

A triple challenge:

- Rising complaints and complexity
- Improving our performance
- Maintaining user satisfaction

Our draft operating plan and budget for July 2019 to June 2020

Complaints handling which is:

Independent | Fair | Impartial

Accessible | Efficient | Effective

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1 Introduction

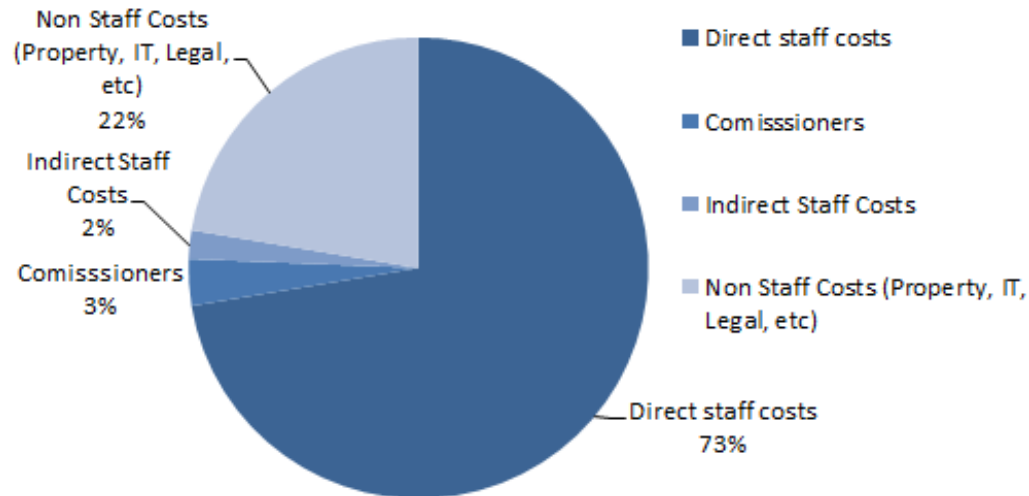
- 1.1 This document sets out, for consultation, the SLCC’s draft Operating Plan and Budget for the operational year 2019/20.
- 1.2 **The deadline for responses is 17:00 on Thursday, 14 March 2019.** The SLCC consults at the same time each year, as set by statute, and no late responses will be considered by the Board. We must publish the outcome by the end of March 2019.
- 1.3 **The Operating Plan and Budget** are aimed at delivering the fourth and final year of work under our Strategy for 2016 to 2020.
- 1.4 **The Strategy** sets out the SLCC’s statutory functions, gives details of the complaints process, and describes our five main strategic priorities. It also defines our values, provides context for the way we operate and explains why we selected certain priorities for the four-year period covered. More details on our strategy are available at: <https://www.scottishlegalcomplaints.org.uk/about-slcc/our-purpose.aspx>.
- 1.5 **Our simplified focus this year is on five overlapping and interconnected themes** to deliver improved performance in the context of a long-term and sustained increase in complaints (more details are provided in Appendix 1).
- A. Improving the customer complaints journey
 - B. Reducing common causes of complaints
 - C. Understanding and delivering high-quality customer service
 - D. Continuing to make the case for reform (to complaints and regulation)
 - E. Business-improvement enablers, statutory obligations, and delivering change
- 1.6 **Because we focus on performance, we invited an independent external reviewer to review all aspects of the business as part of our planning.** Dame Janet Paraskeva presented her findings in April 2018. This, alongside other work, informed changes to, and investment in:
- a new management structure
 - a greater focus on investment in IT to support business delivery
 - a proportionate and risk-based review of every aspect of complaint handling – a review that has led to the creation of over 30 short business-improvement projects, which should in turn deliver, by the time our next annual report is published, further demonstrable improvements in output and complaint-handling times.
- 1.7 The abbreviations and technical terms we use are explained in a glossary at **Appendix 4**.

2 Executive summary

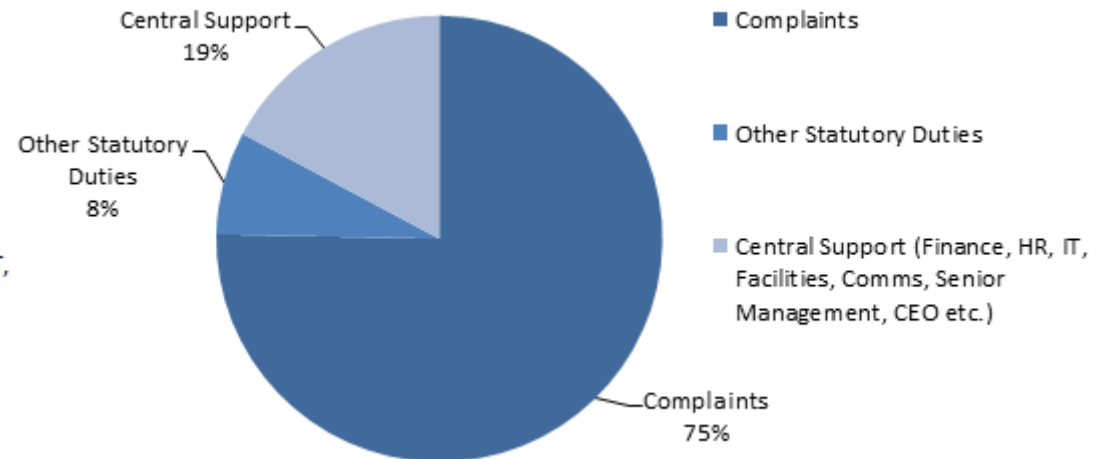
- 2.1 **An overall budget increase is proposed.** Any increase is always unwelcome, but the number of complaints has continued to rise sharply. **Section 4** sets out the drivers of cost, and **Section 5** sets out the efficiencies we achieve each year to ensure we are financially efficient. **Appendix 1** sets out the further work we have planned in order to improve the efficiency of complaint handling.
- 2.2 **If we had followed last year’s approach and proposed an across-the-board increase for all lawyers, this would have led to a 9% increase in the levy.**
- 2.3 **However, this year the SLCC proposes freezing the levy for the majority of lawyers, and placing the focus of the increased costs related to complaints on business owners and partners,** rather than on employed solicitors. Owners and partners accept the risk of business and receive the profits from legal work, but they also have the most control over approaches which could reduce the common causes of complaints in the sector. The recently published ‘Fit for the Future’ independent review suggests a move to ‘entity regulation’, which the SLCC has previously encouraged, and we wanted to consult on what first steps may be possible within the current system. This is covered in **Section 11**.
- 2.4 **Appendix 2** contains a summary of expenditures by line item, with a comparison with the previous year, 2018/19. The overall expenditure budget shows an increase of 9.6%.
- 2.5 The main specific drivers of this increased cost are as follows:
- **An increase in staff numbers**, allied to a strategic objective of reducing journey times significantly for all parties, and intended to cope with a sustained increase in the number of complaints, more of which get to the later stages of the system. This entails an increase in staff costs of £74,000.
 - **The mandatory public sector pay award and contractual pay progression**: a 3% salary increase for all staff earning under £36,500, and 2% for those earning over £36,500.
 - **Investment in management structure**: two additional management posts have been created to help deliver the SLCC’s objectives in the coming years, at an initial annual cost of £115,000.
 - **Investment in IT**: required as we bring hardware, software and our website into line with the Scottish Government’s ‘Digital First’ and ‘CyberEssentials’ strategies and as we strive to meet the changing business needs stemming from our process-improvement work. Website costs are in the communication budget line, and the upgrade in that area is also required to meet current accessibility standards.
 - **Additional investment in remuneration** to attract core skills and reduce staff turnover.
- 2.6 **We will continue to make the case for primary legislation to reform regulation and complaints and how they are funded,** to tackle the unnecessary complexities and costliness of the current system. We will support the Scottish Government in identifying and shaping improvements that will benefit the sector, consumers and the wider public. Our evidence suggests that the number complaints will continue to rise. If reforms does not progress at the requisite pace, there is a real risk that costs will continue to rise as well. We encourage the sector to be supportive of reform and to seek open engagement with us and other stakeholders on the matter.

3 Where do we invest, and what do we deliver?

Our single biggest cost comes from staff outlays:



Our staff are focussed on resolving complaints:



- 3.1 Our core focus is to deliver an independent, impartial, fair, accessible, effective and efficient complaints process. This is where the majority of our staffing and resources are directed. Our performance is monitored by a non-executive Board appointed by Scottish Ministers.
- 3.2 How we deal with legal complaints is shaped by several factors: the incoming number of complaints, how these complaints are categorised, whether they pass the first stages of our process, whether an agreed resolution is achieved or a formal determination is required, and whether any such determination is appealed. We have to respond to a demand-driven caseload (over 1,150 incoming cases a year) and have a statutory obligation to have adequate resources to process that workload. However, the purpose of our Operating Plan is not to detail this complaint-handling work – it is taken as a given. As a result, the Plan puts a greater focus on the specific projects and improvements planned for the operating year.
- 3.3 Information about our core processes is available on our website at <https://www.scottishlegalcomplaints.org.uk/making-a-complaint/complaints-process.aspx>. Information on our performance and complaint volumes can also be found on our website at <https://www.scottishlegalcomplaints.org.uk/resources/annual-report-accounts.aspx>
- 3.4 We have a range of other statutory functions which must also be included among our annual priorities. These include giving advice on complaints; issuing guidance on best practice; monitoring trends; investigating ‘handling complaints’ which look at how the Relevant Professional Organisations (RPOs) deal with complaints about conduct; monitoring the effectiveness of the Client Protection Fund and Master Policy; and supporting our statutory Consumer Panel.

4 What drives costs in the environment we work in?

- 4.1 **Over the last three complete years, the number of complaints has consistently increased (over 22% in three years).** In the first year, this was not budgeted for, and each year since then the number of complaints has increased at a higher rate than we had projected.
- 4.2 **The number of complaints has continued to rise in the first six months of this business year (July to December 2018).** The number of complaints in Q1 & 2 of this year was 20% higher than it was in the same period last year. However, there are 84 linked cases (42 parties, each taking a case against two providers), and this is highly unusual. These cases will take significant work, and a member of staff has been assigned to focus primarily on them. However, even if we take all 84 cases out of the comparison group, the number of complaints in Q1 & 2 of this year was still 6% higher than it was in the same period last year.
- 4.3 **We have also seen a measurable increase in the complexity of complaints,** with the number of distinct issues per complaint increasing, and an overall increase in the amount of work needed to adjudicate and investigate a given complaint and the issues it encompasses.
- 4.4 **Last year we undertook work, including discussions with the RPOs, to look at why it might be that this long-term and significant rise in the number of complaints was occurring.** No single factor stands out as a cause. Changes in standards of work are not apparent. There is just the clear fact that the overall number of complaints is on the rise. For the SLCC, this continues to mean increasing work, irrespective of what is causing the increase.
- 4.5 **We also wish to reduce further the time taken to resolve complaints.** This is a priority for both consumers and those about whom complaints are made: a swift outcome is important to both. Stakeholders have also indicated this was a high priority for them.
- 4.6 **Finally, we wish to at least maintain, and ideally to increase, satisfaction scores from complainants and lawyers to ensure that processing more complaints, and faster, does not impact the quality of our services.** We currently monitor several aspects of service, and we have found that 80% of lawyers, and 70% of complainants, find our staff 'helpful'. The scores for 'information provision' and 'communication' are similar.
- 4.7 **The growing number of complaints filed with us sets a triple performance challenge:** We must handle more complaints of a more complex nature, process them faster than we have been able to, and at least maintain, and possibly increase, the rates of user satisfaction with our services.
- 4.8 **We must now also tackle some issues that we been unable to address over the last three years.** As we note in the Executive Summary (Section 2), because we have been addressing the rise in the number of complaints, and because we have been waiting for negotiations on a new property lease to be completed, we have delayed taking action in such areas as the replacement of IT licences and IT hardware, and making various repairs to the property.

- 4.9 **In addition, we have to meet the same statutory obligations as other public bodies.** This includes the adoption of the Scottish Government pay award, contractual pay progression and the cyber-resilience public-sector action plan.
- 4.10 **The context of how the levy has changed since the SLCC was established in 2008 is also relevant.** In the nine accounting years since the SLCC's creation, the amount of the levy has risen or fallen in every year but one. This reflects the statutory requirement to fund necessary work each year, counterbalanced by work on efficiencies and the need to ensure that the lowest practicable levy is set. In some years, the SLCC has been able to demonstrate its commitment to rigorous cost control by reducing the levy. However, as its workload has increased, increases in the amount of the levy have been unavoidable.

5 Where can efficiencies be found?

- 5.1 The SLCC is committed to finding efficiency savings each year. Where possible, these are used to offset the need for increases to the levy.
- 5.2 **In 2015/16**, we brought the payroll function in-house and developed an online human-resources (HR) system, thus reducing costs and saving valuable staff time.
- 5.3 **In 2016/17**, we developed our case-management and record-management systems to improve efficiency, and we did not replace departing senior managers (choosing instead to reallocate duties). Other efficiency work was cancelled or delayed, as the major implications of a legal challenge by the Law Society of Scotland (LSS) were addressed (the court ultimately ruled in the SLCC's favour).
- 5.4 **In 2017/18**, we restarted the efficiency pilots we had approved in September 2016 (but that we had had to put on hold while we awaited the outcome of the LSS's legal challenges to our process). These pilots have led to improvements in complaint-handling times, but have had a less significant impact on the cost per complaint.
- 5.5 **In 2018/19**, we are set to achieve savings on office-running costs, membership costs, training, staff expenses, and legal fees related to cases. We have already delivered a package of property savings worth over £16,000 in each of the next five years (from Sept 18). We have negotiated pension savings with Lothian Pension Fund.
- 5.6 **For 2019/20, there will be** significant savings as our new and lower-cost office lease comes into effect. Other savings are planned in the budget, including savings on expenses, office costs, and corporate legal.
- 5.7 **For 2019/20**, we are plan a 'challenge session' with other regulators, where we will invite further external scrutiny and look for further efficiencies in our cost base and operating practices, based on what has been successful elsewhere.

6 What is the headline budget, and how does it impact the levies?

Overall income and expenditure:		
Anticipated income:	£3,719,544 (previous year £3,406,199).	
Anticipated expenditure:	£3,719,950 (previous year £3,391,975).	
Levies – individual lawyers (2007 Act):		
General levy:	<p>If we were to follow our usual approach, the general levy would be:</p> <p><u>Partners/managers and employed in private practice:</u></p> <p>£421 (previous year, £386)</p> <p>9%, or £35, increase</p> <p><u>Standing discounted rates:</u></p> <p>- in-house - £126 - advocate - £199</p>	<p>PROPOSED: However, we are proposing to freeze the levy for most lawyers, but increase it for business owners.</p> <p><u>Partners/managers in private practice:</u></p> <p>£494</p> <p><u>New discounted rate: employed in private practice:</u></p> <p>- employed in private practice £386</p> <p><u>Standing discounted rates:</u></p> <p>- in-house - £116 - advocate - £183</p>
<p><i>Under the 2007 Act, the SLCC sets a single levy, called the 'general levy', which it can then discount for certain groups.</i></p> <p><i>The general levy must, therefore, be the highest figure we plan to charge any group, and the discounts are then adjusted. In the proposals for this year, this means we will effectively freeze most levies at last year's rates, but that we will charge one group, business owners, more.</i></p>		
Complaints levy:	£5,000 (previous year £3,500)	
Levies – 'alternative business structures (2010 Act):		
Approved Regulator (AR) Fee:	£8,000 (previous year: £20,000)	
AR complaints levy:	£8,000 (previous year: £10,000)	
Licensed Provider (LP) Fee:	£1,000 (previous year: £5,000)	

6.1 Further details on the approach we have taken to budget, expenditure and levies are in **Sections 7 & 8** below. The full budget, and details of levy discounts for various groups, can be found in **Appendix 2**.

7 Approach to budgeting

7.1 In line with policy and the practice followed in past years, the approach follows these steps:

- The SLCC sets out anticipated expenditures based on its operational plan.
- The general levy is then calculated on the basis of covering anticipated expenditure in full (*i.e.*, nothing available from reserves).
- The current year forecast outturn at December 2018 is reviewed, together with the results for the financial year to 30 June 2018. This provides an estimate of anticipated reserves at year end, and the implications for the general levy for 2019/20.
- The proposed levy is set, and the budget is issued for consultation (including the complaints levy).
- The draft budget is reviewed in April, taking into account consultation responses and a further quarter's financial data
- The SLCC sets the final budget and lays it before Parliament by 30 April 2019.

8 Further details on levies

The general levy

8.1 Options for the general levy are discussed in detail in **Section 11**, as this is a main focus of the consultation. In summary, the proposed model is:

- If we had followed last year's approach: the general levy would have increased to £421 (up from £386, a 9% increase).
- **However, the proposed approach is to achieve a policy aim of freezing the levy for the majority of lawyers at last year's rate.**
- We would do this by creating a new discounted group of 'employed in private practice', which would be added to groups that currently enjoy a discount, such as in-house lawyers and advocates.
- The 'general levy' would then be increased to £494, to be paid by business owners – principals in private practice/managers.
- This group is estimated to comprise around 27% of lawyers. .

The complaints levy

- 8.2 The complaints levy is charged when a complaint is upheld. The statutory aim was to ensure that an element of costs could be recovered, often known as ‘polluter pays’, when a complaint was upheld. This was to balance income from the general levy.
- 8.3 The levy has been set at £3,500 since July 2012. Just prior to that (January 2012), the SLCC consulted on a levy of £5,000, but based on feedback this was reduced to £3,500.
- 8.4 The steady increase in the number of complaints has brought into focus the level of costs to the profession as a whole, compared to the level of cost for firms where a complaint is upheld against them. We have therefore decided it is time to consult again on whether there should be a shift in the balance from all firms subsidising complaints to a slightly greater emphasis on ‘polluter pays’.
- 8.5 The full complaint levy policy can be found at: <https://www.scottishlegalcomplaints.org.uk/media/94802/ch037-complaints-levy-policy-from-01-october-2018-v0101-201809.pdf>

- **The suggested complaints levy is £5,000.**

Alternative Business Structure (ABS) Levies

- 8.6 **AR levy:** last year this was fixed at £20,000, and we also received an element of set-up funding from the Scottish Government to cover historical costs and ensure that set-up was finalised within our last business year.
- 8.7 No AR complaints were received.
- 8.8 There is therefore the opportunity to reduce the fee this year. In some ways, levy volatility could be seen as poor practice, and certainly as the system develops there would be an aim to avoid this. Equally, the SLCC has consistently submitted that the statutory model created built-in volatility by requiring cost recovery with the potential for significantly varied workloads each year.
- 8.9 This year, the levy was calculated on the basis of a 0.5% contribution to general operating costs, thus ensuring that these were not subsidised by lawyers but paid for from the new market. We have also anticipated that there may be a first AR complaint within this budget year, and that there will be ongoing overheads entailed by the setting up of the new complex regulatory arrangements that will thus be required.
- 8.10 The complaint levy allows some of the costs of a complaint that is upheld to be mitigated. Modelled on similar functions in other similar bodies, an investigation and a decision could range in cost from a few thousand pounds, to £100,000. Last year, this levy was set at £10,000. With set-up costs now being recovered, it is proposed that the levy be reduced to £8,000. However, we will review this once experience has been gained from the first complaints, and the amount of this levy is likely to fluctuate in the future.

- **The suggested AR Fee is £8,000.** We anticipate collecting this. This may change significantly in future years.
- **The suggested AR complaints levy (for a complaint that is upheld) is £8,000.** This may change significantly in future years. This is not collected unless a complaint is upheld.

- 8.11 **Licensed Provider (LP) complaints scheme:** Complaints about LPs are similar to the type of complaint the SLCC already handles, although new systems and templates are required, and new legal issues will arise.
- 8.12 Based on discussions we have had with the LSS, we consider it unlikely that any LPs will be fully licensed by July 2019, when the first levy will be collected. As a consequence, it may be that no fees are collected in year one.
- 8.13 An LP may have a single lawyer providing legal services within it, but may have tens or hundreds of other professionals and/or advisers working within it. While the budget consultation is still drafted, we have no information from the LSS on the likely size or of new LPs, or on what model they will follow. We remain concerned that, at the moment, no advertising campaign, or major engagement with possible new entrants to the market, appears to be planned with a view to rapidly increasing the number of LPs that contribute to the costs of this regulatory scheme. We are thus also concerned that the market may remain small for the next three to five years.

- **The suggested LP fee is £1,000.** It is unlikely that any income will be received from this source in year one. This may change significantly in future years.

9 Reserves

- 9.1 Reserves are anticipated to be in the region of £400,000 at the start of the 2019/20 financial year. This figure is below the parameters set out in the reserves policy, which is constantly under review based on risks and operating costs.
- 9.2 In previous years, we have used reserves to subsidise the levy, working to achieve the lowest level of reserves appropriate for business risks and operating costs. Over the last four years, we have clearly communicated that this subsidy will come to an end when reserves are around the target level.
- 9.3 This point has been reached this year.
- 9.4 The budget proposed for this year is expenditure- and income-neutral, with no anticipated impact on reserves.
- 9.5 A higher level of reserves remains a longer-term aim - but now is not the time to implement such a proposal.

10 Income

10.1 The SLCC has based income on:

- Anticipated income from the **general levy**. This is forecast to be £3,621,544.
- Anticipated income from **interest earned on deposits**. This is forecast to be £30,000 for 2019/20, thus reflecting current and anticipated levels of investment return.
- Estimated **complaint levy** income of £60,000 has been recognised for budget purposes for the financial year 2019/20. This reflects the recent changes made to the complaint levy policy and the level of awards now being made at the Determination Committee stage of the process. Development of this income stream to reflect the costs incurred on such cases could help lessen future rises in the general levy.

11 Apportionment of the levy – an approach focussed on having business owners fund costs

11.1 The SLCC proposes continuing to offer a discounted levy for certain groups, including in-house lawyers, commercial attorneys and advocates, where the number of complaints is minimal, and considerably lower than those in private practice.

11.2 The issue of changes to the apportionment of the levy has been discussed previously. In 2017, we listened to various issues raised by stakeholders during the budget consultation, in particular by:

- The LSS, which argued that in-house and Legal Aid lawyers were particularly impacted by any increase in the levy, and that the SLCC should consider the position of these groups in terms of proportionality
- The Faculty of Advocates (FoA), which raised concerns about the burden on their members, again referring to the relatively small number of complaints which their members generated.
- The Crown Office and Procurator Fiscal Service, which commented in their response on the impact of the levy in relation to their (in-house) lawyers.

11.3 In response to the issues raised by these organisations, the SLCC committed to a consultation on whether a different approach should be taken to the apportionment of total costs.

11.4 In 2018 we delivered this consultation, but as there was no firm preference stated by responses from consultees, we suggested that views supporting change failed to outweigh those supporting the current apportionment. Full details can be found in the papers published on [our website](#).

11.5 Our annual report for 2018/19 again sets out the main issues which lead to complaints, almost all of which, understandably, relate to private practice where solicitors are working directly with the public, often on complex and personally challenging issues (from house sales to divorce).

11.6 At the moment, Practising Certificates (to which the SLCC levy relates) are not in any way restricted or specialised to one area of law, so there is no easy mechanism that offers efficient levy collection in the current statutory model to target these areas.

- 11.7 However, there are strong arguments that in-house lawyers and advocates generate only a marginal number of complaints and cost, and that they should thus pay a lesser share. We have always discounted these rates compared to those paid by private practice, but each year we are open to feedback from the profession on this apportionment issue.
- 11.8 The factors were dealt with in more detail in last year's consultation, following a request from the LSS to consider this issue.
- 11.9 A newly emerging theme is around a move to 'entity regulation', which is supported by the LSS and the SLCC. A formal move to entity regulation requires primary legislation.
- 11.10 This year, we are offering two models for comment (see below):

If we had followed our usual approach, the general levy would have been:

Partners/managers and employed in private practice:

£421 (previous year £386)

9%, or £35, increase

Standing discounted rates:

- in-house - £126
- advocate - £199

PROPOSED: However, we are proposing to freeze the levy for most lawyers, but increase it for business owners.

Partners/managers in private practice:

£494

New discounted rate: employed in private practice:

- employed in private practice £386

Standing discounted rates:

- in-house - £116
- advocate - £183

Last year's approach - across the board

- 11.11 This applies the increase in costs across all levy categories at the same percentage rate.

PROPOSED: a freeze for everyone except PRINCIPALS in private practice

- 11.12 In this model, rates are frozen for the significant majority of all lawyers.
- 11.13 The increased cost for the year is passed instead to principals in private practice.
- 11.14 This responds to a policy direction for the LSS, for the SLCC, and in 'Fit for the Future' -- the idea that the business is liable and not just the individual professionals ('entity regulation').
- 11.15 In private practice, where the vast majority of complaints originate, there is an argument that partners, as business owners, are liable for quality, systems, training, support, management of their employees' conduct, and all the factors which lead to complaints. Owners also reap the rewards, and the costs of doing business should thus arguably be funded by the owner of a business, rather than levy's being imposed on its employees.

- 11.16 This would, therefore, be consistent with the causes of complaints (many of which may ultimately relate to failed systems, supervision, resourcing or training) as well as with the direction of travel of policy. This could be a first step in shifting the burden of complaints, with the prospect of further progress in future years (irrespective of whether overall budget increases or decreases) through concomitant adjustments in levies.
- 11.17 We have data from the LSS estimating that around 42% of private-practice solicitors are partners/managers and that around 58% are employed (including consultants, associates and assistants).
- 11.18 Because we have not used this approach before, we would need to check with the LSS that this can be delivered with their regulatory data and billing system. We would then explore numbers more formally with them. There are risks. For example, there is potentially greater volatility for both the transition year and in the future, in part linked to a greater cost being placed on a small group (with changes in numbers within that group having a greater impact on income).
- 11.19 However, in an environment where the number of complaints continues to grow, the focus on cost may also stimulate better business responses in dealing with complaints at first tier and in tackling the most common causes of complaints.
- 11.20 If there is not strong support for this, but if some interest is noted, there are other options we would welcome consultation feedback on, such as reverting to an across the board increase, but adjusting to add notional £10 extra to the amount business owners pay this year to test the ability to collect a levy on this basis and fund an assessment of the future viability and stability of a gradual move to a more entity-based fee.

Other variations:

- 11.21 Other variations are possible, such as freezing the amount of the levy for all except those in private practice (employees and owners), or a completely different apportionment. Comments are welcome on alternatives that stakeholders might wish us to model for this or future years.

12 Issues we would especially value feedback on

- 12.1 We value feedback on all aspects of this consultation.
- 12.2 **Section 4:** We are interested in your views on why the number of complaints is rising and on ways to tackle the common causes of complaints to help consumers and reduce the costs of those complaints for the profession.
- 12.3 **Section 8:** We welcome views on the proposed complaints levy.
- 12.4 **Section 11:** We wish to understand which of the options for levy apportionment stakeholders would prefer.
- 12.5 **Appendix 1:** We would welcome views on the Operating Plan.
- 12.6 Those providing comments may wish to share views on the individual projects and work laid out in the Operating Plan. Finalisation and the detailed scheduling of projects are carried out post-consultation in April and May, thus making it possible to take account of the consultation and to prepare for the 1 July start of the business year. We are grateful for offers of partnership working or involvement, and we will need to make arrangements for that during the final planning period, so that targets and deadlines can be set accordingly.

Appendix 1: Draft Operating Plan – 2019/20

A. Improving the customer complaints journey – faster outcomes, proportionate processes, fair decisions

We are committed to improving our performance year on year.

We are excited that the independent review of legal regulation published late last year may lead to fundamental reform, but that will take time and the recommendations need to be considered. Meanwhile, we must balance our ambition to deliver the most effective system possible within current constraints, against the need to ensure that any resource expended on changes is not wasted if and when wider reform comes. However, where appropriate, we will draw on learning from the review to inform our decisions, where this is consistent with other indicators of what a high performing system should deliver.

We will continue the successful programme of work from 18/19 using Agile project management and a series of rapid ‘sprints’ to scope, test, and deploy improvements, guided by best practice and innovation from other jurisdictions and sectors. We are proud that our staff have embraced new process innovations, and that they are key drivers of improvements. Since the beginning of the Agile project-management initiative, over 50 sprint suggestions were submitted, of which 32 have been tested so far.

This year we will:

1. Continue to test every stage, and every element, of the process with ideas for improvement generated by internal and external user research and data insights.
2. Continue the programme of ‘sprints’ to test any viable idea for improving efficiency while maintaining quality.
3. Continue our liaison with the LSS on changes which may be possible in statutory instruments prior to wider reform.
4. Hold an Innovation in Regulation and Complaints roundtable and a ‘challenge session’ with experts from other jurisdictions and sectors, as well as consumers and practitioners. In this way we will look for new ways of working and improving service, and will invite constructive critique of the current approach.
5. Adopt a holistic view of the complaints process by incorporating insights from behavioural science on users’ preferences regarding services, both in the profession and among consumers.
6. Re-assess statutory powers for prematurity and first-tier complaints to identify opportunities for the earlier resolution of complaints.
7. Finalise public information on ABSs and our outline process and, if the first complaints are received under these new arrangements, process these and then base the next iteration of our approach in part on what we have learned.

Outcome: reduced total ‘work in progress’ in the organisation, reduced journey time, and stable or improved levels of satisfaction among users of our services.

B. Reducing common causes of complaints – tackling unnecessary costs, focussing resources on the right issues

In our submissions to the independent review (July 2016, May 2017, and May 2018), we argued strongly that Scotland’s legal regulation and complaints system must move from being reactive about minimum acceptable practice to basing itself on the principles of learning and continual improvement – a cultural shift that many regulatory sectors have made over the last two decades.

We will continue to focus our statutory oversight duties and other functions on trying to reduce the common causes of complaints, and thus costs within the system, and we are pleased that the need for this approach has now been externally validated by the outcomes of the review.

This year we will:

1. Review all our oversight functions to assess how work can be reframed and coordinated to maximise the impact of improving quality on the profession and on users of legal services.
2. Use trend data from complaints to issue practice standards on conveyancing, family, wills and executries, litigation and criminal, which drive regulatory, complaints, and indemnity costs in the sector. These will then form the basis for adjudicative decisions.
3. Improve our learning offers to professionals, client relations, partners and others managing complaints at various stages to encourage and deliver training in the sector, exploring innovative opportunities such as a learning portal and services and other means to foster improvements such as process tools and advice on policies and procedures related to complaints).
4. Improve the performance data we share on complaints (such as an anonymised benchmarking table following best practice from England and Wales) to offer a more nuanced understanding of complaints across the Scottish legal sector and to recognise the high quality of services provided by the vast majority of the profession.
5. Consider the role of Determination Committees in helping reduce future consumer risk, drawing on the legal powers and levers we have available.

Outcome: our engagement, training, insight and support will support lawyers, thus helping them to avoid common pitfalls, engage with client feedback, and resolve more complaints at source. We will thus started the journey towards creating a regulatory culture of learning and continual improvement.

C. Understanding and delivering high-quality customer service to a diverse customer base

The independent review sets the agenda for a regulatory and complaints system focussed on the needs of the sector, of clients, and of the public rather than on institutional or historic roles. We had recommended this approach, and hope to see it reflected in whatever steps the Scottish Government take next.

The customer-journey approach was first introduced to the debate by the SLCC, and our visualisation of current journeys helped demonstrate the complexities and challenges in the current maze of complaints. This longstanding approach has the potential to improve our current work as well as to shape future reform.

This year we will:

1. Consider creative and innovative ways of making our services and processes more accessible, especially to consumers facing vulnerability. This includes improving the ways we communicate, interact and form relationships.
2. Reform our quality-assurance process and train our team to communicate clearly and with audience-appropriate accessible language.
3. Achieve the plain English Crystal Mark for all our core guidance and materials.
4. Support the sector and other regulatory bodies in improving their own approach to making their communications clear and accessible to all audiences.
5. Update our equality statement, audit our accessibility to different audiences, publish information on how we can assist people to access our service, and plan further actions as required.
6. Create and curate a set of 'making your complaint' tools, with easy-to-read content and visual support, drawing on our own experience and insights as well as on independent sources, with the aim of supporting consumers in making complaints at the first-tier level and to the SLCC, and informing the profession and RPOs about best first-tier practice. We will also establish a forum for practitioners to engage with CRMs and other professionals and firms of different sizes and kinds, to inform our work and provide tailored support around complaint processes to the profession.

Working with our independent Consumer Panel

The independent review flagged a deeply concerning lack of evidence of consumer perspectives around legal services.

The Consumer Panel was active in lobbying for powers to undertake consumer research, and has already led the way in areas such as consumer vulnerability and the application of consumer principles to legal regulation and complaints.

7. We will explore creative options for co-production and consumer engagement (such as holding 'conversation cafés' with consumers) to gain insights into their perceptions of what a good customer journey, with appropriate information and support, looks like. We will use these insights in process-improvement work and to shape longer-term reform. We will actively reach out to members of harder-to-reach groups to ensure we understand their experience, in leverage the strength of Scotland's civil-society sector in the process.
8. We will undertake research to assess what service standards are required to respond to the needs of users of legal services, particularly vulnerable consumers. This will inform our decision-making and assist us in encouraging and supporting the professional bodies in reforming their published service standards to improve both guidance to the sector and outcomes for consumers.

Outcome: we will have embarked on co-producing our service design, with community and consumer engagement at its heart, thus resulting in a visibly more accessible service without unnecessary barriers to using our services. The consumer voice will be significantly strengthened, and will thus complement the valuable dialogue we maintain with professional groups, which will start to have a demonstrable impact on regulation and complaints.

D. Continuing to make the case for reforming a regulatory and complaints system now widely recognised as statutorily inefficient and overly complex

We are delighted that the independent review accepted the majority of the SLCC's recommendations for change and are encouraging the Scottish Government to move rapidly to consult further and formalise their view. To this end, we will continue to be a trusted partner by providing high-quality insights on the complaints process from the perspective of consumers and the profession.

We will continue to lead the debate on reforms, and aim to be at the heart of delivering both a new fit-for-purpose and simplified regulatory and complaints system based on the consumer principles and the Scottish Government's Better Regulation agenda.

This year we will:

1. Widen and deepen our engagement with policy- and decision-makers across government and the sector, providing impartial advice and high-quality insights into the complaints process.
2. Widen and deepen our engagement with consumer groups and the civil-society sector.
3. Harness insights from behavioural research on the users of our services to enable future reform of the complaints process as well as of our current work.
4. Build on our existing successful engagement with the legal profession to obtain nuanced insights into the experience that lawyers have of the complaints process (including consideration of a lawyers panel in inform our work).
5. Formulate proposals and responses in relation to the 'Fit for the Future' recommendations, and adapt our research and insights accordingly.

Outcome: our leadership will have played a vital role in delivering the information and insights and required to build a new fit-for-purpose system for Scotland.

E. Business improvement enablers, statutory obligations, and delivering change

To deliver our ongoing work and specific projects, we need the right people and the right tools. Good governance will help maximise our impact and help us take advantage of opportunities, and our culture will continue to embrace the value of statutory requirements from data protection to environmental reporting rather than treating these as compliance issues.

The year we will:

1. Create a case-management system lead role so that we have an internal champion for our key digital business enabler.
2. Consolidate our work on the separate statutory regimes for record management, data protection (DP) and freedom of information (FOI) into an integrated information-management system which meets all statutory requirements.
3. Meet the Scottish Government's requirements on cyber-security and ensure all licences and systems meet the latest requirements.
4. Review staff remuneration and flexible working arrangements (including working from home).
5. Reform our arrangements for staff learning and development, based on previous feedback, to increase its impact on business performance.

Outcome: a motivated and well-supported team will have the tools and systems they need to deliver for the Scottish public and profession, and to participate in the ambitious agenda for the shift to a new, fit-for-purpose regulatory and complaints system.

Appendix 2: Draft Budget – 2019/20

Summary Budget

EXPENDITURE	
	£
Staff and related	2,888,000
Non-staff	831,950
Total	3,719,950



ACTUAL INCOME AND LEVY	
	£
Actual income including contribution to reserves	
Levy from Law Society of Scotland	-3,534,906
Levy from Faculty of Advocates	-85,968
Levy from Association of Commercial Attorneys	-670
Contribution from complaint levy	-60,000
Approved Regulator Levy	-8,000
Licensed Provider Levy	0
Estimate of interest earned	-30,000
Total from levy	-3,719,544
Contribution from SLCC reserves	406
Total funds available	-3,719,950

* see note on page 22





BREAKDOWN OF LEVY INCOME		
Actual general levy set	If following last year's approach – across the board increase.	PROPOSED – rates frozen for all lawyers, except business owners
Private Practice Solicitors +3 yrs PQE – Principals / Managers	£421	£494
Private Practice Solicitors +3 yrs PQE - Employed		£386
Conveyancing Practitioner or Executry Practitioner 3+ years exp	£421	£386
Solicitors in first 3 years of practice	£210	£193
Practising outwith Scotland	£137	£126
In-house Conveyancing Practitioner or Executry Practitioner	£126	£116
In-house lawyers	£126	£116
Advocates	£199	£183
Association of Commercial Attorneys	£134	£134

Total actual levy required from each professional body	£
Law Society of Scotland	3,534,906
Faculty of Advocates	85,968
Association of Commercial Attorneys	670
Total	3,621,544

* see note on page 22

Proposed Expenditure 2019/20

	Budget 19/20	Budget 18/19	Variance	Variance
	£	£	£	%
STAFF REMUNERATION AND SUPPORT COSTS				
Direct Staff Costs				
Staff salaries and NIC	2,692,500	2,398,975	293,525	12.2%
Member Salaries and NIC	121,000	123,000	-2,000	-1.6%
Total Staff Costs	2,813,500	2,521,975	291,525	11.6%
Indirect Staff Costs				
Staff T&D	30,000	25,000	5,000	20.0%
Member T&D	6,000	5,000	1,000	20.0%
Staff expenses	5,000	4,500	-500	11.1%
Member expenses	12,000	12,000	0	0.0%
Other staff costs	21,500	22,300	-800	-3.6%
Total Indirect Staff Costs	74,500	68,800	5,700	8.3%
NON STAFF COSTS				
Property costs	314,000	328,500	-14,500	-4.4%
Insurance	9,000	8,500	500	5.9%
Office running costs	48,700	50,700	-2,000	-3.9%
Direct case costs	176,750	174,500	2,250	1.3%
Communication	38,500	30,500	8,000	26.2%
IT	97,500	90,000	7,500	8.3%
Corporate Legal Costs	32,000	45,000	-13,000	-28.9%
Audit	21,000	21,000	0	0.0%
Special projects & research	12,500	12,500	0	0.0%
Capital Depreciation	82,000	40,000	42,000	105.0%
Total Non-Staff Costs	831,950	801,200	-30,750	-3.8%
TOTAL COSTS	3,719,950	3,391,975	327,975	9.6%

General and complaints levy

Actual general levy set	If following last year's approach – across the board increase.			PROPOSED – rates frozen for all lawyers, except business owners		
	Practising Certificates	Annual Levy	Income raised	Practising Certificates	Annual Levy	Income raised
Private practice solicitors +3 yrs PQE – principals / managers	6,617	£421	£2,785,757	2,779	£494	£1,372,826
Private practice solicitors +3 yrs PQE – employed				3,838	£386	£1,481,468
Conveyancing Practitioner or Executry Practitioner 3+ years exp	5	£421	£2,105	5	£386	£1,930
Solicitors in first 3 years of practice	969	£210	£203,490	969	£193	£187,017
Practising outwith Scotland	904	£137	£123,848	904	£126	£113,904
In-house Conveyancing Practitioner or Executry Practitioner	3	£126	£378	3	£116	£348
In-house lawyers	3,328	£126	£419,328	3,328	£116	£386,048
Advocates	432	£199	£85,968	432	£183	£79,056
Associates of Commercial Attorneys	5	£134	£670	5	£123	£615
Totals	12,263	-	*£3,621,544	12,263	-	*£3,623,212

* **NOTE:** Applying a round £ levy to each category of practitioner results in a slightly different income total. The 9% across the board rise for all lawyers gives the lowest income (£1,668 lower). That lower income is used on pages 19-20 for transparency as it requires at £406 use of reserves). If the proposed model is adopted, a small return to reserves would be noted.

Appendix 3: Indicative ABS costing

BUDGETING ASSUMPTIONS

- The SLCC must secure income to cover its new statutory duties.
- Set-up costs have now been covered in full.
- No funds from solicitors or advocates should be used for operation (an illegitimate use of funds/a subsidy to a new market).
- The legislation is predicated on the new market's bearing the costs of regulation. The SLCC must seek to minimise costs, but the design of the funding model was a matter of public policy.
- There is currently no market. There is a real prospect that the costs of regulation could create barriers to entry in the early years.
- Future market demand is uncertain. The minimum necessary should be done to allow a compliant and functioning scheme, with explicit recognition that this will then develop based on the experience of initial enquiries and early complaints.
- Funding must account for uncertainty, including limited data on market uptake, the high risk of litigation on early cases, and the need to avoid widely erratic levies.
- It is assumed that LPs that are licensed at any point in the financial year will pay the annual fee, and that the RPO will collect this as part of the initial licensing process.
- A second approved regulator may come forward within this year.

APPROVED REGULATOR COSTS (Year 2 assumptions)

0.5% pro rata share of overhead	<ul style="list-style-type: none"> ▪ Rent, building services, etc. ▪ IT, printing, copying, mail and web ▪ Central services (HR, finance) ▪ Insurances ▪ Internal Audit / Audit Scotland 	£3,500
Consumer information and enquiries	<ul style="list-style-type: none"> ▪ Estimating 4 days of staff time (CI/grade 4) over the year on materials, enquiries, and information, supplementing training to firms, supplementing advice guides, etc. 	£676
Liaison with Scot Gov and AR	<ul style="list-style-type: none"> ▪ Estimating 4 days of staff time on meetings (grade 5), informal information request, policy clarification, etc. 	£852
Complaints	<ul style="list-style-type: none"> ▪ Estimating 1 complaint in year ▪ Minimum 20 days staff time per complaint (CI/grade 4) 	£3,380
Legal advice	<ul style="list-style-type: none"> ▪ Legal advice on complaints received (new system, likely to require advice) - <i>no figure put in this year, but risk is budget volatility next year</i> 	-

Appeals	<ul style="list-style-type: none"> 1 x Appeal by AR of process of outcomes – <i>no figure put in this year, but risk is budget volatility next year</i> 	-
DP/FOI requests	<ul style="list-style-type: none"> DP and FOI requests which need to be budgeted for – <i>no figure put in this year, but risk is budget volatility next year</i> 	-
		£8,408*

*We have discounted this to £8,000 in setting the actual levy. This also reflects that fact that, at the time of budgeting, five months into the 18/19 year, there had been only one possible AR complaint raised, which has not, at the time of publication, been formally submitted. This discount also acknowledges that there have been no legal challenges yet to the SLCC.

LPs (year 2 assumptions)

0.5% pro rata share of overhead	<ul style="list-style-type: none"> Rent, building services, etc. IT, printing, copying, mail and web Central services (HR, finance) Insurances Internal Audit / Audit Scotland 	£3,500
Consumer information and enquiries	<ul style="list-style-type: none"> Estimating 4 days of staff time over the year on materials, enquiries, and information, supplementing training to firms, supplementing advice guides, etc. 	£676
Complaints	<ul style="list-style-type: none"> Estimating 4 firms licensed We are estimating 1 complaints per firm Minimum 4 days staff time per complaint (CI/grade 4) 	£2,704
DP/FOI requests*	<ul style="list-style-type: none"> 7 DP and FOI requests which need to be budgeted for - <i>no figure put in this year, but risk is budget volatility next year</i> 	-
Legal advice	<ul style="list-style-type: none"> Legal advice on complaints 7 - <i>no figure put in this year, but risk is budget volatility next year</i> 	-
Appeals	<ul style="list-style-type: none"> 1 x Appeal by complainer or LP – <i>no figure put in this year, but risk is budget volatility next year</i> 	-
		£6,700*

* At 4 x LP this would be £1,675 per LP (we have discounted this to £1,000 in setting the actual levy, to avoid any barrier-to-entry issues).

Appendix 4: Abbreviations and technical terms

Abbreviation or Term	Meaning
ABS	Alternative business structure, the name used in the media for LPs (see below)
AR	Approved Regulator, a regulatory body created by the Legal Services (Scotland) Act 2010.
CPD	Continuing professional development, the ongoing training that many professionals are required to undertake as part of their right to practice.
DP	Data protection
First-tier complaints	When a law firm or advocate/advocate's clerk manages the initial complaint about a lawyer. Usually a consumer must first complain to that lawyer before they can come to the SLCC.
FoA	Faculty of Advocates, the professional body for advocates and one of the RPOs in terms of our statute.
FOI request	A request made under The Freedom of Information (Scotland) Act 2002.
HR	Human resources.
LP	Licensed Provider, a new type of legal service business ('law firm') created by the Legal Services (Scotland) Act 2010.
LSS	The Law Society of Scotland, the professional body for solicitors and one of the RPOs in terms of our statute.
Our statute/the Act	The Legal Profession and Legal Aid (Scotland) Act 2007.
Reporter	An independent individual who assists in undertaking an investigation and writing an investigation report.
RPO	A Relevant Professional Organisation in terms of our statute.
Second-tier complaints	When a complaint comes to the SLCC, generally after having given the lawyer and/or firm that is the subject of their complaint the opportunity to consider that complaint first.
SLCC	Our own organisation, the Scottish Legal Complaints Commission.
SSDT	The Scottish Solicitors' Discipline Tribunal, the independent tribunal at which the LSS prosecutes solicitors for professional misconduct.