

**Title: SLCC Budget 01 July 2013 to 30 June 2014**

**Date:** 11 April 2013

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## 1 Introduction

- 1.1 This document sets out the SLCC's draft budget for the operational year 2013/14. it provides information on the expenditure, general levy and complaints levy proposed for the 2013/14 financial year.
- 1.2 The budget spreadsheets are attached as appendices.

## 2 Summary

- 2.1 Anticipated expenditure: £2,913,410 (previous year (£2,813,381)
- 2.2 Anticipated income: £2,709,286
- 2.3 Anticipated funds released from reserves: £204,124 (previous year £150,000)
- 2.4 General levy: £324 full levy (previous year £318- an increase of 1.8%)
- 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 2012 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 2012/13 year). The overall budget shows an increase of 3.6%.
- 4.2 The most significant area of spend continues to be on staff. The budget for 2012/13 was based on a head count of 40.6. The budget for 2013/14 is based on a headcount of 47.1. This reflects the changes since the SLCC reviewed its staffing levels as part of the restructuring during 2012/13 and the increase in the volume of work related to complaints and oversight.
- 4.3 SLCC has sought to offset the impact of increased staff costs by ensuring efficient use of all non-staff resources. This is reflected in savings in the following areas
  - (i) Property costs. SLCC is seeking to minimise the costs of its current lease and associated costs through negotiation with our landlords.
  - (ii) Insurance costs. We have sought and obtained competitive quotations for the full range of insurance services, and fixed these costs for the following year at a lower level.
  - (iii) Office running costs have been reduced through changes to stationery and photocopying suppliers.
  - (iv) Communications costs. Efficiencies have been achieved through use of electronic media wherever possible.

- (v) Corporate legal costs and special projects and research. Savings have been achieved through the use of internal resources.

4.4 SLCC have taken the decision to exclude a contingency provision from the 2013/14 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 order of £750,000 at the start of the year. This is within the three to four month level set out in the current reserves policy.

5.2 This position will change in 2013/14 as SLCC intend to utilise £204,000 from reserves within the year. SLCC is of the view that the current level of reserves is higher than will be required in future and is seeking a reduction to between two to three months running costs.

## 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. Appendix 3 sets out the calculation;
- (ii) anticipated income from interest earned on deposits. This is forecast to be lower than in previous years, reflecting the reduction in the level of reserves and increasingly low investment returns; and
- (iii) income from Scottish Government in relation to legacy work carried out under the ex-SLSO's powers. This is anticipated to be minimal. The amount stated is to cover archiving costs.

6.2 Income does not include complaints levy income.

# Appendix 1 – Summary Budget

## SLCC Summary Budget 1 July 2013 to 30 June 2014



### Expenditure £

|               |                  |
|---------------|------------------|
| staff         | 2,184,050        |
| running costs | 729,360          |
| contingency   | 0                |
| <b>total</b>  | <b>2,913,410</b> |

### Income required to cover expenditure £

|   |                   |
|---|-------------------|
| Levy from Law Society                   | -2,610,468        |
| Levy from Faculty of Advocates          | -73,386           |
| Levy from Assoc of Commercial Attorneys | -432              |
| Other Income                            | 0                 |
| SLSO Costs Recovered from SG            | -10,000           |
| Estimate of Interest Earned             | -15,000           |
| <b>Total</b>                            | <b>-2,709,286</b> |
| Released from reserves                  | <b>-204,124</b>   |

### General Levy £

|  |     |
|--|-----|
| Solicitors with 3+ years experience  | 324 |
| Conveyancing Practitioner or Executry Practitioner 3+ years exp            | 324 |
| Solicitors in 1st 3 years of practice                                      | 162 |
| Conveyancing Practitioner or Executry Practitioner 1st 3 years of practice | 162 |
| Practising Outwith Scotland  | 108 |
| In-house Conveyancing Practitioner or Executry Practitioner                | 108 |
| In-house lawyers   | 108 |
| Advocates  | 162 |
| Assoc of Commercial Attorneys  | 108 |

## Appendix 2 - Proposed Expenditure 2013/14

| Summary of Expenditure                            | Budget<br>2013/14<br>£ | 2012/13 for<br>comparison<br>£ | Variance<br>£   | Variance<br>% |
|---|------------------------|--------------------------------|-----------------|---------------|
| <b>Staff Remuneration and support costs</b>       |                        |                                |                 |               |
| <b>Direct Staff costs</b>                         |                        |                                |                 |               |
| Staff salaries and NIC                            | 1,879,591              | 1,504,338                      | 375,253         | 25            |
| Member salaries and NIC                           | 219,479                | 219,479                        | 0               | 0             |
|   | <b>2,099,070</b>       | <b>1,723,817</b>               | <b>375,253</b>  | <b>22</b>     |
| <b>Indirect Staff Costs</b>                       |                        |                                |                 |               |
| Staff training and development                    | 30,000                 | 30,000                         | 0               | 0             |
| Member training and development                   | 14,000                 | 14,000                         | 0               | 0             |
| Staff travel & subsistence                        | 3,600                  | 3,600                          | 0               | 0             |
| Member travel & subsistence                       | 10,200                 | 10,200                         | 0               | 0             |
| Other staff costs                                 | 27,180                 | 27,180                         | 0               | 0             |
|   | <b>84,980</b>          | <b>84,980</b>                  | <b>0</b>        | <b>0</b>      |
| <b>Total Staff Costs</b>                          | <b>2,184,050</b>       | <b>1,808,797</b>               | <b>375,253</b>  | <b>20.7</b>   |
| <b>Non-staff costs</b>                            |                        |                                |                 |               |
| Property costs                                    | 285,500                | 320,800                        | -35,300         | -11           |
| Insurance   | 24,250                 | 35,900                         | -11,650         | -32           |
| Office running costs                              | 50,010                 | 65,104                         | -15,094         | -23           |
| Direct case costs                                 | 148,900                | 148,880                        | 20              | 0             |
| Communications                                    | 35,000                 | 56,200                         | -21,200         | -38           |
| IT Costs  | 53,400                 | 53,400                         | 0               | 0             |
| Corporate legal costs                             | 46,800                 | 76,800                         | -30,000         | -39           |
| Audit Fees  | 29,500                 | 29,500                         | 0               | 0             |
| Special projects and research                     | 20,000                 | 36,000                         | -16,000         | -44           |
| Rechargable costs                                 | 0                      | 0                              | 0               | 0             |
| Building Services and maintenance                 | 6,000                  | 6,000                          | 0               | 0             |
| Capital Asset Depreciation                        | 30,000                 | 26,000                         | 4,000           | 15            |
| <b>Total Non-Staff Costs</b>                      | <b>729,360</b>         | <b>854,584</b>                 | <b>-125,224</b> | <b>-15</b>    |
| <b>Total of staff and non staff running costs</b> | <b>2,913,410</b>       | <b>2,663,381</b>               | <b>250,029</b>  | <b>9</b>      |
| Operational contingency                           | 0                      | 150,000                        | -150,000        | -100          |
| <b>Total Costs</b>                                | <b>2,913,410</b>       | <b>2,813,381</b>               | <b>100,029</b>  | <b>3.56</b>   |

## Appendix 3 – General and Complaints Levy

| 2013/14 Baseline Annual Levy to recover full costs                          |                        |  |             |                  |
|---|------------------------|---|-------------|------------------|
| Category  | Waiver                 | Practising Certificates   | Annual Levy | Total Income     |
| Solicitors with 3+ years experience   | Annual Levy            | 6,550   | 349         | 2,285,950        |
| Conveyancing Practitioner or Executory Practitioner 3+ years exp            | Annual Levy            | 7   | 349         | 2,443            |
| Solicitors in 1st 3 years of practice                                       | Annual Levy less 50%   | 874   | 174         | 152,076          |
| Conveyancing Practitioner or Executory Practitioner 1st 3 years of practice | Annual Levy less 50%   |   | 174         | 0                |
| Practising Outwith Scotland   | Annual Levy less 66.6% | 586   | 116         | 67,976           |
| In-house Conveyancing Practitioner or Executory Practitioner                | Annual Levy less 66.6% | 3   | 116         | 348              |
| In-house lawyers  | Annual Levy less 66.6% | 2,600   | 116         | 301,600          |
| Advocates   | Annual Levy less 50%   | 453   | 174         | 78,822           |
| Assoc of Commercial Attorneys   | Annual Levy less 66.6% | 4   | 116         | 464              |
|   |                        | <b>11,077</b>   |             | <b>2,889,679</b> |

| Complaints Levy                                       | 2013/2014 | 2012/2013 |
|---|-----------|-----------|
|   | up to     | up to     |
| Complaint not upheld at any stage                     | £0        | £0        |
| Complaint resolved at mediation                       | £0        | £0        |
| Complaint resolved at investigation                   | £0        | £0        |
| Formal Determination complaint upheld in full or part | £3,500    | £3,500    |

| Complaints Levy - Previous Years   | 2010/2011 | 2011/2012 |
|--|-----------|-----------|
|  | up to     | up to     |
| Complaint not upheld at any stage  | £0        | £0        |
| Complaint resolved at mediation  | £0        | £0        |
| Investigation recommends complaint upheld in full or part, proposed settlement accepted - First Settlement | £500      | £500      |
| Investigation recommends complaint upheld in full or part, proposed settlement                             | £700      | £700      |
| Formal Determination complaint upheld in full or part - First  | £800      | £800      |
| Formal Determination complaint upheld in full or part - Second   | £1,200    | £1,200    |
| Formal Determination complaint upheld in full or part - Third & Further Determination                      | £2,000    | £2,000    |

## Appendix 4- Text for Consultation Letters

In common with other public bodies, the SLCC is faced by increasing demand for its services. Complaints rose by 16% over the last operating year (to 30 June 2012). It was our first full operating year following the end of the transition arrangements so we now have a clearer picture of the volumes and complexity of complaints which we are dealing with.

In our Annual Report, which was laid before the Scottish Parliament in December, I highlighted that there is a great deal of work for us to do in tackling backlogs, speeding up our processes and becoming more efficient and effective in our operations. We also need to improve in our work on preventing complaints by working better with the profession and with consumer groups to improve standards of complaint handling. The Operating Plan which I have enclosed with this letter sets out the scope and scale of this work.

We know that the year ahead will also see new business structures coming into place with the regime of approved regulators and licensed service providers which the 2010 Legal Services Act sets out. As our workload has increased, our headcount has finally reached the levels which were forecast in our initial budget back in 2008. To tackle growth in workload and complexity, we are having to grow our headcount, but we are acutely aware of the pressures which other public bodies and the legal profession face and our budget reflects the steps that we're taking to meet that challenge as effectively as we can.

We are budgeting for an increase in staff costs of nearly 21% which reflects how our work has grown over our short lifetime as an organisation. We are not at a steady state stage of our operation yet, we have only been operating for one full year post-transition. However, we've focussed on how we can make sure that these costs aren't simply passed on and on how we can build a more efficient organisation for the future.

We've completed a job evaluation exercise to ensure that our salaries represent best value in the market. We're developing more of a preventative slant to our work by investing in capacity and capability in oversight and communications. In the longer term this will help to reduce the volume of work we have to deal with and create value for the public and the profession through improved standards and more trust and confidence in our legal system.

With a sharper picture of how we need to operate, we're committing to a 15% reduction in our non-staff costs. By making more use of in-house capabilities we're able to reduce our spend on research and consultancy costs. As you would expect we're also delivering savings in areas such as property and office running costs, insurance and communications costs. More broadly we've also worked with the professional bodies and with consumer organisations to identify areas where the 2007 Legal Profession and Legal Aid (Scotland) Act could be improved to drive a leaner and more effective organisation. We will be presenting joint recommendations to the Scottish Government on where legislative change would allow us to make further efficiencies.

Finally, we've also looked at our own reserves. Between this proposal and last year's budget we will have invested more than £300,000 from our reserves, reducing them to below three months' cover. This investment is allowing us to assess our IT platforms and to develop our management capability to underpin efficient working. As our reserves have reduced, we will not be able to maintain this investment in the future, so it's vital that our operating plan delivers the improvements we need in platforms, processes and capability which will make us more efficient.

Consequently, as a headline figure, we are able to restrict the increase in the levy to under 2%.