

Scottish Legal Complaints Commission

Annual Accounts

Year ended 30 June 2018



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

Performance overview

Introduction

- 1.1 The purpose of this section is to provide an overview of the organisation, our functions and powers, our strategy, our performance, and key outcomes for the year.

History and statutory background

- 1.2 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.
- 1.3 The SLCC is a body corporate and is domiciled in Scotland.

Purpose: statutory powers and responsibilities

- 1.4 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 (eg. the Master Policy).
- 1.5 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" have dealt with those conduct issues, and
 - (viii) Manage complaints about "Approved Regulators".
- 1.6 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.
- 1.7 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.

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

- (i) Make recommendations on how we 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.

1.9 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) We live in a Scotland that is the most attractive place for doing business in Europe
- (ii) We have tackled the significant inequalities in Scottish society
- (iii) We live our lives safe from crime, disorder and danger
- (iv) We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others, and
- (v) Our public services are high quality, continually improving, efficient and responsive to local people's needs.

1.10 We also take account of the Scottish Government "Value and Priorities for Justice in Scotland" (which was updated in 2017).

Purpose: strategy and process

1.11 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.

1.12 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.

Statement of the CEO

- 1.13 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 Accounts and Annual Report then complete the cycle, reporting on performance within that year.
- 1.14 In the following sections of this report we give a full account of our financial position, our performance, key achievements and activity, key risks, remuneration information, and governance information.
- 1.15 Details of the volumes of cases handled and the different outcomes provide transparency on our core work.
- 1.16 Our management of our finances shows prudent financial planning and careful monitoring during the year to deliver our anticipated outturn.
- 1.17 We delivered the majority of the projects in our published Operating Plan for 17/18 (the third year of work under the four year strategy), with the Board decommissioning one based on changes of circumstances and priorities.
- 1.18 Three significant events require to be reported this year:
- (i) Incoming cases increased by a further 6.2% during this year, meaning there has been a rise of over 22% in three years in incoming workload
 - (ii) Changes in the management structure were approved by the Board in 17/18, the new structure focusses on improving the performance of the business. The changes will have an impact on budget for 18/19, and
 - (iii) We have signed a new ten year lease (with a five year tenant only break clause). This delivers not only savings, but also allows for a review of factors such as provision for dilapidations and capital investment plans around office refurbishment and IT.

Statement of going concern

- 1.19 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.

Key activities and achievements

During this year we have:

- 1.20 **Focussed on a review of all possible efficiencies to the process** – this has led to a five element programme, published in our budget consultation in January 2018:
- Short-term internal changes and improvement to our process;
 - 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
 - Longer term work to contribute to the independent review of legal regulation on the option of a new “fit for purpose” Act
 - Changes to our management team, with the recruitment of new posts, focussed on improving the performance of the business, and
 - Work to improve the handling of complaints by firms which may reduce our case load and get faster and better outcomes for consumers.

- 1.21 **Contributed actively to the independent review of legal regulation** – we responded to the “call for evidence” in March with a bold proposal for a single, combined, complaints function and body which would be more modern, proportionate and agile, and which would deliver fairer outcomes for the sector and consumers. Our Chair led a successful joint event with Queen Margaret University to examine opportunities to improve the system.
- 1.22 **Prepared for the introduction of ‘Alternative Business Structures’ in Scotland** – we have set up the financial model for this new area of work, agreed set-up funding with government, and collected our first levy. We will have a complaints process for the four new types of complaint ready for the launch of ABS in December.
- 1.23 **Supported the Consumer Panel** – we have been supporting the work of the statutory independent Consumer Panel in their fourth year, drawing extensively on their experience and providing research resource. We held a successful roundtable event focussing on ‘vulnerable consumers’.
- 1.24 **Increased our engagement with the legal profession** – we have continued to build on our annual cycle of workshops and conference speaking. At the same time we have contributed regular features to the Journal – the magazine for the Law Society’s members – and the Scottish press, and we have refined the format and content of our newsletter for Client Relations Managers. We have also invited members of the profession and the RPOs to our roundtable discussion events on the complaints process and on what we need to do to take account of vulnerable consumers.
- 1.25 **Improved access** – we rolled out ‘reasonable adjustment’ training and a written guide to new staff to help support individual complainers and lawyers to meet their needs, as well as an accessibility audit of our website. We created easy read versions of our guide on how to make a complaint, as well as a Privacy Statement aimed at an under 16 readership and a ‘video’ privacy statement to aid understanding.
- 1.26 **Examined why a long-term and significant rise of complaints might be occurring** - we can analyse complaints by practice area (conveyancing, or family) and type (delay or communication). Complaints seemed to be rising across the board, with patterns in these areas fairly similar over the last eight years other than being increased overall. We examined trends in firms being subject to complaints, but no significant trends were identified. We looked at the market, and increasing business as the country came out of the worst of the downturn and at increased solicitor numbers, either of which might influence a proportional increase in complaints, and this could be one factor. We also assessed the available data on consumer trends. This indicates an increasing trend to complain overall, including in Scotland where, historically, evidence had suggested that consumers are less likely to complain than in other jurisdictions. We liaised with other complaints bodies, and noted legal complaints were increasing in England and Wales too. No single factor provides clear statistical evidence. It cannot be said, from the evidence, that standards of work have changed, only that complaint numbers have increased, as has complaint complexity. For the SLCC, that continues to mean increasing work (irrespective of cause).
- 1.27 **Supported ‘Diversity in Governance’** – we participated 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. The SLCC signed up to the diversity in governance statement (including undertaking a diversity self-assessment).
- 1.28 **Promoted mediation** – we have published new materials, including a new short video, to encourage parties to use our mediation service – which can be faster, and which often leads to a better overall outcome for both parties.
- 1.29 **Continued to ensure transparency in our work** – we published details of our internal procedures in relation to complaints handling. We responded to 50 Freedom of Information

requests and 17 Data Protection requests. We achieved day-one compliance with the new General Data Protection Regulations (GDPR) and now plan further work to ensure we meet our obligations. We have completed our first six month review of our Records Management Plan. Our publishing of anonymous Determination case synopses (started last year) is now an embedded part of our work.

- 1.30 **Received our first Plain English Accreditation**– working with our Consumer Panel we have reviewed standard correspondence and are making recommendations for changes to improve readability for all our service users (whilst recognising there are often complex legal issues which need to be addressed in official determinations to a legal standard that minimises appeal risk). We have created new templates for our 'eligibility decisions' which we hope are easier for members of the public to understand. Our first public information leaflets were formally accredited.
- 1.31 **We have put out tenders for both the provision of our legal services and our website** – this delivers on our commitment periodically to tender work to achieve best value and ensure quality.
- 1.32 **Evolved our staff engagement** – we have held elections for Staff Representatives, and they have held a number of workshops with staff this year on various issues. We have delivered all the actions arising from our staff survey, and the follow-up workshop. We have continued our Living Wage accreditation (including firmer requirements in contractor tenders). We held a successful Mental Health Awareness week, and received excellent feedback in our equality survey with 97% of our staff saying this was a fair place to work. Last year we had delivered new guidance on 'saying thanks' and on how staff could contribute thoughts and ideas to the business. We were therefore also pleased to see that 92% believe they received praise, and that they have a voice in the organisation.
- 1.33 **Signed up to the Scottish Government 'Social Impact Pledge'** – to find small positive ways to assist our local community.
- 1.34 **Benchmarked our rewards and benefits package for staff** – including a formal market review by Hay, and the creation of a local set of benchmarks against organisations looking for similar skills sets in the central belt area. Our Board has reviewed this data, and we have entered discussion with government on the future of our grading structure.
- 1.35 **Delivered extensive training** – we have delivered six workshops to our Board, and delivered an extensive training plan to staff across technical legal areas, resolution techniques, and the 'insights' programme helping us to understand and manage 'change' and 'conflict'.
- 1.36 **Completed a property market review and have signed a new lease** – we engaged with Scottish Government and carried out an audit of need, including space planning, and then undertook a full market search. We developed a business case based on the requirements of the Scottish Public Finance Manual, the Treasury 'Green Book' and other relevant guidance and best practice. We have now signed a ten year lease (with a five year tenant only break clause) delivering a five year saving of around £80,000).

Environmental and sustainable development matters

- 1.37 The SLCC is committed to supporting national aims and policies on Environmental and Sustainable Development. We endeavour to run our organisation responsibly and ethically. This year we published a three year review (2015-2017) reporting on our work to meet the Scottish Bio-diversity Duty.). A full report can be found at: <https://www.scottishlegalcomplaints.org.uk/about-slcc/what-we-do/our-processes/biodiversity.aspx>

Key issues and risks

- 1.38 Our risk policy and risk register underwent a major review last year (with the support of our internal auditors, Scott Moncrieff) and was maintained, updated, and scrutinised at Audit Committee and Board throughout this year.
- 1.39 This year we avoided any serious IT security or failure incidents (although we had one minor virus issue) and we continue to focus on security and staff training to minimise risk. A simulated business continuity exercise, based around an IT failure, was held with managers.
- 1.40 Over the last three years there has been an increase of over 22% in incoming complaints. This means more work for the business and ongoing and increasing pressure on resources.
- 1.41 The SLCC had called for an independent review of the regulation of legal services, and the need for radical change, and was delighted to see this established last year. Both the CEO and Chair have served on the review group at different stages, and we formally submitted recommendations as part of the 'call for evidence' process led by the review group. We proposed a single complaint process and body, as being in the best interests of consumers and the sector, which would be a dramatic change to current arrangements. We do not yet know if the review group will accept this recommendation, or, if it does, how this would be delivered – be that through the SLCC taking on new functions, the merging of functions, or the creation of a new body with functions being transferred into it. There are risks and opportunities in any transition, but there is likely to be considerable planning and lead in as new legislation will be required.
- 1.42 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. We are also concerned that the financial model for regulation may not be viable or sustainable, if only a small number of firms apply, , and that the independent review of legal regulation may recommend changes which means this market never develops before it is superseded (and the significant investment in setting it up is wasted). These are factors out-with the control of the SLCC. We currently have an implementation date from the Scottish Government of December 2018.
- 1.43 The organisation has considered issues around the United Kingdom's planned departure from the European Union, but due to the focussed nature of our work we have not identified any significant risks above and beyond general issues which may affect the economy and all organisations.
- 1.44 Last year we reported the risks around our lease ending in September 2018. We have now signed a new lease, with government approval, for the next ten years (with a five year tenant only break clause) so this risk is now removed.
- 1.45 We have one outstanding Appeal of an Employment Tribunal (we were successful in the original tribunal), which presents reputational and financial risks (legal fees, and if any compensation is awarded).

The link between KPIs, risk and uncertainty

- 1.46 The single factor in defining 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.

Budget performance

- 1.47 The SLCC set its anticipated expenditure requirements for 2017-18 at £3,223,700 against which it received income of £3,158,565. Actual expenditure was £3,166,342 leaving a deficit of £7,777. After a positive pension valuation adjustment this results in a surplus for the year of £36,223. This compares with a deficit of £193,747 for 2016/17 which reflected the need to invest in staff to deal with increased caseload whilst acknowledging the need to consider the impact of the level of levy.
- 1.48 The main areas of underspend against budget were case specific legal expenses, office costs and member salaries. Reduced legal spend reflected the earlier than anticipated resolution of cases brought against the SLCC, by the Law Society of Scotland, in relation to the interpretation of the Legal Profession and Legal Aid (Scotland) Act 2007.
- 1.49 Overspends against budget were experienced in relation to staff recruitment, corporate legal expenses, property and communications.
- 1.50 Total reserves held at the end of the financial year amounted to £457,000 compared to £421,000 at 30 June 2017. This figure is marginally below our reserves policy position of between two and three months average expenditure.

Payment of creditors and Regularity of expenditure

- 1.51 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 93% (2017 – 95%).

Annual Audit

- 1.52 The accounts are audited by an auditor appointed by the Auditor General for Scotland and she has appointed Deloitte LLP as the SLCC Auditor for 2017-18. 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.

Performance analysis

Introduction

- 1.53 This section provides a summary of our core performance, and further supporting explanation.

Key performance data

- 1.54 Set out below are comparative volumes of work over the last three years. These figures are similar to the statistical information we share with the relevant professional organisations on a quarterly basis.
- 1.55 As noted in last year's report, data for 16/17 was impacted by a significant court case which affected categorisation.

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

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

1.56 We also monitor average 'Journey Time' - the aggregate of average age of cases at each stage of our process. For 2017/18 this was 10.5 months. This is down from the 2016/17 figure of 14.7 months, a figure which was significantly affected by cases on hold due to the court cases outlined in last year's Annual Accounts and Report. The figure in the 2015/16 annual report was 11.7 months.

1.57 All parties are issued a customer service feedback form at the end of each complaint. During 2017/18 we received a 12.5% response rate (compared to 13% last year). We continue to examine ways to increase the response rate, and following input from the Consumer Panel, have revised the feedback form for 2018-19.

1.58 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 This part of our process has now changed, and will no longer be applicable. This line will be removed from future presentations of the data.

- 1.59 Practitioner feedback is strongly positive (irrespective of the case being upheld or not). Reasoning, communication, explanation of the process and information provided all scored above 80% in terms of practitioners recording they were satisfied. Across the whole year satisfaction rates for all criteria were between 43% (satisfaction with the recommendation) and 84% (satisfaction with the helpfulness of SLCC staff). The 43% 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 complainer or practitioner wished for.
- 1.60 On average, consumer satisfaction levels are lower, between 43% (timescales) to 72% (information provided). Satisfaction with the helpfulness of SLCC staff and with communication both scored above 70% in terms of complainers recording they were satisfied. Various actions are contained in the 18/19 operating plan to address areas of lower scoring, and we continue to focus on improvements for consumers (where the average scores are lower).

Explanation of the development and performance of the entity

- 1.61 The biggest factor affecting performance is the ongoing rise in complaints, which has now been a three year trend.
- 1.62 This year we have seen a further 6.2% increase, which brings the total increase over the last three years to over 22%. This places a significant strain on resources.
- 1.63 The number of complaints in hand within the organisation had been steadily growing, by around 200 per year, but this has been largely stabilised this year as increased resources were put in place to address the long-term trend of increasing complaints (meaning output was better matched to incoming case numbers).
- 1.64 In addition, there has been a further reduction this year in cases deemed ineligible, with the total reduction in the last three year being over 58%.
- 1.65 The number of cases resolved at eligibility increased for the third year in a row, in line with our strategic priority to resolve cases early where possible and appropriate.
- 1.66 The number of service complaints accepted, and therefore progressing to full investigation, was up from 159 last year to 230 this year, a 45% increase. The number of hybrid complaints was also marginally up, from 117 last year to 122, a 4.3% increase. Overall, this is almost a 50% increase of cases requiring full service investigation by the SLCC. The gap between service (including hybrids) and conduct (including hybrids) has closed to only seven cases this year.
- 1.67 We were pleased to see the number of cases settled by mediation return to a level more in line with historic performance (52, up from 27 last year, which had been unusually low).
- 1.68 The number of formal determinations issued by the SLCC increased from 95 last year to 136, a 43% increase.
- 1.69 We also continue to look at various factors which may be affecting incoming complaints (practice area, complainer type, nature of complaint) but see no specific trend which helps explain these increases. We produced a discussion paper to share informally with other bodies, including the 'Relevant Professional Bodies'. The main findings were included in our budget consultation in January 2018.



Neil Stevenson
Chief Executive Officer

~~XX~~ **October 2018**

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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/aomemoother>
- 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 auditors are 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 8 October 2018.



Neil Stevenson
Chief Executive Officer

8 October 2018

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, code of conduct and risk management policy.
<https://www.scottishlegalcomplaints.org.uk/about-slcc/who-we-are/governance.aspx>
- 3.2 Compliance with our governance framework is periodically reviewed, including the use of internal audit where appropriate. There were no reported breaches this year. The Audit Committee reviewed one IT security issue, however, this did not relate to personal data. In terms of personnel there were no reportable breaches within the year. On one occasion professional advice was taken on the quoracy of a short notice Board meeting, to ensure compliance with our governance arrangements.

Further details on governance are provided in the remainder of this section.

- 3.3 The SLCC has no directors. Responsibilities sit with Board, the Chief Executive, and the Accountable Officer, as outlined in this report.

Scope of responsibility

- 3.4 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 to us by the legal profession for which I am responsible.
- 3.5 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.
- 3.6 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. Senior staff have been trained on the duties of the Accountable Officer during this business period, and training has been provided to new Board members on the role and the assurance responsibilities of the Board.

The Board

- 3.7 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.
- 3.8 During this year the chair and one lay member departed – Bill Brackenridge as Chair and Professor Kevin Dunion OBE as a lay member.
- 3.9 After a full public appointments process two new members were appointed – Jim Martin as Chair and Morag Sheppard as a lay member.

	Appointment		Years
	From	To	
Chairing Member (Lay)			
Bill Brackenridge (ceased)	01.01.2013	31.12.2017	5
Jim Martin	01.01.2018	31.12.2022	5
Lay Members			
Kevin Dunion OBE (ceased)	01.03.2013	28.02.2018	5
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 14 meetings during the course of the year, as well as taking part in a planning and strategy workshop and several development sessions.
- 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 one of the legal members.

Governance framework

- 3.12 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. The Governance Framework is overseen by the Senior Management Team comprising the Chief Executive Officer, the Head of Investigations, the Head of Oversight, The Finance and Corporate Services Manager and The Clerking Manager. The governance framework has been in place for the year ended 30 June 2017 and up to the date of approval of the annual report and financial statements.
- 3.13 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> .
- 3.14 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 SLCC's 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.
- 3.15 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. All Board members have attended risk management training (via induction or bespoke sessions).

- 3.16 The Audit Committee consists of three members of the Board (and is attended by our internal and external auditors), and provides support to the Board in respect of their responsibilities for issues of risk, control and governance. During the year the Board reviewed and approved revised terms of reference for the Audit Committee. The Audit Committee meets quarterly. A new chair was appointed during this period.
- 3.17 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.

Review of effectiveness

3.18 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 SLCC's 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 SLCC's management team.

3.19 During the year 2017-2018 the SLCC has worked continuously to review and refine its systems of internal control. In particular we have:

- Provided training to new members on risk management
- Worked with Scott Moncrieff on internal audits of our performance managements arrangements (as staff are our largest investment each year) and the reporting of management data (ensuring the integrity and accuracy of performance data reported to the Board)
- Reviewed and updated our Audit Committee Terms of Reference
- Reviewed and updated our Scheme of Delegation and Governance Policy
- Reviewed our assurance mapping once (with a new version approved three weeks after the end of the financial year reported on), and continually updated our risk register
- Reviewed all Health and Safety risk assessments during this period
- Appointed a Data Protection Officer (in line with new GDPR requirements)
- Carried out 'dip sample' tests on complaints files to ensure compliance with internal policies
- 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
- Worked with the Scottish Government on the appointment of two new Board members, and have run a full induction to the organisation and their functions, and
- Reviewed and updated our whistleblowing policy.

- 3.20 We have completed a self-assessment process with our Audit Committee to consider our current performance, and look for improvements. Actions were agreed, and the results and actions were reported to the Board.
- 3.21 On key projects we ensured regular reporting, and risk updates, to the Board – for example, on our property search and negotiation of a new lease, or in relation to our case management system upgrade.
- 3.22 This year we ran a surprise 'business continuity exercise' for senior management simulating a threat to IT assets emerging over a period of time. Actions have included changes to the information assets (contact numbers, etc) that we have in our 'battle boxes'. We undertook a formal debrief, and created a list of improvements we could make, following severe weather in February/March of 2018. We have also invested in a new system allowing rapid text message communication with all staff in emergency situations.
- 3.23 The SLCC complies with the principles of the Scottish Public Finance Manual.
- 3.24 I am satisfied that the SLCC has robust, proportionate and appropriate systems of control in place.

Parliamentary accountability

- 3.25 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

8 October 2018

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 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 2018, £9,109 was paid into a money purchase pension scheme on behalf of the CEO in line with his contract.

Neil Stevenson

	2017-18 £'000	2016-17 £'000
Salary range	75-80	70-75
Pension Contributions	5-10	5-10
Benefits in kind	Nil	Nil
Total	<u>85-90</u>	<u>75-80</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. Further information can be found at www.scotland.gov.uk/publications.

Remuneration – Band 2	2017-18	2017-18	2016-17	2016-17
	Daily Fees £	£'000	Daily Fees £	£'000
Bill Brackenridge, Chair (ceased)	313	10-15	313	35-40
James Martin, Chair	313	5-10	N/A	N/A
George Clark (ceased prior year)	N/A	N/A	212	0-5
Ian Gibson (ceased prior year)	N/A	N/A	212	0-5
Ian Leitch CBE (ceased prior year)	N/A	N/A	212	0-5
Professor Kevin Dunion OBE (ceased)	212	0-5	212	5-10
Dr Michelle Hynd	212	5-10	212	5-10
Amanda Pringle	212	10-15	212	15-20
Emma Hutton	212	0-5	212	0-5
Denise Loney	212	5-10	212	0-5
Sarah McLuckie	212	5-10	212	0-5
Kay Springham QC	212	5-10	212	0-5
Sara Hesp	212	10-15	212	0-5
Morag Sheppard	212	0-5	N/A	N/A

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). This year saw the final phase of board membership changes with the appointment of one new member and a new chair. Expenditure in relation to the chair can reasonably be expected to rise as the role develops, particularly in a period 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 2017-18 was £75,000 to £80,000 (2016-17, £70,000 to £75,000). This was 2.5 times (2016-17, 2.5 times) the median remuneration of the workforce, which was £30,851 (2016-17, £30,545). The lowest remuneration paid for 2017-18 was £15,959.
- 4.6 In 2017-18, 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 SLCC salaries, in line with public sector pay policy, have been restricted to a one percent increase over this period for those earning in excess of £22,000 per annum.
- 4.8 During the year to 30 June 2018 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 period was 55. 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).
- 4.12 New staff representatives were elected by the staff this year, as part of the agreed cycle. Two formal meetings with staff representatives have taken place this year, as set out in our policy. Many policies had been updated the previous year, so this year additional activity focussed on specific issues such as our response to inclement weather early in 2018, workshops on issues of interest to staff (such as around planned management changes), and follow-up work on the staff survey and what actions the organisation should be planning in response to feedback.
- 4.13 We have continued to focus on minimising sickness absence, with the average staff absence for the year being 4.15% (including all long-term absences in the period). This is a slight increase on last year (3.65%) driven by long term absence.
- 4.14 Turnover of staff was 7.15% in the year. This was down from 19.6% last year, and the anticipated reduction reflected our move away from temporary contracts combined with a drop in the number of retirements.

- 4.15 No grievances were submitted during this period, nor were any disciplinary investigations or hearings undertaken. 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 Following our last staff survey our Staff Representatives held workshops with staff to develop actions to improve our employee engagement, these actions were approved by the management team. By year-end all agreed actions have been delivered. Our next staff survey is currently underway, with interim results (based on just over half of staff responding by the time of writing) showing equally positive staff satisfaction as in previous years.
- 4.17 We are supported in some of our HR work by the consultancy Magenta HR.

Staff composition and equal pay

- 4.18 An equal pay evaluation was carried out in August 2018 (two months after the end of the reporting period for these Accounts). It was based on staffing in the month the assessment was carried out – 61 staff, 39 females (64%) and 22 males (36%). This slightly improves our gender balance, with a 5% increase in male staffing.
- 4.19 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.
- 4.20 In our management grades we have equal numbers of male and female in both Grade 5 roles (one of each) and Grade 6 roles (three of each). 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, while at Grade 8 there is one female. The current Chief Executive is male.
- 4.21 Grade 4 is our largest grade in terms of numbers of staff. Within this Grade there are 36 staff, 25 females (69%) and 11 males (31%). Within the lower three spine points there are 16 females and 11 males, however, within the top three spine points there are 9 females and 2 males. This relates solely to length of satisfactory service and suggests no structural issue.
- 4.22 At both Grade 3 and Grade 4 we have more females than males (although at Grade 2 we have parity) - 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.
- 4.23 In terms of both grades and the organisation overall we continue to deliver equal pay.
- 4.24 We experienced the benefit of this in our recruitment exercise for two senior management roles this year (not yet in post) where several candidates flagged our equal pay (and equality survey results) as a key factor attracting them to the organisation.
- 4.25 We also carried out a wider diversity monitoring exercise this year, and published the results to staff.

Equal opportunities and diversity statement

- 4.26 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

- 4.27 The SLCC follows the Civil Service Recruitment principles to ensure fair recruitment for all, including those with disabilities. 22% of our staff indicate 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.
- 4.28 In the equality survey during this year 97% of our staff reported the SLCC was a fair place to work. Reasonable adjustment, unconscious bias, and equality training are provided annually.
- 4.29 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. A staff 'risk spotting' competition took place, as well as staff consultation on the risk assessments. We took part in annual Health and Safety week, with activities on each of the five days related to this theme.
- 4.30 There is no union recognition by the SLCC at this time. The PCS union have been in to present to staff during the course of this year.



Neil Stevenson
Chief Executive Officer

8 October 2018

5. Independent auditor's report

Independent auditor's report to the members of the 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 the Scottish Legal Complaints Commission for the year ended 30 June 2018 under the Legal Profession and Legal Aid (Scotland) Act 2007. The financial statements comprise the Statement of Comprehensive Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 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 2018 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 2017/18 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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 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. 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

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.

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 achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report.

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 auditable 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.

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 approved by the Auditor General for Scotland, 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
8 October 2018

6. Statement of comprehensive income and expenditure for year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Operating Income	2	(3,159)	(2,771)
Expenditure			
Staff Costs	3,4	2,291	2,092
Other Administration Costs	5	833	811
Depreciation and Amortisation	6,7	43	62
Net Operating Cost		8	194
Other Comprehensive Income			
Actuarial (Gain) / Loss on Pension Scheme		(82)	60
Pension Surplus not Recognised		38	0
Total comprehensive (surplus)/expense for the year		(36)	254

All amounts relate to continuing activities.

The accompanying notes on pages 30 to 40 form an integral part of these accounts.

7. Statement of financial position as at 30 June 2018

	Notes	2018 £'000	2017 £'000
Non- Current Assets			
Property, Plant and Equipment	6	25	15
Intangible Assets	7	41	54
Total Non-Current Assets		66	69
Current Assets			
Trade and Other Receivables	8	91	80
Cash and Cash Equivalents	9	607	713
Total Current Assets		698	793
Total Assets		764	862
Current Liabilities			
Trade and other payables	10	(193)	(244)
Total Current Liabilities		193	244
Net Current Assets		505	549
Total Assets less Current Liabilities		571	618
Pension Scheme Liability	18	0	(49)
Non- Current Assets plus Net Current Assets including Pension Liabilities		571	569
Non- Current Liabilities-			
Provisions for liabilities and charges	11	(114)	(148)
Assets less Liabilities		457	421
Equity			
General Fund		457	421
Total Equity		457	421

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

The accompanying notes on pages 30 to 40 form an integral part of these accounts.



Neil Stevenson
Chief Executive Officer

8 October 2018

8. Statement of cash flow for year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Cash Flow From Operating Activities			
Net Operating Expenditure	9	(8)	(194)
Adjustment for Non Cash Transactions			
Depreciation	6	12	13
Amortisation	7	31	49
Net Charges for Retirement Benefits	18	14	
			15
Employer's Contribution payable to LPF	18	(21)	(22)
Net Interest on Pension Scheme	18	2	(4)
Increase in Trade and Other Receivables	8	(11)	(7)
Increase in Trade and Other Payables	10	(51)	6
Increase in Provisions	11	(34)	(26)
Increase/(Decrease) from Operating Activities		(66)	(170)
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	6	(22)	(9)
Purchase of Intangible Assets - Software	7	(18)	(25)
Net Cash Outflow from Investing Activities		(40)	(34)
Increase/(Decrease) in cash	9	(106)	(204)
Net Decrease in Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of Year		713	917
Cash and Cash Equivalents at the end of Year		607	713

9. Statement of changes in equity for year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Balance at 1 July 2017		421	675
Surplus/(Deficit) on Provision of Services		(8)	(194)
Actuarial Gain/(Loss) on Pension Scheme	18	82	(60)
Pension Surplus Not Recognised	18	(38)	-
Balance at 30 June 2018		457	421

The accompanying notes on pages 30 to 40 form an integral part of these accounts.

10. 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.

The Commission has changed its accounting policy regarding legal costs in the year. Legal costs recovered are no longer directly offset against legal costs incurred and are now shown as a separate item within Note 2 Operating Income. This has resulted in an £8k increase to 2016/17 legal costs shown within Note 5 Operating Expenditure, and a corresponding recovery of legal expenses shown within Note 2.

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 note 18.

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 9 Financial Instruments (issued July 2014) and is effective for periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers (issued May 2014) and is effective for periods beginning on or after 1 January 2018
- IFRS 16 Leases (issued January 2016) is effective for periods beginning on or after 1 January 2019, and
- Further clarification to IFRS 15 Revenue from Contracts with Customers – effective for annual periods on or after 1 January 2018.
- 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 periods.

The following amendments to IFRS, issued by the International Accounting Standards Board, that are mandatorily effective in the current year, have been considered and adopted where appropriate:

- Amendments regarding the interaction of IFRS 4 and IFRS 9
- Amendments resulting from Annual Improvements 2012-2014 Cycle
- Amendments to IAS 7 (Statement of Cash Flows) as a result of the Disclosure Initiative effective for annual periods beginning on or after 1 January 2017, and
- Annual improvements to IFRS Standards 2014-2016 Cycle - effective for annual periods beginning on or after 1 January 2018 (IFRS1 and IAS 28).

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 period 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 period 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 either 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 period to which it relates. Interest income is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is receivable.

1.11 Cash and cash equivalents

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

2. Operating Income

	2018	2017
	£'000	£'000
Levy from Law Society of Scotland	2,993	2,634
Levy from Faculty of Advocates	75	68
Complaints Levies	34	31
Total levies for year	3,102	2,733
Bank interest	28	30
Recovery of legal expenses	29	8
Total other income	57	38
Total income from all sources	3,159	2,771

3. Staff numbers and costs

3.1 Staff employed

The average number of staff full time equivalent (FTE) employed by the SLCC during the period was 55 FTE, detailed as follows:

	2018	2017
CEO	1	1
Staff	54	48
Total average FTE	55	49

3.2 Breakdown of Board members

	2018	2017
Chair	1	1
Members	8	8
Total average FTE	9	9

3.3 Breakdown of staff and member costs

	2018			2017		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	1,932	1,842	90	1,770	1,669	101
Social security costs	183	174	9	156	144	12
Pension costs	154	154	-	144	144	-
Outsourced staff costs	22	22	-	22	22	-
Total salary costs	2,291	2,192	99	2,092	1,979	113

4. Pension Costs

For 2017-2018, employer's contributions of £133,970 (2017- £118,179) were payable to Standard Life at 8% and 12% of pensionable pay and £24,835 (2017- £25,967) to Lothian Pension Fund at 33.3% and 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 18.

5. Operating Expenditure

	2018 £'000	2017 £'000
Property	340	321
Office	59	64
Staff Training & Recruitment	68	35
Travel & hospitality	15	14
IT	89	85
Outreach	45	31
Research	9	4
Legal	178	230
Financial	23	20
Bad Debt Provision	7	7
	833	811

The above total includes the external auditor's remuneration of £12,170 (£11,990 2016-17).

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

6. Property, Plant and Equipment

Tangible Non- Current Assets

	2018 Furniture & fixtures and fittings £'000	2017 Furniture & fixtures and fittings £'000	2018 IT & telecoms equipment £'000	2017 IT & telecoms equipment £'000	2018 Total tangible assets £'000	2017 Total tangible assets £'000
Cost						
At 1 July 2017	157	157	239	230	396	387
Additions	1	-	21	9	22	9
Disposals	-	-	58	-	58	-
At 30 June 2018	158	157	202	239	360	396
Depreciation						
As 1 July 2017	152	147	229	221	381	368
Charge for year	4	5	8	8	12	13
Disposals	-	-	58	-	58	-
At 30 June 2018	156	152	179	229	335	381
NBV at 30 June 2018	2	-	23	-	25	-
NBV at 30 June 2017	5	5	10	10	15	15

7. Intangible Assets

Included in the below is £179,000 of assets (£179,000 2016-17) donated by the Scottish Government. These assets are now fully depreciated and the Donated Assets Reserve has consequently been reduced to zero.

Cost	2018	2017	2018	2017
	Software £'000	Software £'000	Total intangible assets £'000	Total intangible assets £'000
At 1 July 2017	300	275	300	275
Additions	18	25	18	25
At 30 June 2018	318	300	318	300
Depreciation				
As 1 July 2017	246	197	246	197
Charge for year	31	49	31	49
At 30 June 2018	277	246	277	246
NBV at 30 June 2018	41	54	41	54
NBV at 30 June 2017	54	78	54	78

8. Trade Receivables and Other Current Assets

	2018 £'000	2017 £'000
Other Debtors	54	47
Bad Debt Provision	(46)	(43)
Prepayments	83	76
	91	80

The Bad Debt Provision is in respect of Complaint Levy Invoices which are considered potentially irrecoverable as at the balance sheet date.

9. Cash and Cash Equivalents

	2018 £'000	2017 £'000
Opening balance	713	917
Net change in cash and cash equivalent balances	(106)	(204)
Balance at 30 June 2018	607	713
Analysed as:		
Cash	50	50
Term Deposits	557	663
Total	607	713

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

	2018	2017
	£'000	£'000
Trade Payables	40	75
Taxes and Social security Costs	54	47
Accruals and Other Creditors	99	122
	193	244

11. Provisions for liabilities and charges

	2018	2017	2018	2017	2018	2017
	Dilapidation Provision	Dilapidation Provision	Legal Provision	Legal Provision	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2017	64	59	84	115	148	174
Provided in year	5	5	-	-	5	5
Released from provision	-	-	39	31	39	31
As at 30 June 2018	69	64	45	84	114	148

The provision for dilapidation costs relates to the SLCC's contractual duty to repair leasehold property on termination of the lease (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.

12. Operating leases

	Building	Totals	Totals
	£'000	2018 £'000	2017 £'000
Operating Lease Payment Commitments			
Expiring:			
Not later than One Year	132	132	158
Later than One but less than Five Years	502	502	30
Later than Five Years	711	711	-
	1,345	1,345	188

The current five year property lease expires in September 2018. Current annual lease costs are £158,000 (£158,000 – 2016-17). Under the new lease extension annual costs will average £134,000 over the duration of the lease.

13. Capital commitments

There were no contracted capital commitments as at 30 June 2018 (£0 - 2016-17).

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. Given the nature of our services provided, there are a number of appeals ongoing at any given time. Potential costs cannot be reliably estimated for appeals so early in the legal process, and as such no provisions have been recognised.

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 2018. 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:

	2018	2017
	%	%
Discount rate at 30 June	2.9	2.7
Expected return on plan assets at 30 June	3.7	8.9
Future salary increases*	3.5	3.5
Future pension increases	2.3	2.5
Inflation assumption	2.5	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 2018 are based on the fund's Vita-Curves. 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 period end differ from those used in the previous accounting period.

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:

	2018	2017
	£'000	£'000
Current service cost	14	15
Interest on obligation	18	12
Expected return on plan assets	(16)	(16)
Total	16	11

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:

	2018	2017
	£'000	£'000
Fair value of plan assets	604	601
Present value of funded retirement benefit obligations	(566)	(650)
Pension deficit	0	49
Pension surplus not recognised	(38)	0
Net liability	0	49

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

	2018	%	2017	%
	£'000		£'000	
Equities	0	0	0	0
Bonds	604	100	601	100
Property	0	0	0	0
Cash	0	0	0	0
	604	100	601	100

18. Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Balance at 1 July	650	537	601	537	49	0
Included in profit or loss						
Current service cost	14	15	-	-	14	15
Interest cost/(income)	18	12	16	16	2	(4)
Included in OCI						
Re-measurements loss/(gain):						
Actuarial loss (gain) arising from Change in financial assumptions	(114)	225	-	-	(114)	225
Return on plan assets excluding interest income			(32)	32	32	(32)
Other Experience						
Changes in Demographic assumptions	-	-	-	-	-	-
Other						
Contributions paid by the employer	-	-	21	22	(21)	(22)
Contributions paid by employee	2	3	2	3	-	-
Benefits paid	(4)	(9)	(4)	(9)	-	-
Surplus not recognised	38	(133)	-	-	38	(133)
Balance at 30 June (2018 Surplus not recognised)	<u>604</u>	<u>650</u>	<u>604</u>	<u>601</u>	<u>0</u>	<u>49</u>

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

	2018 £'000	2017 £'000
Opening defined benefit obligation at 1 July	650	537
Current service cost	14	15
Benefits paid	(4)	(9)
Interest cost	18	12
Change in financial assumptions	(64)	225
Surplus not recognised (2017 reversed)	38	(133)
Changes in demographic assumptions	(3)	0
Other experience	(47)	0
Contributions by plan participants	2	3
Closing defined benefit obligation at 30 June	604	650

The cumulative actuarial loss recognised in the statement of total recognised gains and losses at 30 June 2018 was £0.

Amounts for the current and previous periods are as follows:

	2018 £'000	2017 £'000	2016 £'000
Fair value of plan assets at 30 June	604	601	537
Present value of defined benefit obligation at 30 June (Surplus not recognised)	(604)	(650)	(537)
Surplus/(deficit) in the plan	0	49	(0)
Experience adjustments arising on plan assets	-	-	(16)
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2019, 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	16%	92
0.5% increase in the Salary Increase Rate	4%	21
0.5% increase in the Pension Increase Rate	12%	69

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.

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

