with and are respected as an organisation
 - (iv) Leadership - as recognised leaders we take decisive, well-informed action & drive improvement, and
 - (v) Efficiency and effectiveness - we make a positive, measurable impact.

Summary statement of the CEO

- 1.14 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.
- 1.15 In this performance analysis section we give a full account of our performance against our operating plan and 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 accounts. However, this section provides a high level summary.
- 1.16 **We delivered the majority of the projects in our published Operating Plan for 2018/19** (the penultimate year of work under the four year strategy), with the Board decommissioning one based on changes of circumstances and priorities. This exceeded the 85% completion target set by the Board.
- 1.17 **We improved the core performance of our complaints process.** Details of the volumes of cases handled and the different outcomes provide transparency on our core work, and demonstrated an improvement on 'Work in Progress' within the business, and the 'Journey Time' for complaints which users our service experience. On both, we met the targets set by the Board.
- 1.18 **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.
- 1.19 There were no major unanticipated events. This is in contrast to the last two business years, when significant court challenges in each year consumed resource and distorted core performance (as discussed in previous year's accounts). The ability to focus on core work has been welcome.
- 1.20 During the course of the year we had expected the outcome of an independent review of the regulation of legal services in Scotland to be published. The Report was published in October 2018, and recommended the creation of a single regulator, merging the functions of five statutory bodies, a move that would lead to the abolition of the Scottish Legal Complaints Commission.
- 1.21 This could be seen as a major strategic risk to the business, and something needing to be taken into account in all planning.
- 1.22 However, this was in line with many 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.
- 1.23 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, and it appears further discussions, perhaps creating alternatives to the recommendations in the review, will take place before a consultation on options. We think this consultation is now unlikely to start before spring 2020.

- 1.24 As primary legislation would then be needed, and taking into account May 2021 elections, it is highly unlikely that reform, and implementation year, which would question the future of the organisation, is likely to 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 has still not been implemented fully a decade later.
- 1.25 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.
- 1.26 On this basis, and until notified otherwise, the Board of the SLCC need to plan on a 'business as usual' basis for the next strategic year (2020 to 2023). We will continue to engage positively and constructively in the debate on the future of legal regulation, and will amend planning should it at any point appear likely that timescale will change.

Statement of going concern

- 1.27 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 in Section 2.4.

Performance analysis

Performance against operating plan - key activities and achievements

- 1.28 **In our 2018/19 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 efficiency of our largest area of work, individual complaints from the public about lawyers, which account for over 80% of our budget spend. The fourth area focussed on seeking to reduce the common causes of complaints (directly linked to our main costs), and the fifth related to improving our overall performance culture.
- 1.29 These in-year priorities clearly link to our overall strategy, as set out in para 1.12 above. The numbers in square brackets cross reference the key activities to strategic aims.
- 1.30 **Area 1 - Short-term internal changes and improvement to our process [iii & v]**
- 1.31 We delivered a major programme of internal improvement work, leading to reduced 'work in progress' (WIP) within the business and improved customer journey times.
- 1.32 We have tested new ideas at every stage of the process, with a focus on efficiency, and have been able to increase targets based on the outcome of this work.
- 1.33 We have tested innovative solutions to the challenges we face in terms of incoming volumes of work, including remote and virtual Determination Committee meetings.
- 1.34 The quantitative results of this work can be seen in the Performance Analysis below.
- 1.35 **Area 2 - Medium term joint work with the Law Society of Scotland to identify changes to the 2007 Act it may be possible for the government to make by Statutory Instrument [iii & v]**
- 1.36 We have met throughout the year with The Law Society of Scotland, and made significant progress in identifying areas for improvement both organisations will support. The package, if fully approved and implemented, offers the opportunity to achieve real savings in the future.

- 1.37 The changes fall short of the improvements the SLCC think are possible, both by Statutory Instrument and in the long-term. However, as an interim 'sticking plaster', and on the basis only mutually agreed solutions are possible, the progress has been positive.
- 1.38 **Area 3 – Longer term work to contribute to the independent review of legal regulation on the option of a new “fit for purpose” Act [iii, iv & v]**
- 1.39 The outcome of the independent review was published in October 2018, and we welcomed the proposals which were largely consistent with our own.
- 1.40 We have noted above (Statement by CEO) the current position of these proposals.
- 1.41 We aim to contribute positively to the next steps, and will continue to support reform based on the 'better regulation' and 'consumer' principles, and which tackles the current complaints and regulatory maze of five statutory bodies.
- 1.42 **Area 4 - Work to improve the handling of complaints by firms which may reduce our case load and get faster and better outcomes for consumers [iv & v]**
- 1.43 We also responded to the Law Society of Scotland's consultation on rules relating to the handling of complaints by firms, welcoming many of their positive proposals and encouraging greater access to first tier complaints data to allow strategic understanding of complaints issue, which is important in a context where complaints have risen 30% in five years.
- 1.44 **Area 5 - Changes to our management team, with the recruitment of new posts, focussed on improving the performance of the business [iii & v]**
- 1.45 We moved to a new management structure, with the existing Chief Executive and three new Director roles.
- 1.46 Our search for two new post-holders for these roles proved hugely competitive and generated a large pool of high quality applicants. We made an internal appointment to the third role.
- 1.47 **In addition, other key activities and achievements are noted, giving example across our 'business as usual' operations and covering all five of our strategic aims (see para 1.12).**
- 1.48 **Improving the accessibility of our website** – launching a new platform based on 'plain English', with improved mobile/tablet compatibility (including being able to submit complaints more easily), and improved accessibility for people with a range of impairments. An external audit tool, and user testing, confirmed the improved functionality and access. [i & iii]
- 1.49 **Taking further steps to a 'risk based' and 'polluter pays' model** – we consulted on and approved a new levy model which places an emphasis on business owners. [iii & iv]
- 1.50 **Being cited as a best practice example for Board diversity in action** – we participated last year in the research project being undertaken by the Commissioner for Ethical Standards in Public Life in Scotland and the Scottish Government on diversity, governance and the difference it makes. We were identified as an example of good practice, and this year our work was published as a case study and example of best practice. [i & v]
- 1.51 **Insuring data integrity and security** - we achieved the 'cyber essentials' standard, carried out further our work on GDPR (including staff and Board training, performed an audit of work from home practices, updated privacy notices, created a 5 year audit plan for data compliance, and commissioned further IT developments, including encryption of data 'at rest'). [v]
- 1.52 **Increasing transparency and communication** – we further evolved our newsletters for MSPs and for practitioners, focussing on sharing best practice (which can help prevent the common causes of complaints) and increasing transparency on SLCC complaint process and decisions. [i & iii]

- 1.53 **Ensuring robust decisions, and appropriately responding to legal challenge** – we completed our tender for legal services and appointed, and provided induction for, our new panel of legal advisers. [iii & v]
- 1.54 **Working towards a safe, efficient, and smart enabled work environment** – having completed a full property review last year, and received Ministerial consent on our final proposal, we commenced a new 10 year lease (with five year break clause) on our property. We have scoped work to tackle health and safety issues, improve the flexibility of use, and more to a 'smarter work' place. Changes to facilities and IT will now be implemented in the coming business year. [v]
- 1.55 **Developed an 'Approved Regulator' complaints scheme** – as part of preparing for the implementation of the Legal Service (Scotland) Act 2010. However, the implementation of Alternative Business Structure (ABS) was again delayed (with Scottish Government not moving to complete the authorisation of an Approved Regulator). [iii]
- 1.56 **Auditing the complaints process of the Faculty of Advocates** – this followed two previous audits in 2016 and 2017, and we noted our gratitude to the Faculty for their positive and proactive engagement. Progress in several areas was identified, and six follow-up recommendations were made. [iv]
- 1.57 **Building our knowledge of the Master Policy** – we hosted the Law Society and Lockton for a CPD session on the Master Policy followed by a Q and A, and have a similar meeting planned on the Client Protection Fund in the new year. These are with a view to setting new strategic aims for 2020 to 2023. [iv]
- 1.58 **Evolving our engagement with our colleague team** – this year we moved to formal recognition of the Public and Commercial Services (PCS) union, and look forward to working with them collaboratively. [v]
- 1.59 **Marking ten years** – we published a video and information on trends and patterns in ten years of managing complaints, and what key lessons could be drawn to prevent the common causes of complaints. [I & v]
- 1.60 **Summary:** we delivered over 85% 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

- 1.61 Set out below are comparative volumes of work over the last four years. These figures are similar to the statistical information we share with the relevant professional organisations on a quarterly basis.
- 1.62 As noted in last year's report, data for 2016/17 was impacted by a significant court case which affected categorisation.

COMPLAINTS & ELIGIBILITY	2018/19	2017/18	2016/17	2015/16
<i>Complaints in hand at start of year</i>	849*	807	664	477
Complaints received in year	1,326	1,227	1,155	1,132
Premature complaints reopened (closed in previous years)	13	22	20	15
Premature complaints reopened (closed in year)	67	67	72	71
Net change – reassessed as eligible/ineligible on appeal	0	0	0	1
<i>Complaints under consideration</i>	2,255	2,123	1,911	1,635*
Ineligible	-253	-164	-183	-261
Withdrawn	-69	-48	-83	-43
Discontinued	-38	-37	-45	-32
Resolved at eligibility	-336	-195	-123	-113
Premature	-192	-274	-256	-268
Conduct	-216	-213	-138	-71
Adjustments for administrative reasons*	-21	-	-	-
Potential service complaints	1,130	1,192	1,083	879
<i>Complaints closed</i>	-445	-337	-253	-275
Complaints awaiting eligibility assessment at year end	344	575	510	365
Eligible service or hybrid complaints in progress	341	263	297	299
<i>Complaints in hand at end of year</i>	685	849*	807*	664*

METHODS OF RESOLUTION (Complaints closed)	2018/19	2017/18	2016/17	2015/16
Mediation	80	52	27	44
Investigation (conciliation without report)	111	57	19	45
Investigation (settlement with report)	71	63	44	65
Withdrawn at investigation	45	29	68	19
Determination	138	136	95	102
Total	445	337	253	275
% Upheld at Determination	51%	50%	45%	57%

* "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).

1.63 We also monitor average 'Journey Time' - the aggregate of average age of cases at each stage of our process. For 2018/19 this was down to 8.2 months at year end. This is significantly down from 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.

1.64 All parties are issued a customer service feedback form at the end of each complaint. During 2018/19 we received a 13.8% response rate (compared to 12.5% last year). We continue to examine ways to increase the response rate, and following input from the Consumer Panel, have again revised the feedback form for the 2019/20 year.

- 1.65 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.
- 1.66 Practitioner feedback is strongly positive (irrespective of the case being upheld or not). Reasoning, communication, comprehension, explanation of the process, staff helpfulness and information provided all scored above 70% in terms of practitioners recording they were satisfied. Across the whole year satisfaction rates for all criteria were between 58% (satisfaction with the recommendation) and 92% (reasoning). The 58% score is low compared to the strong average performance, and relates to the outcome of the complaint where it is difficult to achieve high scores when the outcome is not what the practitioner wished for, and when in many cases the practitioner must then pay a complaints levy and compensation.
- 1.67 On average, consumer satisfaction levels are lower than practitioner levels, between 43% (information) to 81% (process explanation). Satisfaction with the helpfulness of SLCC staff and with communication both scored between 63% and 75% over the quarters in terms of complainers recording they were satisfied. Various actions are contained in the 2019/20 operating plan to address areas of lower scoring, and we continue to focus on improvements for consumers (where the average scores are lower).

Budget performance

- 1.68 The SLCC set its anticipated expenditure requirements for 2018/19 at £3,391,975 against which it received income of £3,553,251. Actual expenditure was £3,548,054 leaving a surplus of £5,197. After a negative pension valuation adjustment of £69,000 this results in a deficit for the year of £63,803. This compares with a surplus of £36,244 for 2017/18.
- 1.69 The main areas of overspend against budget were case specific legal expenses, office costs and IT. Increased legal spend reflects the rise in appeal cases brought against the SLCC and in particular those cases brought by party litigants.
- 1.70 Underspends against budget were experienced in relation to staff training and recruitment, corporate legal expenses, property and capital depreciation.
- 1.71 Total reserves held at the end of the financial year amounted to £393,000 compared to £457,000 at 30 June 2018. This figure is below our reserves policy position of between two and three months average expenditure.

Payment of creditors and Regularity of expenditure

- 1.72 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. In respect of bills for goods and services paid within 30 days of invoice date, the SLCC's payment performance was 92% (2017/18 – 93%).

Key issues and risks – looking forward

- 1.73 Our risk policy and risk register was maintained, updated, and scrutinised at Audit Committee and Board throughout this year.
- 1.74 No financial risks, issues or process failures were reported or identified.
- 1.75 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. Staff have also become more vigilant and are reporting possible security issues. We continue to focus on mitigations around security and staff training to minimise risk.

- 1.76 Our exposure to Brexit scenarios was assessed and presented to Audit Committee. It is considered 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.
- 1.77 There is a risk relating to increasing complaints - over the last five years there has been an increase of 30% in incoming complaints. This means more work for the business 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 reputation 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.
- 1.78 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.
- 1.79 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 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 will be used to mitigate this risk.
- 1.80 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 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 has 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.
- 1.81 There is a risk from an increasing number of appeals to the Court of Session as case volumes rise, and increasing cost from both this rise and increased court and legal fees. The appeal route is disproportionate to the value of cases, and is not present for other ombudsman and complaint bodies. Our key mitigation is through continuing to make the case to Scottish Government to change the primary legislation; this is supplemented by tightly monitoring and controlling costs, and actively seeking costs from parties.
- 1.82 We continue to have one outstanding Appeal of an Employment Appeal Tribunal (we were successful in the original tribunal, and at appeal sift – however, we await the outcome of a final procedural stage), which presents reputational and financial risks (legal fees, and if any compensation is awarded). This is the same issue noted in last year's Annual Report and Financial Statements. As mitigation of financial cost we have set aside funds to deal with an adverse outcome.
- 1.83 There were no data breaches within the course of the year requiring a report to the ICO, compared with 3 in 2017/18.
- 1.84 **Summary:** whilst taking account of these factors the overall assumption is that the operating environment will be similar in the coming year, but for a small increase in complaints and ongoing debate on reform.

The link between KPIs, risk and uncertainty

- 1.85 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.
- 1.86 The best projected incoming load for the coming year (2019/20) is a further increase of between 1% and 3%, a change out-with this will start to impact resources and performance.

Environmental and sustainable development matters

- 1.87 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 Biodiversity 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

- 1.88 Three significant factors affect complaints performance this year:
- (i) Increased incoming case load – a further 8% rise in cases which must be processed, placing a significant strain on resources
- However, within the 2018/19 year this was offset by:
- (ii) Increased investment in frontline staff, from the planned 2018/19 budget
 - (iii) Increased productivity per person, as an outcome of various process improvement projects (in line with our strategic commitment to improve performance, see Para 1.12 [iv & v]).
- 1.89 This year we have seen a further 8% increase, which brings the total increase over the last five years to over 30%. This places a significant strain on resources.
- 1.90 It is worth noting there was one exceptional set of incoming cases this year. 84 linked complaints related to an alleged failure by a law firm to meet court dates in a series of cases. There are 42 parties, although all represented by a single agent, and two law firms were originally involved, although this was narrowed to one firm early in our work. The cases have taken considerable resource (for example, taking nine months at 'Eligibility' instead of the typical three months) due both to complexity and delays in responses from solicitors on both sides.
- 1.91 The number of complaints in hand within the organisation had been steadily growing, by around 200 per year, this stabilised last year (with 807 in hand at the start of 2017/18 and only 849 in hand at the end of the 2017/18) and this year huge progress has been made reducing work in hand from 849 at the start of 2018/19 to 685 at the end of 2018/19. This is the first reduction of work in hand at year end in four years. This was a result of both investment and improved ways of working, and was delivered in the context of the 8% increase in incoming workload.
- 1.92 Ineligible cases look to have increased this year, although for the large part this is explained by the exceptional batch of related cases (see para. 1.91) which were deemed ineligible (the complaints had all been raised against two firms, with an early decision only the complaints against one firm should progress). The underlying trend may be largely stable, but will be monitored.

- 1.93 The number of cases resolved at eligibility increased for the fourth year in a row, in line with our strategic priority to resolve cases early where possible and appropriate (See Para 1.12 [iii]). Many of these cases would have required full service investigations at the later and more expensive stages of our system, but for the early resolution strategy.
- 1.94 32% more cases were resolved this year than last (445, compared to 337).
- 1.95 Cases closed at mediation and investigation increased. Again, this stems from proactive work to resolve cases early where possible and appropriate (See Para 1.12 [iii]), this avoids complaints inappropriately entering the final, and most expensive, stage of our system.
- 1.96 This means the number of cases resolved at Determination was fairly static (an increase of 2 from the previous year). We again saw around 51% of cases at Determination upheld or partially upheld. The focus on early resolution continues to save costs compared to all cases progressing to formal Determination.
- 1.97 **Summary:** in summary, more work came in than ever before, but this was exceeded by more work being resolved than ever before, supported by increased investment, but also achieved through higher output per person coming from process improvement work. A key issue in next year's budgeting process will be to assess how much increases can be addressed through further efficiency gains, and how much there may be an impact on resources required.

Annual Audit

- 1.98 The accounts are audited by an external auditor appointed by the Auditor General for Scotland and she has appointed Deloitte LLP as the SLCC Auditor for 2018/19. 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.



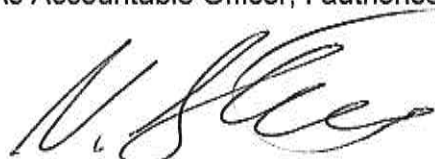
Neil Stevenson
Chief Executive Officer

7 October 2019

2. Accountability report

Accountable Officer's responsibilities

- 2.1 The CEO is designated in statute the Accountable Officer for the SLCC. This is confirmed in the SLCC's governance arrangements.
- 2.2 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/aomemooother>
- 2.3 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.
- 2.4 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.
- 2.5 I, Neil Stevenson joined the organisation as the Chief Executive and the Accountable Officer on 20 July 2015.
- 2.6 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.
- 2.7 The Accountable Officer must be of the opinion that the Annual Report and Accounts as a whole are fair, balanced and understandable. I accept personal responsibility for the Annual Report and Accounts and for the judgements required for determining that they are fair, balanced and understandable.
- 2.8 As Accountable Officer, I authorise these financial statements for issue on 7 October 2019.



Neil Stevenson
Chief Executive Officer

7 October 2019

3. Governance statement

Corporate Governance Report

- 3.1 Details of our governance arrangement are published online. This includes a governance statement, a scheme of delegation, the arrangements for the management of conflict of interest, a code of conduct and a risk management policy. <https://www.scottishlegalcomplaints.org.uk/about-us/rules-policies-and-publications/the-slccs-governance-arrangements>
- 3.2 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.
- 3.3 Further details on governance are provided in the remainder of this section.
- 3.4 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.

Scope of responsibility

- 3.5 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.
- 3.6 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.
- 3.7 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).

The Board

- 3.8 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.
- 3.9 During this year there were no changes in composition of the Board. There is no anticipated change next year, with three appointments coming to an end the year after (March 2021). Planning for those 2021 appointments will start within the coming business year (2019/20).

	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

- 3.10 The Board met formally for seven meetings during the course of the year, as well as taking part in a planning and strategy workshop and several development sessions. Minutes are published on our website.
- 3.11 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.
- 3.12 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 six development sessions each year.

Governance framework

- 3.13 The SLCC has a governance framework which comprises 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.
- 3.14 The governance framework has been in place for the year ended 30 June 2019 and up to the date of approval of the annual report and financial statements.
- 3.15 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 within this business year. To minimise transition risks to governance, an intensive week-long structure induction was delivered, a year-long development plan put in place, and additional outsourced internal audit capacity put in place.
- 3.16 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. The Audit Committee meets quarterly.

- 3.17 A Board level Health and Safety Committee assists with this key area, and met four times. During this year a Remuneration Committee was established (but its first meeting was not held before the end of the year).
- 3.18 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> .
- 3.19 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.
- 3.20 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.
- 3.21 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

- 3.22 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.
- 3.23 During the year 2018-2019 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:
- Appointed a lead Board and Audit Committee member on Cybersecurity, and discussed cybersecurity issues throughout the year (including in the context of *'Safe, Secure and Prosperous, A Cyber Resilience Strategy for Scotland'*), as well as working to meet the Cyber Essentials standard (which was achieved at the end of the year).
 - Worked with Scott Moncrieff on outsourced internal audits of our payroll (our largest area of expenditure), the accuracy and retention of our complaints files (in particular, in light of GDPR), and the management of the 'agile' change process we have been using to improve our core processes (where a higher risk appetite was approved, and with the audit being an additional counterbalance put in place in that context).

- Reviewed internal audits carried out by our Data Protection Officer on GDPR compliance and arrangements for home working, and reviewed data analysis from our Finance and Corporate Services Manager on member expenses and policy compliance.
- Discussed every risk on the strategic risk register on a quarterly basis, with a detailed discussion at the Audit Committee and approval at Board.
- Reviewed the updated Scottish Government Audit Handbook, and carried out a self-assessment of our Audit Committee to ensure best practice was being followed – setting various actions as an outcome.
- Reviewed and updated our Scheme of Delegation and Governance Policy.
- Revised and updated our assurance mapping.
- Refreshed all Health and Safety risk assessments during this year – working with our Board level Health and Safety Committee.
- Reviewed new guidance from OSCR on fraud risk to charities, discussing the learning on risk and controls for our own organisation.
- Analysed themes within 'Service Delivery Complaints' (complaints about the SLCC's own services) to identify risks and issues, and ensure appropriate action was being taken.
- Carried out 'dip sample' tests on complaints files to ensure compliance with internal policies.
- Considered issues arising from a hard or soft 'Brexit', and approved a Brexit Management paper, which has also been submitted as part of our annual audit 2018/19.
- Used 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. At year-end we started to work on commissioning 'root cause analysis' data analytics on a five year set of complaints data.
- 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 NXD CPD sessions. The Audit Committee also reviewed the findings of Scott Moncrieff's NXD research.
- Commissioned training on governance and accountability, for the Audit Committee and Board, to be delivered in the coming business year.
- 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.

3.24 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.

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

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

Parliamentary accountability

3.27 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.



Neil Stevenson
Chief Executive Officer

7 October 2019

4. Remuneration and staff report

Remuneration policy and report

4.1 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

4.2 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 2019, £9,431 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.

Neil Stevenson

	2018/19 £'000	2017/18 £'000
Salary range	75-80	75-80
Pension Contributions	5-10	5-10
Benefits in kind	Nil	Nil
Total	<u>85-90</u>	<u>85-90</u>

Chair/Board fees

4.3 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.

Remuneration – Band 2	2018/19	2018/19	2017/18	2017/18
	Daily Fees £	£'000	Daily Fees £	£'000
Bill Brackenridge, Chair (ceased)	n/a	n/a	313	10-15
Jim Martin, Chair	319	10-15	313	5-10
Professor Kevin Dunion OBE (ceased)	n/a	n/a	212	0-5
Dr Michelle Hynd	216	5-10	212	5-10
Amanda Pringle	216	15-20	212	10-15
Emma Hutton	216	0-5	212	0-5
Denise Loney	216	5-10	212	5-10
Sarah McLuckie	216	0-5	212	5-10
Kay Springham QC	216	5-10	212	5-10
Sara Hesp	216	10-15	212	10-15
Morag Sheppard	216	5-10	212	0-5

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

- 4.4 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.
- 4.5 The banded remuneration of the highest-paid employee in the SLCC in the financial year 2018/19 was £75,000 to £80,000 (2017/18, £75,000 to £80,000). This was 2.3 times (2017/18, 2.5 times) the median remuneration of the workforce, which was £33,844 (2017/18, £30,851). The lowest remuneration paid for 2018/19 was £18,388.
- 4.6 In 2018/19, 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.
- 4.7 In line with public sector pay policy, SLCC applied an increase of three percent for those earning under £36,500 and 2% to those earning between £36,500 and £80,000.
- 4.8 During the year to 30 June 2019 no exit packages were considered or approved. No off-payroll payments were made.
- 4.9 The SLCC currently holds the Living Wage accreditation.
- 4.10 All information disclosed in the tables in this Remuneration Report, together with disclosures on fair pay and analysis of staff costs, was audited by Deloitte. The other sections of the Remuneration Report were reviewed by Deloitte to ensure that they are consistent with the financial statements.

Staff report (including staff engagement)

- 4.11 The average number of full time equivalent staff (FTE) employed by the SLCC during the year was 61 (55 2017/18). Staffing was slightly higher than last year, with resource dedicated to dealing with the increased caseload and increasing the speed of dealing with complaints (with achievement of this goal being beneficial to both the public and to lawyers) and the recent management restructure
- 4.12 This year has seen a change in our senior management structure. After an independent review into our management structure and discussion internally with the Board and CEO, it was felt a simpler structure with clear accountability would help lead to a better balance of responsibility to help deliver our strategic and statutory objectives. The new senior management structure is now made up of the CEO and three Directors who have specific responsibilities across three business areas. The CEO is the only role equivalent to a 'Senior Civil Servant'.
- 4.13 There is a slight increase in our sickness absence, with an average staff absence for the year of 4.22% (including all long-term absences in the year). This is a slight increase on last year (4.15%), which is again driven by long term absence.
- 4.14 Turnover of staff was 7.39% in the year (7.15% 2017/18). This is a slight increase compared with last year.

- 4.15 One grievance was submitted during this year and has been concluded. One previous disciplinary process (May 2016) was challenged at Employment Tribunal, where we were successful. However, we still await final confirmation that an Appeal of the decision will not be allowed.
- 4.16 This year has seen the introduction of mental health first aiders to the organisation. The two day training course was run in-house and the feedback from the course was very positive. This means we now have 17 staff trained as mental health first aiders and are working to embed them into the organisation.

Staff composition and equal pay

- 4.17 Our current staff composite is of 64 staff, 41 are female (64%) and are 23 male (36%). There is no improvement on our gender balance, compared with the previous year.
- 4.18 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.
- 4.19 In our management grades we have equal numbers of male and female in Grade 5 roles (one of each). At Grade 6 roles there are 50% more males than females (four male to two females). On average females are paid slightly more than males in both Grades due to their Spine Points (linked to length of satisfactory service). At Grade 7 there is one male and one female, while at Grade 8 there is one female. The current Chief Executive is male.
- 4.20 Grade 4 is our largest grade in terms of numbers of staff. Within this Grade there are 41 staff, 27 females (66%) and 14 males (34%). Within the lower three spine points there are 13 females and 8 males, however, within the top three spine points there are 14 females and 6 males. This relates solely to length of satisfactory service and suggests no structural issue.
- 4.21 From Grade 1 to Grade 4 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.
- 4.22 In terms of both grades and the organisation overall we continue to deliver equal pay.

Equal opportunities and diversity statement

- 4.23 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

- 4.24 The SLCC follows the Civil Service Recruitment principles to ensure fair recruitment for all, including those with disabilities. At the last survey 22% of our staff indicated they have a disability. 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.
- 4.25 In the most recent equality survey 97% of our staff reported the SLCC was a fair place to work. Reasonable adjustment, unconscious bias, and equality training are provided annually.

4.26 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 took the chance to refresh staff training on bomb threats and dealing with suspicious packages.

Trade Union Facility Time

4.27 On 19th February this year the SLCC entered into a voluntary recognition agreement with the 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.

4.28 Trade Union Representatives

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

4.29 Percentage of time spent on Facility Time

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

4.30 Percentage of pay bill on Facility Time

Total Cost of Facility Time	£1,700
Total Pay Bill	£2,600,943
Percentage of Total Pay Bill Spent on Facility Time	0.07%

(Note this is from 19th February to 30th June 2019)

4.31 Paid TU Activities

Time spent on paid TU Activities as a % of total paid Facility Time	12%
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Neil Stevenson
Chief Executive Officer

7 October 2019

**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 accounts of Scottish Legal Complaints Commission for the year ended 30 June 2019 under the Legal Profession and Legal Aid (Scotland) Act 2007. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income and Expenditure, 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 three 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 Accountable Officer Responsibilities, 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 auditor's report thereon. 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

7 October 2019

5. Statement of comprehensive net expenditure for year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Operating Income	2	(3,580)	(3,159)
Expenditure			
Staff Costs	3,4	2,635	2,291
Other Administration Costs	5	910	833
Depreciation and Amortisation	6,7	30	43
Net Operating (Income)/Cost		(5)	8
Other Comprehensive Income			
Actuarial Loss / (Gain) on Pension Scheme		107	(82)
Pension Surplus not Recognised		(38)	38
Total comprehensive expense/ (surplus) for the year		64	(36)

All amounts relate to continuing activities.

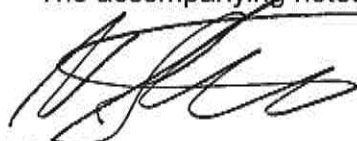
The accompanying notes on pages 33 to 43 form an integral part of these accounts.

6. Statement of financial position as at 30 June 2019

	Notes	2019 £'000	2018 £'000
Non- Current Assets			
Property, Plant and Equipment	6	17	25
Intangible Assets	7	21	41
Total Non-Current Assets		38	66
Current Assets			
Trade and Other Receivables	8	126	91
Cash and Cash Equivalents	9	668	607
Total Current Assets		794	698
Total Assets		832	764
Current Liabilities			
Trade and other payables	10	(215)	(193)
Total Current Liabilities		215	193
Net Current Assets		579	505
Total Assets less Current Liabilities		617	571
Pension Scheme Liability	18	79	0
Non- Current Assets plus Net Current Assets including Pension Liabilities		538	571
Non- Current Liabilities-			
Provisions for liabilities and charges	11	(145)	(114)
Assets less Liabilities		393	457
Equity			
General Fund		472	457
Pension Reserve Provision		(79)	0
Total Equity		393	457

The General Fund represents net assets available to the SLCC at the balance sheet date.

The accompanying notes on pages 33 to 43 form an integral part of these accounts.



Neil Stevenson
Chief Executive Officer

7 October 2019

7. Statement of cash flow for year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Cash Flow From Operating Activities			
Net Operating Income/(Expenditure)	6	5	(8)
Adjustment for Non Cash Transactions			
Depreciation	6	10	12
Amortisation	7	20	31
Net Charges for Retirement Benefits	18	17	14
Employer's Contribution payable to LPF	18	(6)	(21)
Net Interest on Pension Scheme	18	(1)	2
Increase in Trade and Other Receivables	8	(35)	(11)
Increase in Trade and Other Payables	10	22	(51)
Increase in Provisions	11	31	(34)
Increase/(Decrease) from Operating Activities		63	(66)
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	6	(2)	(22)
Purchase of Intangible Assets - Software	7	-	(18)
Net Cash Outflow from Investing Activities		(2)	(40)
Increase/(Decrease) in cash		61	(106)
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of Year		607	713
Cash and Cash Equivalents at the end of Year		668	607

8. Statement of changes in equity for year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Balance at 1 July 2018		457	421
Surplus/(Deficit) on Provision of Services		5	(8)
Actuarial (Loss)/Gain on Pension Scheme	18	(107)	82
Pension Surplus Not Recognised	18	38	(38)
Balance at 30 June 2019		393	457

The accompanying notes on pages 33 to 43 form an integral part of these accounts.

9. Notes to accounts

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.

1.1 Critical accounting estimates and judgements

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.

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in notes 17-19. Provisions are based on estimates. A provision has been included to take into account two 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.

1.2 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.

1.3 Newly adopted IFRS

In these financial statements, there are no adopted IFRSs which are effective for the first time which have had a material effect on the financial statements, therefore there has been no restatement of the comparatives.

1.4 IFRSs 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 14 Regulatory Deferral Accounts is currently not been EU-endorsed so does not apply.
- IFRS 16 Leases is effective for years beginning on or after 1 January 2019.
- IFRS 17 Insurance Contracts is effective for years beginning on or after 1 January 2021.
- IFRIC 23 Uncertainty over income Tax Treatments is effective for years beginning or after 1 January 2019.
- With the exception of IFRS 16 (which will have a material impact) it is not expected that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements in future years.

1.5 Property, plant and equipment

1.5.1 Capitalisation

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

1.5.2 Valuation

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

1.5.3 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.

1.6 Leases

The SLCC holds no material finance leases. Leases where most of the risks and rewards of ownership remain with the lessor are classified as operating leases. Costs in respect of operating leases are charged to the Operating Cost statement as they fall due.

1.7 Pension Costs

The staff of SLCC are members of the SLCC Pension Scheme administered by Standard Life (a money purchase scheme), or the Local Government Pension Scheme (Scotland) administered by Lothian Pension Fund.

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. A net surplus is currently not recognised by the SLCC.

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.

1.8 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.

1.9 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.

1.10 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.

1.11 Cash and cash equivalents

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

2. Operating Income

	2019	2018
	£'000	£'000
Levy from Law Society of Scotland	3,244	2,993
Levy from Faculty of Advocates	79	75
Approved Regulator Levy (Law Society of Scotland)	20	-
Complaints Levies	116	34
Total levies for year	3,459	3,102
Bank interest	37	28
Recovery of legal expenses	9	29
Recharges to Scottish Government	27	-
Scottish Government ABS contribution	48	-
Total other income	121	57
Total income from all sources	3,580	3,159

3. Staff numbers and costs

3.1 Staff employed

The average number of staff full time equivalent (FTE) employed by the SLCC during the year was 61 FTE, detailed as follows:

	2019	2018
CEO	1	1
Staff	60	54
Total average FTE	61	55

3.2 Breakdown of Board members

	2019	2018
Chair	1	1
Members	8	8
Total average FTE	9	9

3.3 Breakdown of staff and member costs

	2019			2018		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	2,227	2,147	80	1,932	1,842	90
Social security costs	211	200	11	183	174	9
Pension costs	175	175	-	154	154	-
Outsourced staff costs	22	22	-	22	22	-
Total salary costs	2,635	2,544	91	2,291	2,192	99

4. Pension Costs

For 2018/2019, employer's contributions of £162,278 (2017/18 £133,970) were payable to Standard Life at 8% and 12% of pensionable pay and £6,201 (2017/18 £24,835) to Lothian Pension Fund at 17.5% of pensionable pay, based on salary bands. These figures are prior to defined benefit adjustments.

On death, pensions are payable to dependents of members of the Local Government Pension Scheme (Scotland). All SLCC staff are covered by Death in Service life assurance and the scheme pays a sum of four times pensionable pay.

Full details of the defined benefit scheme administered by Lothian Pension Fund are contained in note 17-19.

5. Operating Expenditure

	2019 £'000	2018 £'000
Property	317	340
Office	69	59
Staff Training & Recruitment	41	68
Travel & hospitality	13	15
IT	102	89
Outreach	40	45
Research	12	9
Legal	259	178
Financial	24	23
Bad Debt Provision	33	7
	910	833

The above total includes the external auditor's remuneration of £12,420 (£12,170 – 2017/18).

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

6. Property, Plant and Equipment

Tangible Non- Current Assets

	2019 Furniture & fixtures and fittings £'000	2018 Furniture & fixtures and fittings £'000	2019 IT & telecoms equipment £'000	2018 IT & telecoms equipment £'000	2019 Total tangible assets £'000	2018 Total tangible assets £'000
Cost						
At 1 July 2018	158	157	202	239	360	396
Additions	1	1	1	21	2	22
Disposals	-	-	-	58	-	58
At 30 June 2019	159	158	203	202	362	360
Depreciation						
As 1 July 2018	156	152	179	229	335	381
Charge for year	1	4	9	8	10	12
Disposals	-	-	-	58	-	58
At 30 June 2019	157	156	188	179	345	335
NBV at 30 June						
2019	2	2	15	23	17	25
NBV at 30 June						
2018	2	5	23	10	25	15

7. Intangible Assets

Included in the below is £179,000 of assets (£179,000 – 2017/18) donated by the Scottish Government. These assets are now fully depreciated and the Donated Assets Reserve has consequently been reduced to zero.

Cost	2019	2018	2019	2018
	Software	Software	Total intangible assets	Total intangible assets
	£'000	£'000	£'000	£'000
At 1 July 2018	318	300	318	300
Additions	-	18	-	18
At 30 June 2019	318	318	318	318
Depreciation				
As 1 July 2018	277	246	277	246
Charge for year	20	31	20	31
At 30 June 2019	297	277	297	277
NBV at 30 June 2019	21	41	21	41
NBV at 30 June 2018	41	54	41	54

8. Trade Receivables and Other Current Assets

	2019	2018
	£'000	£'000
Other Debtors	98	54
Expected credit losses	(74)	(46)
Prepayments	102	83
	126	91

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. Amounts have not been restated as the impact on the financial statements is immaterial. The expected credit loss provision has increased year on year due to the complaints levy increasing and therefore the debtors increasing.

9. Cash and Cash Equivalents

	2019	2018
	£'000	£'000
Opening balance	607	713
Net change in cash and cash equivalent balances	61	(106)
Balance at 30 June 2019	668	607
Analysed as:		
Cash	50	50
Term Deposits	618	557
Total	668	607

10. Trade Payables and Other Current Liabilities – amounts falling due within one year

	2019 £'000	2018 £'000
Trade Payables	56	40
Taxes and Social security Costs	60	54
Accruals and Other Creditors	99	99
	215	193

All of the creditors are held at amortised cost.

11. Provisions for liabilities and charges

	2019 Dilapidation Provision £'000	2018 Dilapidation Provision £'000	2019 Legal Provision £'000	2018 Legal Provision £'000	2019 Total £'000	2018 Total £'000
As at 1 July 2018	69	64	45	84	114	148
Provided in year	-	5	31	-	31	5
Released from provision	-	-	-	39	-	39
As at 30 June 2019	69	69	76	45	145	114

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 has recently negotiated a new ten year lease extension 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 ongoing employment tribunal action plus an estimate of costs payable by the SLCC in respect of recent appeal decisions.

12. Operating leases

	Building £'000	Totals 2019 £'000	Totals 2018 £'000
Operating Lease Payment Commitments Expiring:			
Not later than One Year	125	125	132
Later than One but less than Five Years	502	502	502
Later than Five Years	527	527	711
	1,154	1,154	1,345

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 (£132,000 – 2017/18). 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.

13. Capital commitments

There were no contracted capital commitments as at 30 June 2019 (£0 – 2017/18).

14. Related party transactions

There were no related party transactions during the year.

15. 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 the cases are ongoing.

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

16. Post Balance Sheet Events

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

17. Defined Benefit Pension Scheme

Some employees are eligible for membership of the Local Government Pension Scheme. The scheme is a defined benefit scheme administered by City of Edinburgh Council.

The most recent actuarial valuation was carried out by Hymans Robertson LLP to 30 June 2019. The contributions paid are set by the Fund Actuary at each triennial valuation or at any other time as instructed to do so by the Administering Authority. The SLCC is only liable for its own obligations under the terms of the Scheme.

The principal actuarial assumptions used by the actuaries were as follows:

	2019 %	2018 %
Discount rate at 30 June	2.4	2.9
Expected return on plan assets at 30 June	3.0	3.7
Future salary increases*	4.1	3.5
Future pension increases	2.4	2.3
Inflation assumption	2.0	2.5

* Please note that the salary increase assumption for 30 June 2010 is 1.0% p.a. until 30 June 2015, reverting to the long term assumption shown thereafter.

The post-retirement mortality assumptions used to value the benefit obligation at 30 June 2019 are based on the Fund's Vita-Curves. Using the CMI 2016 model it is assumed that the current rate of improvement has peaked and will converge to a long term rate of 1.25%. Based on these assumptions, the average future life expectancies at age 65 for current pensioners are 21.7 years for males and 24.3 years for females, and for future pensioners 24.7 years for males and 27.5 years for females. The mortality assumptions used to value obligations at year end differ from those used in the previous accounting year.

An allowance is included for future Retirees to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

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

	2019	2018
	£'000	£'000
Current and Past service cost	17	14
Interest on obligation	17	18
Expected return on plan assets	(18)	(16)
Total	16	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:

	2019	2018
	£'000	£'000
Fair value of plan assets	664	604
Present value of funded retirement benefit obligations	(743)	(566)
Pension deficit	79	0
Pension deficit/(surplus) not recognised	-	(38)
Net liability	79	0

The major categories of plan asset and percentage of the total plan assets are as follows:

	2019	%	2018	%
	£'000		£'000	
Equities	396	60	0	0
Bonds	175	26	604	100
Property	43	6	0	0
Cash	50	8	0	0
	664	100	604	100

18. Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Balance at 1 July	604	650	604	601	0	49
Included in profit or loss						
Current and Past service cost	17	14	-	-	17	14
Interest cost/(income)	17	18	18	16	(1)	2
Included in OCI						
Re-measurements loss/(gain):						
Actuarial loss (gain) arising from Change in financial assumptions	146	(114)	-	-	146	(114)
Return on plan assets excluding interest income			39	(32)	(39)	32
Other Experience						
Changes in Demographic assumptions	-	-	-	-	-	-
Other						
Contributions paid by the employer	-	-	6	21	(6)	(21)
Contributions paid by employee	2	2	2	2	-	-
Benefits paid	(5)	(4)	(5)	(4)	-	-
Surplus not recognised	(38)	38	-	-	(38)	38
Balance at 30 June (2018 Surplus not recognised)	743	604	664	604	79	0

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

	2019	2018
	£'000	£'000
Opening defined benefit obligation at 1 July	604	650
Current & Past service cost	17	14
Benefits paid	(5)	(4)
Interest cost	17	18
Change in financial assumptions	146	(64)
Surplus not recognised (2019 reversed)	(38)	38
Changes in demographic assumptions	-	(3)
Other experience	-	(47)
Contributions by plan participants	2	2
Closing defined benefit obligation at 30 June	743	604

Amounts for the current and previous years are as follows:

	2019	2018	2017
	£'000	£'000	£'000
Fair value of plan assets at 30 June	664	604	601
Present value of defined benefit obligation at 30 June	(743)	(604)	(650)
Surplus/(deficit) in the plan	(79)	0	49
Experience adjustments arising on plan assets	-	-	-
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2020, SLCC estimates that contributions of £6,000 will be paid to the Local Government Pension Scheme.

19. Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Employer	Approximate monetary amount £(000)
0.5% decrease in Real Discount Rate	17%	124
0.5% increase in the Salary Increase Rate	4%	31
0.5% increase in the Pension Increase Rate	12%	90

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year and is consistent with that adopted to derive the IAS19 figures in this report. The principal demographic assumption is the longevity assumption. A one year increase in life expectancy would approximately increase Defined Benefit Obligations by 3-5%. The actual cost will depend on the structure of the revised assumption. The above figures have been derived based on the membership profile of the employer as at the date of the most recent valuation.

20. McCloud judgment

The employee we have in Lothian Pension Fund was transferred over as part of a TUPE agreement. There is a £6,000 obligation on Past Service cost adjustment due to the McCloud judgement, the SLCC considers this cost to be immaterial.

SLCC staff retain a protected normal pension age of 60, which was unaffected by the introduction of the underpin. This is confirmed in Regulation 24 of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014,

Appendix 1 – Direction by Scottish Ministers



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