

Title: SLCC Budget 01 July 2015 to 30 June 2016

Date: 13 April 2015

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1 Introduction

- 1.1 This document sets out the SLCC's draft budget for the operational year 2015/16. It provides information on the expenditure, general levy and complaints levy proposed for the 2015/16 financial year.
- 1.2 The budget spreadsheets are attached as appendices.

2 Summary

- 2.1 Anticipated expenditure: £2,704,500 (previous year £2,772,580)
- 2.2 Anticipated income: £2,621,582 (previous year £2,695,871)
- 2.3 Anticipated funds released from reserves: £82,918 (previous year £76,709)
- 2.4 General levy: £312 full levy (previous year £324)
- 2.5 Complaints levy – there will be no change to the complaints levy

3 Approach

- 3.1 In line with policy and past years the approach follows these steps.
 - (i) The SLCC sets out anticipated expenditure based on its operational plan
 - (ii) The general levy is then calculated on the basis of covering anticipated expenditure in full (ie nothing available from reserves)
 - (iii) The current year forecast outturn at December 2014 is reviewed to give an estimate of anticipated reserves at year end, and what can be made available to underwrite the general levy
 - (iv) The proposed levy is set and the budget issued for consultation (including the complaints levy)
 - (v) The draft budget is reviewed in April taking into account consultation responses and a further quarter's financial data
 - (vi) The SLCC sets the final budget and lays it before Parliament by April 30

4 Expenditure

- 4.1 Appendix 1 contains the summary of expenditure by line item, with a comparison to the previous year (i.e. the 2014/15 year). The overall budget shows a decrease of 2.5%.
- 4.2 The most significant area of spend continues to be on staff. The budget for 2014/15 was based on a head count of 44.2. The budget for 2015/16 is based on a similar headcount. This reflects the changes since the SLCC reviewed its staffing levels as part of the restructuring during 2012/13 and the movement in the volume of work related to complaints and oversight.
- 4.3 SLCC has sought to offset the impact of staff costs by ensuring more efficient use of all indirect and non-staff resources. This is reflected in savings in the following areas
 - (i) Capital Asset Depreciation. A significant proportion of fixed assets are now fully depreciated which will result in reduced depreciation for 2015/16 and future periods.
 - (ii) Training. Reduced training requirements have led to a 5% fall in indirect staff costs.
 - (iii) Audit Fees. A revision of audit requirements has resulted in a freeze in internal and external audit expenditure.
 - (iv) Corporate legal costs and special projects and research. Savings have been achieved through continued use of internal resources.

- 4.4 SLCC have taken the decision to exclude a contingency provision from the 2015/16 budget. It is felt that the budgeting process and experience of previous years' outturn provide a sufficiently accurate forecast of anticipated spend. In the event of additional unforeseen expenditure requirements, SLCC would have recourse to its reserves.

5 Reserves

- 5.1 Reserves are anticipated to be in the region of £720,000 at the start of the 2015/16 financial year. This is greater than the two to three month level set out in the current reserves policy.
- 5.2 This position will change in 2015/16 as SLCC intend to utilise £83,000 from reserves within the year. SLCC is of the view that as the current level of reserves is higher than the existing reserves policy this position should be rectified and observed in future.

6 Income

- 6.1 The SLCC has based income on:
- (i) Anticipated income from the general levy. The bulk of this is from the Law Society of Scotland and is calculated on the basis of the number of practising certificates at the start of the current year. Final adjustments will be made in consultation with the Professional Bodies. The underlying calculations are based on the same approach as in previous years but it is proposed that in addition to there being a reduction in general levy, those categories which attract fewest complaints will benefit from additional percentage reductions in levy for 2015/16. Appendix 3 sets out the calculations.
 - (ii) Anticipated income from interest earned on deposits. This is forecast to be lower than in previous years, reflecting the reduction in the level of reserves and increasingly low investment returns; and
 - (iii) No income from Scottish Government in relation to legacy work carried out under the ex- SLSO's powers has been recognised for 2015/16.
 - (iv) Complaint Levy income of £25,000 has been recognised for budget purposes for the financial year 2015/16. This figure had not been recognised in previous years despite income being generated from this source.

Appendix 1 – Summary Budget

			
SLCC			
Summary Budget			
1 July 2015 to 30 June 2016			
Expenditure		£	
Staff	2,000,500		
Non Staff	704,000		
Contingency	0		
total	2,704,500		
↓			
Indicative Income and Levy (not underwritten by reserves)			
↓			
Baseline income required to cover expenditure		£	
Levy from Law Society	-2,606,180		
Levy from Faculty of Advocates	-73,005		
Levy from Assoc of Commercial Attorneys	-315		
Other Income	0		
SLSO Costs Recovered from SG	0		
Estimate of Interest Earned	-25,000		
Total	-2,704,500		
↓			
Baseline General Levy		£	
Solicitors with 3+ years experience	323		
Conveyancing Practitioner or Executory Practitioner 3+ years exp	323		
Solicitors in 1st 3 years of practice	161		
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	161		
Practising Outwith Scotland	105		
In-house Conveyancing Practitioner or Executory Practitioner	105		
In-house lawyers	105		
Advocates	155		
Assoc of Commercial Attorneys	105		
↓			
Actual Income and Levy Underwritten By Reserves			
↓			
Actual income including contribution from reserves		£	
Levy from Law Society	-2,500,632		
Levy from Faculty of Advocates	-70,650		
Levy from Assoc of Commercial Attorneys	-300		
Contribution from Complaint Levy	-25,000		
SLSO Costs Recovered from SG	0		
Estimate of Interest Earned	-25,000		
Total	-2,621,582		
↓			
Contribution from SLCC Reserves			£
			-82,918
Total			-82,918
↓			
Total Funds Available			£
			-2,704,500
↓			
Actual general levy set		£	
Solicitors with 3+ years experience	312		
Conveyancing Practitioner or Executory Practitioner 3+ years exp	312		
Solicitors in 1st 3 years of practice	156		
Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice	156		
Practising Outwith Scotland	103		
In-house Conveyancing Practitioner or Executory Practitioner	95		
In-house lawyers	95		
Advocates	150		
Assoc of Commercial Attorneys	100		
↓			
Total actual levy required from each professional body			£
Law Society of Scotland		2,500,632	
Faculty of Advocates		70,650	
Association of Commercial Attorneys		300	
total		2,571,582	

Appendix 2 - Proposed Expenditure 2015/16

Budget 1 July 2015 to 30 June 2016		<small>scottish legal</small> <small>complaints commission</small> slcc		
Summary of Expenditure	Budget 2015/16	Budget 2014/15	Variance	Variance
	£	£	£	%
Staff Remuneration and support costs				
<i>Direct Staff costs</i>				
Staff salaries and NIC	1,769,000	1,775,180	6,180	0.35%
Member salaries and NIC	155,000	165,000	10,000	6.06%
	1,924,000	1,940,180	16,180	0.83%
<i>Indirect Staff Costs</i>				
Staff training and development	20,000	24,000	4,000	16.67%
Member training and development	5,000	9,000	4,000	44.44%
Staff travel & subsistence	5,000	4,000	-1,000	-25.00%
Member travel & subsistence	13,000	15,000	2,000	13.33%
Other staff costs	33,500	28,000	-5,500	-19.64%
	76,500	80,000	3,500	4.38%
Total Staff Costs	2,000,500	2,020,180	19,680	0.97%
Non-staff costs				
Property costs	291,500	285,400	-6,100	-2.14%
Insurance	7,500	8,000	500	6.25%
Office running costs	53,250	47,000	-6,250	-13.30%
Direct case costs	136,750	129,500	-7,250	-5.60%
Communications	25,000	36,500	11,500	31.51%
IT Costs	75,000	71,000	-4,000	-5.63%
Corporate legal costs	20,000	20,000	0	0.00%
Audit Fees	20,000	20,000	0	0.00%
Special projects and research	15,000	20,000	5,000	25.00%
Rechargeable costs	0	0	0	0.00%
Building Services and maintenance	0	0	0	0.00%
Capital Asset Depreciation	60,000	115,000	55,000	47.83%
Total Non-Staff Costs	704,000	752,400	48,400	6.43%
Total of staff and non staff running costs	2,704,500	2,772,580	68,080	2.46%
Operational contingency	0	0	0	0.00%
Total Costs	2,704,500	2,772,580	68,080	2.46%

Appendix 4 – Commentary

Over the past three years, the SLCC has made considerable progress in ensuring that it is an efficient and effective organisation. Guidance has been issued to make sure that expectations of legal services are realistic and that complaints made to the profession are taken seriously and addressed wherever possible without the need for the SLCC to become involved. Where complaints do reach the SLCC, our focus has been on encouraging early resolution. We've invested in staff training to promote settlements throughout our process and have seen the take-up and resolution rates for our free, confidential mediation service increase too.

We no longer rely on formal determination as our predominant means of dealing with complaints. We have found that both complainers and practitioners in many cases prefer to reach resolution with our help earlier in the process. This means that we are closing cases more quickly at lower costs than before. As our Annual Report for 2013/14 indicated, we are taking firm and decisive action where we need to. More money was awarded or agreed as redress than ever before. Almost two-thirds of complaints which have been assessed as eligible are either resolved or upheld. We are not only more efficient, we are more effective too.

The proposed budget and operating plan for 2014/15 continues this approach and develops the themes which we have established over the last three years. The proposal sees a 2.5% reduction in the overall budget as both staff and non-staff costs fall against last year. We continue to manage our costs closely and we intend to release £83000 from reserves, 10% more than we did last year.

Our 2014/15 budget saw the general levy frozen for all practitioners and reduced for some. This year we are able to reduce the levy for all practitioners; it will be reduced by almost 4%. We recognise that some parts of the profession generate very low volumes of complaints and have gone some way to reflecting this in the levy. Consequently in-house solicitors will see their levy fall by more than 10% and advocates will benefit from a 6% reduction. We intend to recognise the complaints levy for the purposes of calculating our budget so we have included £25000 of income from this source in 2015/16.

We believe that it is fairer that a greater proportion of the SLCC's running costs are met by practitioners who have complaints upheld against them and hence put greater demand on our resources. Whilst we do not propose any change to the complaints levy, we intend to make this part of the considerations of Determination Committees in setting the levy in cases which are partially or fully upheld. In effect this will introduce an element of cost recovery or "polluter pays" thinking into the complaint levy imposed. To ensure that this is done fairly and transparently, such an approach will only apply to complaints which are made after 1 July 2015 and the policy informing our approach will be published.

Nevertheless, our complaint handling work is one facet of the SLCC's functions. All parts of the profession benefit from our guidance and outreach work and from the increased public confidence which stems from the existence of an independent and impartial body with powers of oversight over the complaint handling system. All parts of the profession will be paying less in 2015/16 than they were in 2012/13 for what we are confident is a more efficient, effective and influential organisation.