

PREPARING FOR CHANGE, MANAGING ONGOING UNCERTAINTY

Budget and Operating Plan

2025-26

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1 INTRODUCTION

CONTEXT

This document sets out our budget and operating plan for the operational year 2025-2026.

A consultation ran from 14 January to Thursday 13 March 2025.

Responses were published on our website on 25 March 2025.

The consultation date and process are set in statute.

KEY PROPOSALS

Strategy: At the end of June 2024 our current four-year strategy came to an end. Last year we extended this by one year, believing reform would then have been finalised. With the reform Bill delayed, and the outcome still far from certain, we are proposing a two-year refreshed strategy. This received positive comments in consultation and has now been finalised as our approach.

More details are in **Section 2**.

Operating plan: For the second year we are in the situation where we are planning for a period where new legislation fundamentally reforming our role may have been passed, and we may be moving quickly to implementation.

However, a number of other very different scenarios are also possible including that the legislation is not passed or passed in a very different form (see **Section 2**).

We are therefore again setting a very focussed operating plan based on our key statutory functions, as well as having planned capacity for the various different scenarios which may come from reform.

More details are in **Section 3**.

Budget and levies: Following consultation we are setting a total budget of £4,956k and a 4.5% increase to the general levy.

The main drivers of cost include the Scottish Government Public Sector pay policy, increased National Insurance costs and inflationary increases. Incoming complaint numbers in the previous year were at record levels and internal caseloads remain high.

Section 5 provides full details of levies, including the rates for discounted levies which over 77% of lawyers pay.

2 STRATEGY AND PREPARING FOR CHANGE

STRATEGY

Background

In our budget in January 2024, we recognised that new legislation was due to pass by summer 2024 that would significantly change our functions. However, the final content of that legislation was too uncertain to allow detailed planning. On that basis a one-year strategy extension was approved (to June 2025). This allowed us to maintain a clear statement of long-term ambition based on previous consultation and policy development work.

It was envisaged that midway through that business year (now our current year, July 2024 to June 2025) we'd start consulting on a two or three-year transition plan to implement the new legislation, which would be our main strategic focus for that period.

Reform facing lengthy delays and the impact on planning

However, the legislation has been significantly delayed. It is now not likely to be completed until June 2025, and little of the Bill is immediately effective. Discussion on the timing and phasing of implementation is likely to run into the autumn of 2025, and indeed may run into the spring of 2026. We are also conscious that the 2010 Act reforming legal regulation is still not fully implemented, some 15 years later, so further delay may well be possible based on previous experience.

On that basis we were faced with a number of choices which we consulted on – another one-year extension, a longer extension, or starting on a completely new strategy with a view reform may be delayed even further and that we may wish to set ambitions within our current powers in the meantime.

A one-year extension seemed too short. We considered it unlikely that the Scottish Government will have finalised the arrangements for implementation we depend on by January 2026 when we must again consult on budget.

On the other hand, the cost and work of developing a full new three- or four-year strategy did not seem proportionate, nor did it seem likely we could accurately predict the environment and priorities. It is more likely than not our functions will change in some way. We also believe consulting on a transition plan, once reform is clear, is the best investment of resource. There is a real opportunity to engage with stakeholders and assess the policy impact of different approaches to implementation, building better services for lawyers and the public in the future. A strategy development exercise based around the current system consumes resources, for us and for stakeholders engaging, which could be used on the bigger changes which may be possible under the new legislation.

In the consultation we favoured an approach between the two listed above, proposing a two-year strategy 'refresh' as the best option. This was generally supported by those responding.

Confirmed approach - a two-year strategy refresh 2025 to 2027

A two-year refresh allowed the SLCC to reconsult on and recommit to planning based on what is certain (within the current law) and on supporting reform. Our normal budget consultation in January 2025 allowed stakeholders to comment on whether our vision, mission, strategic aims, and values remained relevant for the organisation. We also added some new detail (see below), on specific areas of work that are ongoing but where we'd specifically want to see greater change or a bigger developmental step within this two-year block.

During this period two scenarios are then likely:

- ***The legislation is passed, and implementation starts:*** Once the Bill is finalised, followed by the debate on implementation and the laying of the necessary commencement orders, we will consult on a new strategy based on transition and maximising the improvements we can make based on the new law. We hope this can happen well before the end of this two-year refreshed strategy, and that transition can start early. However, if there are further small delays in the legislative process then the proposed two-year approach accommodates that.
- ***The legislation fails:*** This is less likely at this stage, but still a possible outcome until the final parliamentary debate concludes. The legislation is being debated in the context of a minority government, other civil justice reforms having been recently abandoned due to lack of political consensus, and there is ongoing opposition from the judiciary and profession to some elements of reform. This would be a disappointing outcome after years of work but would nevertheless also give the SLCC the clarity it needs to set longer term plans (based on the current system) and work with stakeholders on what that means and whether further calls should be made for legislative change in the future (even if in a different form to this time).

We recommended, and the consultation responses broadly supported, a two-year strategy refresh as this most efficient and effective way to ensure long term planning is in place, but without diverting resource from the bigger gains which can be made through reform and working with stakeholders on a transition plan once the detail of legislation is finalised.

The refresh involved two stages:

1. A review of vision, mission, strategic aims, and values.

The SLCC considered these in detail but has ultimately reconfirmed a commitment to these. Whilst there had been some adjustment of the strategic aims both during, and immediately after, Covid they otherwise remained relevant and effective in setting out our ambitions.

The SLCC's functions are relatively narrow and defined, and the sector we serve is established and more commonly evolves through incremental change rather than sudden and high impact change which then impacts our operating environment.

No changes were felt to be needed until the legislative question was resolved.

2. Identifying areas of focus

In looking to ensure we make progress against the strategic aims certain areas of work will be a focus:

- Continuing our ongoing, and award winning, cycle of continuous improvement around our core complaints process, especially when the testing of new approaches may also assist with the post reform environment.
- Identifying and testing ways to improve customer experience within the system, led by our Service Experience Team.
- Tackling major cost areas, including appeals and s17 work (a systemic and widespread failure by solicitors to respond within statutory time limits, where we wish to see a substantial and sustained change in levels of compliance). These remain major drivers of cost and delay, and we continue looking for the best ways to manage these.

- Reviewing how technology can assist our core complaints processes and our supporting business processes.
- Supporting those with vulnerabilities (including work on trauma informed practice), increasing accessibility and promoting equality and diversity.
- Managing the uncertainty created by reform – an environment where ‘everything’ or nothing may change which we cannot control.

You will see these issues reflected in our operating plan in **Section 3**.

PREPARING FOR CHANGE

As noted above in relation to strategy, due to the delay in the Bill we are in a similar position in relation to operational planning. Once again, we may or may not be implementing a bill which may or may not pass just prior to the start of the business year we are proposing this budget for.

We have had positive engagement with the Scottish Government on reform. The financial memorandum accompanying the Bill has indicated many elements of transition work will be funded. However, at the time of consultation the Bill is not finalised, and no guarantees can be given on its final shape or form:

- Debate at Stage 1 has been vigorous.
- Stage 2 had not fully commenced at the time of the publication of budget consultation.
- Stage 3 has not yet completed and we know from past legislation on legal regulation that significant changes can occur at Stage 3. It is likely, but there is no guarantee a final Bill will pass.

The above means also understandably that it is too early for Scottish Government to confirm implementation and funding timescales, amounts, or what will be seen as transition funding rather than new ‘business as usual’ costs for new functions.

Planning scenarios for the SLCC consequently range between:

- major change being possible from the first day of the business year, similar to the current draft Bill
- change being possible from the first day of the business year, but different to the current draft Bill
- almost nothing being possible in the 2025-26 business year
- no change.

We are very conscious of the timetable for implementation of the Legal Services (Scotland) Act 2010 which has taken over 15 years to implement. We also have experience of when funding was available from Scottish Government to assist with our role in the 2010 Act and how this linked to when spending was required by the SLCC. Finally, we have the experience of the original Legal Profession and Legal Aid (Scotland) Act 2007 where transition provisions meant we had to dual run functions of the old Scottish Legal Services Ombudsman for 14 years.

There will be work to develop and cost a transition plan to be able to discuss funding with Scottish Government, and new ‘business as usual’ costs which will not be covered by transition funding. The new legislation may allow increased flexibility and reduced cost from appeals, but this is not yet certain and opposition is being voiced by influential parties. If savings elements of the new Bill are dropped, but new powers still added, costs may rise. Even if all savings are secured these may take some years to accrue (depending on Scottish Government choices on implementation).

In short, this year’s budget and operating plan allows us to be **preparing for change**, whether or not we actually enter a formal and funded **transition period** to fully implement new powers.

INTRODUCTION TO THE OPERATING PLAN

Taking into account the transition, and the need to be preparing for change, this year our operating plan is set out in two parts.

The first part follows our more normal format of detailing projects and deliverables we need to carry out our functions. We have focussed on statutory obligations, in terms of complaints process, oversight, and our statutory Consumer Panel.

The plan also reflects the ‘areas of focus’ set out in Section 2 above viewed as key on making further progress with our strategic aims.

The operating plan includes our anticipated incoming caseloads, and further details on the calculations supporting this are set out in **Appendix 2**.

Further minor changes to the operating plan may be made up to the start of our business year in July 2025, but these will not affect the budget.

The second part is based on the two likely scenarios relating to reform:

- 1) Moving to implementation, with planning based on the current draft of the Bill we have available.
- 2) The Bill falls, and the SLCC moves to development of a new strategy, engaging stakeholders and considering the priorities and long-term operating model of the organisation without legislative change to functions.

This approach ensures that whichever scenario unfolds staff resource is fully utilised in progressing the statutory duties and strategy of the organisation.

We do not know which scenario will apply, but we do know each comes with a funding requirement. It is also possible there are variations on these two scenarios (another significant delay, for example).

Throughout the year will monitor progress with reform and recast our proposed operating plan and budget allocations as required. The timetable for implementation is not within our powers, so a responsive approach is required. Projects may need scaled back or cancelled if the implementation of reform starts earlier than expected.

3 OPERATING PLAN 2025-2026

Projects are cross referenced to our strategic aims. [D] = Deliver, [Iv] = Innovate, [P] = Prevent, [If] = Influence, [T] = Transition

A. STATUTORY COMPLAINTS SERVICE

1. We will process an estimated 1,345 incoming complaints and maintain our performance and customer service on core processes including if we are starting to implement reform (designing and dual running a new system). [D, Iv, P]
2. We will continue our innovation and change programme, including our agile process improvement work, looking for new opportunities to work more efficiently, reduce the time it takes to handle complaints, and improve the quality of our work. The final programme will depend on whether reform is progressing, or we are working with the current system. [D, Iv, P]
3. We will review the current system for opportunities for trialling changes under the Bill, before it comes into force, if we have been given flexibility in the complaints process and such trials are not incompatible with current drafting. [D, Iv, P, If, T]
4. We will process an estimated 1) 11 incoming appeals, 2) 24 FOI requests, and 3) 21 GDPR requests. [D]
5. If required, we will implement the complaints system for Licensed Providers (ABS) under the Legal Services (Scotland) Act 2010. [D, Iv, P, If]
6. We will continue to review our approach to s17 non-compliance by solicitors to achieve a substantial and sustained change in the level of compliance [D, Iv, P, If, T]. We will:
 - a. Consider our approach to using the S17 court process v progressing cases making decisions just based on evidence we have
 - b. Monitor S17 engagement AND general engagement with SLCC
 - c. Consider publishing cases
 - d. Consider the impact of any changes in the Bill
 - e. Re-engage with stakeholders on the issue
 - f. Consider action on any gaps in our current approach – such as repeat offenders who may pose public interest issues.
7. Our Service Experience Team (SET) will continue to identify proportionate new opportunities to improve customer service (either implementing reform, or for our existing process) and implement these within the year. Currently plans include [D, Iv, If]:
 - a. Ongoing work on the SLCC's feedback systems including our external feedback process, Trustpilot and how feedback is shared within the organisation to improve our services.
 - b. Review of feedback work sitting with SET.
8. We will ensure our approach to accessibility and inclusion is embedded in all our work. We will consider how we could make our service more visible and accessible to those who might need it, including consumers in vulnerable circumstances, those suffering trauma, and those with protected characteristics under the Equality Act, along with specific consideration of the UNCRC. [D, Iv, If]
9. Last year we reviewed our own equality data and multiple sources of information on the population of Scotland and Scotland's legal profession. We also reviewed a dip sample of reasonable adjustments we made, and where we dealt with translation issues. We'll build on that learning with projects to proportionately respond to issues highlighted by last year's work. [D, Iv]

10. We will develop an options appraisal for publishing more information related to the working of the SLCC Board and select an option for piloting or permanent deployment with the following year's operating plan. [D, Iv, If]

B. STATUTORY OVERSIGHT, TREND REPORTING AND OUR OUTREACH SERVICE

1. We will continue work to deliver our statutory duties of oversight in relation to the Relevant Professional Organisations. We will follow up on recommendations made to the Law Society of Scotland and Faculty of Advocates on complaint handling and redress arrangements. We will engage with the Association of Construction Attorneys on its regulatory scheme and complaints process. [D, Iv, If]
2. We will process an estimated 15 incoming handling complaints and maintain our performance and customer service on core process including if we are starting to implement reform (designing and 'dual running' a new system, with only minor changes currently proposed but with the legislation not yet finalised). [D, If]
3. We will deliver a programme of outreach to the profession through newsletters, videos, online content, training and events. [D, Iv, P, If]
4. We will review our tracking of regulatory risk factors to help identify potential consumer detriment and ensure our approach is embedded across the organisation. [Iv, P, If]
5. If required, we will review the approved regulator complaints system under the Legal Services (Scotland) Act 2010 to ensure it remains fit for purpose after the eventual launch of the licensed provider scheme and with associated communications and the training of staff (all needing updated, due to delays in the scheme being launched by other bodies). [D, Iv, P, If]

C. STATUTORY CONSUMER PANEL AND ALIGNED WORK

1. The Consumer Panel will consider how to develop its workplan and ways of working in light of expected new powers and duties coming from reform. [D, Iv, P, If]
2. The Consumer Panel will ensure a clear consumer voice influences the SLCC's policy development and will provide a vital consultation and challenge role as the organisation moves to transition planning and implementation. [D, Iv, P, If]
3. We will ensure our transition plans, and any other significant strategic decisions, are delivered in line with the requirements of the Consumer Duty and other statutory duties influencing policy development (including around equality and diversity). [D, Iv, If]

D. BUSINESS FUNCTIONS TO SUPPORT THE DELIVERY OUR STATUTORY FUNCTIONS

1. Following an independent governance review in 2024-2025 we will implement any recommendations from the report which have been accepted by the Board and in a proportionate manner. [D, Iv]
2. We will keep under review AI options which may in the future streamline our HR processes, including recruitment and on-boarding. [D, Iv]
3. We will carry out a full review of employee benefits. [D, Iv]
4. We will develop our use of technology to deliver our role. This will include scoping a review of our IT support contract and considering a tender process (this may be delayed to accommodate reform work). We will also undertake a five-year review of personal hardware needs (laptops etc) and plan a replacement cycle. [D, Iv]
5. We will explore new technology options to improve efficiency, including the use of Microsoft co-pilot for areas of work such as minute production. [D, Iv].

6. Having tendered our Internal Audit work last year, we will work to induct a new provider and establish a new rolling cycle of internal audit. [D, Iv].
7. We will continue to implement our data action plan, review progress and begin to scope the next phase of this work. [D, Iv, P, If]
8. We will start work to look at how our carbon footprint can be accurately calculated, and we will consider how our e-footprint for carbon can be reduced. We will encourage the use of volunteer days to support sustainability initiatives. [D, Iv]
9. We will prepare our statutory Biodiversity Report to showcase the work we have done over the last 3 years. We will also continue to seek new ways to reduce our carbon footprint. [D, Iv]
10. As required by our lease we will develop a schedule of work to refresh interior decoration, as well as reviewing desk usage and numbers to ensure an effective working environment for staff. [D, I]
11. We will submit our application for revalidation by the Ombudsman Association (due in September 2025) so that we can remain an active part of a community which shares best practice and provides the public an independent assurance on our process. [D, Iv]
12. We will work with Scottish Government on the public appointments process to replace members demitting office in March 2026. [D]
13. We will undertake initial work to prepare for the potential retendering our Legal Panel. The current contracts are until October 2026 (extendable to October 2027). This work may partly depend on the timetable for reform implementation. [D, Iv]
14. We will undertake initial work to review our case management systems and options for upgrading and development or replacement. [D, Iv]

E. ENGAGING IN REFORM AND IMPROVING THE PROCESS

1. If the Bill has not been finalised, we will continue to engage in the progress of the Bill. Once the Bill is finalised, we will take legal advice on the operation of the final legislation. [D, Iv, P, If, T]
2. We will attend relevant regulatory and complaints events to build knowledge and networks to assist in the implementation of new ways of working following legislative change, and to inform ongoing continuous improvement generally. [D, Iv, P, If, T]

F. SCENARIO 1 - REFORM IMPLEMENTATION

1. We will start work on an ***overarching statement on organisational purpose and regulatory approach*** based on the new Act (including consultation with stakeholders) as this will inform our approach to implementation (and therefore be required before we can submit a request for transition costs). [D, Iv, P, If, T]
2. We will carry out initial scoping and costing of a ***revised complaints process for complaints against lawyers and firms***. We are likely to recommend implementing this using an ‘agile’ approach, which has proved successful in other work, testing new approaches before finalising them into a new initial system. [D, Iv, T]
3. We will carry out initial scoping and costing of a ***revised handling complaints process*** (complaints about how a Relevant Professional Body has handled a complain. [D, Iv, If T]
4. We will carry out initial scoping and costing of ***establishing and running a voluntary register of unregulated legal services providers***. [D, Iv, P, If, T]
5. We will carry out initial scoping and costing of a ***complaints process for unregulated providers***. [D, Iv, T]

6. We will carry out initial scoping and costing of implementing ***new processes for the development of guidance on complaints and issues arising from complaints***, and the development of policy in relation to ***other ancillary new functions and powers (indemnity, trend reporting, public interest disclosure, etc.)***. [D, Iv, P, If, T]
7. We will carry out initial scoping and costing of implementing a significantly ***expanded role for the consumer panel***. [D, Iv, P, If, T]
8. We will carry out initial scoping and costing of implementing an ***entity-based charging regime***. [D, Iv, T]
9. We will carry out initial scoping and costing of the ***business systems, staffing supporting work needed to enable a transformation programme across all work***, and on an ongoing basis for new functions, as required by the new legislation. [D, Iv, T]

F. SCENARIO 2 - REFORM FAILS OR IS DELAYED

1. We will develop a new long-term or interim strategy (depending on length of delay in reform) – this would include full analysis of the environment and consultation. [D, Iv]
2. We will develop a new long-term plan for continuous improvement work on the existing complaints process, including refreshed staff training. [D, Iv]
3. We will carry out our statutory consumer duty and equality duty work on existing processes (this having been planned for the new processes but needing review if that is not progressing). [D, Iv, If]
4. We will seek to implement a sustainable solution for s17 staffing and process management, and for Court of Session appeals staffing and costs. [D, Iv]
5. We will carry out a reviewing of our Consumer Panel’s work, and undertaking research and evidence gathering, based on sustained commentary in the reform debate about the lack of consumer research. [D, Iv, P, If]
6. We will accelerate the review planned for 2025-26 of the main case management system for the organisation. [D, Iv]
7. We will seek to re-engage with all stakeholders to consider the viability of a renewed call for some reform. [D, Iv, If]
8. We will review the previous ‘medium term changes’ project (an attempt to change the Legal Profession and Legal Aid (Scotland) Act 2007 through a Statutory Instrument) and assess the appropriateness and viability of progressing this. [D, Iv, If]

4 FINANCIAL CONTEXT TO THE BUDGET

OUTTURN IN 2023-2024

We budgeted income of £4,103k and received income of £4,221k.

The main reasons for the variance are higher interest rates and recovered legal expenses.

We budgeted expenditure of £4,259k and spent £4,390k.

The main reasons for the variance are significant legal costs relating to appeals and section 17 (tackling solicitors failing to provide files) and increased depreciation costs for IFRS16.

The budget was planned as a deficit budget (£156k) as reserves were above our policy. Our actual performance was a deficit of £169k.

FORECAST OUTTURN FOR 2024-2025

We budgeted income of £4,653k and are forecasting income of £4,767k.

The main reasons for the variance are higher number of practitioners than budget and continuing higher interest rates.

We budgeted expenditure of £4,643k and are forecasting expenditure of £4,582k

The main reasons for this are increased NI Costs and IT costs.

However, there is a saving on funds set aside for 'uncertainty' in the budget – including for reform implementation and uncertainty coming from the failure of a single firm. The justification for this element of the current year funding was set out in [last year's consultation](#) document on pages 8 and 9. The costs anticipated did not materialise as reform was delayed and number of cases from the ceased firm did not increase beyond the projected caseloads which underpinned the main budget elements. This funding will be carried forward to 2025-26, to cover reform implementation.

At the six-month budget review of the 2024-25 we anticipated that the outturn for the year will improve from a surplus of £10k to a surplus of £185k.

OUR APPROACH TO BUDGETING FOR 2025-2026

As context, the last three years of financial and operational performance are reviewed, alongside the forecast outcome for current year.

A set of assumptions are created around incoming complaint volumes, business needs, lawyer numbers, work required by law and anticipated under our strategy, and other factors.

Three-year projections of income, expenditure, and reserves are created, giving a longer-term indicative model.

This is then mapped to the Scottish Government's five-year financial strategy – to give wider public sector context.

We then set out anticipated expenditures based on our operational plan.

We also consider information on the sector – whether a growth or contraction of lawyer numbers or legal work is being projected, specific impacts (such as this year, the impact of the increase of National Insurance affecting all employers), and any other information available.

The levies are then calculated on the basis of covering anticipated expenditure in full (taking account of small amounts of additional income from bank interest and the separate complaints levy).

A consultation is launched in January, and the responses to the consultation must, by law, be published before the end of March.

The draft budget was reviewed in March, taking into account consultation responses and a further quarter's financial and complaints data.

We set the final budget and lay it before Parliament by 30 April 2025, with the final operating plan approved in June 2025.

RESERVES

At the start of the 2024-2025 financial year we held **£1,274k** in reserves.

This figure is now within the parameters set out in the reserves policy, which requires us to hold 3 months of operating costs.

We project that at year end our reserves will be £1,459k, and so within our reserves policy.

As noted we face a period of significant uncertainty. While at this point, we do not see a compelling reason to increase reserves, neither do we wish to see them fall below our current policy.

This policy is constantly under review based on risks and operating costs.

5 BUDGET AND LEVIES 2025-2026

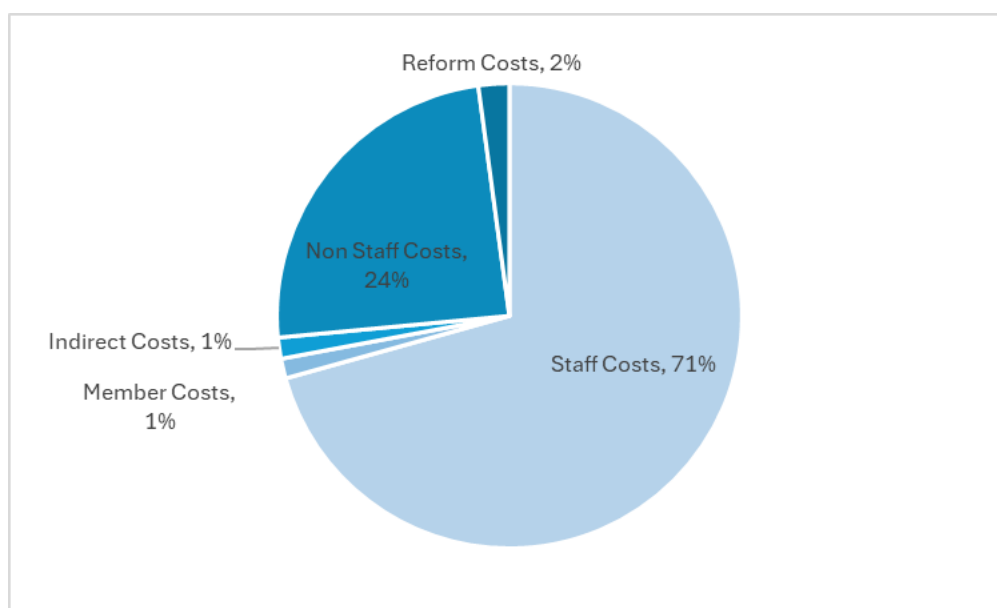
BUDGET AND LEVIES AT A GLANCE

Overall income and expenditure:	
Anticipated income:	£4,955,732 (up from previous year - £4,652,800)
Anticipated expenditure:	£5,064,575 (up from previous year £4,642,500)
Levies – individual lawyers (2007 Act):	
General levy:	£ 572* (previous year £547) <i>*the majority of lawyers pay a discounted rate well below this.</i>
Complaints levy:	£7,000 (previous year £7,000)
Levies – ‘alternative business structures’ (2010 Act):	
Approved Regulator (AR) Fee:	£10,000 (previous year: £10,000)
AR complaints levy:	£8,000 (previous year: £8,000)
Licensed Provider (LP) Fee:	£1,000 (previous year: £1,000)

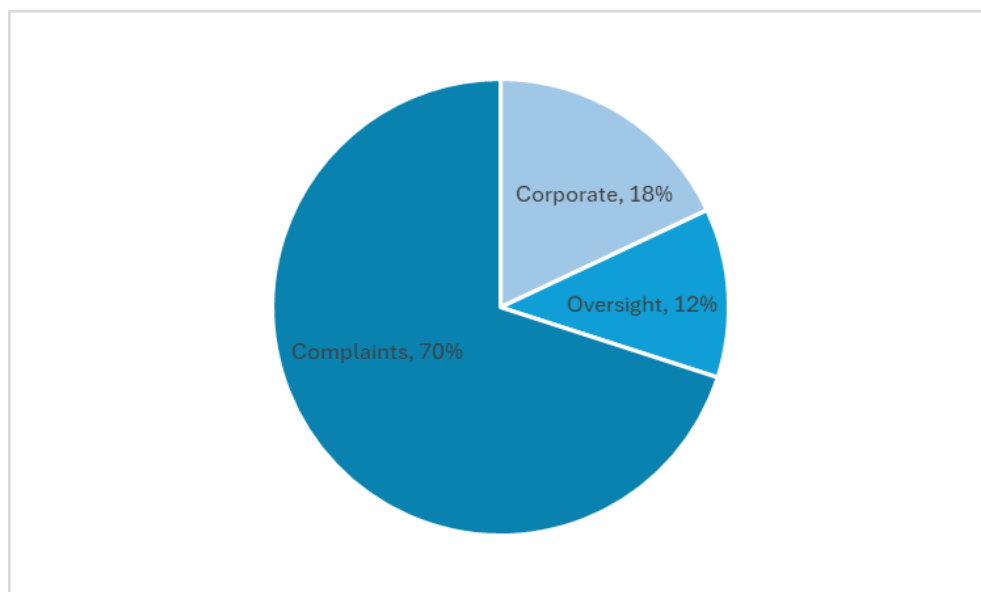
MAIN AREAS OF BUDGET SPEND

The full budget can be found in **Appendix 3**.

The majority of our costs relate to our people:



The majority of our people costs are spent on staff dealing directly with complaints:



BEST VALUE AND EFFICIENCIES IN THE BUDGET

Best Value

Last year the SLCC undertook a review of 'Best Value', and this fed into the planning for the coming year set out in this consultation.

It is essential that SLCC delivers efficient services, and important that our stakeholders know this is an important consideration. Equally, as with many public services, we are supporting vulnerable users with complex needs. Speed and cost are important, but it is not our goal to deliver the cheapest or fastest complaints process if this negatively impacts fairness. For example, we may need to give extra time for a member of the public or solicitor to respond to new evidence, or we may need to tailor access, for example providing translation support or reasonable adjustments, to allow a complaint to be made even if this increases unit cost.

The Board, Audit Committee and SMT worked to review the Scottish Public Finance Manual Best Value framework, which reflects the complexity of competing aims noted above. A formal Best Value policy was developed to guide our work, and a matrix created of how the SLCC reflects the delivery of Best Value in each of its core areas of operations.

Various projects are now proposed in this draft operating plan (**Section 3**) which reflect our commitment to overall best value. Alongside this several projects within the operating plan are aimed at improving our efficiency. These include (but are not limited to):

- A2** – complaints process improvement
- A6** – reviewing our approach to various drivers of cost and risk
- A8** - improving accessibility
- D1** – improving governance
- D9** – reflecting on environmental impact (cost to wider society)
- D2 & D5** – looking at the efficiency opportunities AI may present
- D6 & D13** – re-tendering work to ensure best value

Efficiencies

We are committed to finding efficiency savings each year.

In recent years we have made major savings through our move to a new smaller premises (which will save £500,000 in the five years following September 2023), reductions in members costs, improved efficiency of our complaint process (leading to reduced staffing at certain stages) and reductions in print and paper costs.

This year's specific areas of saving are:

- **Bad Debt Costs** – we are recovering more debts than in previous years.
- **Depreciation** – we have reduced our assets and now only have one office being accounted for.
- **Reform costs** – money was not spent in the current year, and so this will be carried forward (through reserves) reducing to nil any budget allocation in the year being consulted on.

Various other small savings as visible in the full budget in **Appendix 3**.

DRIVERS OF COST IN THE BUDGET

There some specific factors driving cost in this proposed budget:

- **IT Costs** – there has been an increase in licensing costs for software essential for running our frontline services.
- **Property and office cost (up on last year)** – although still benefitting significantly from the savings of the office move, there is a small increase on last year due to business rates, an increase in service charge (inflationary, in line with lease), an increase in office cleaning costs and increased finance costs for the office lease.
- **Staffing costs and Scottish Government Pay Deal**– this relates to the increased workload anticipated and the cost of mandatory pay awards this year and with the knowledge of Scottish Government's future proposed pay policy and the increased national insurance costs that are being introduced.
- **Policy and stakeholder engagement role** – there is an increasing volume of work in this area, with new legal duties such as the UNCRC and the statutory consumer duty. Years of work on reform, and the impact of last year's rise in complaints following the failure of a single firm (see below), was supported from existing staffing, but this has left little capacity for other work, with several areas now needing to be addressed.
- **Ongoing workloads from failure of a single firm** – we saw the highest ever incoming number of complaints last year, largely driven by the failure of a single firm. Although new complaints in relation to that firm have now fallen, and despite closing more cases last year, we still had a higher number of cases in the system at the end of last year than previous years (659, compared to 554 in 22/23 and 459 in 21/22 meaning internal workloads remain high, with the associated resource need).
- **A court decision in December 2024 may have resource implications** – we are working through the implications of the decision and seeking to minimise the impact on parties and costs. However, at the

time of publishing this budget it is not fully clear how possible it will be to run the system in line with the decision without adding cost.

There are also long-term drivers of cost for the SLCC which are being debated in the context of reform:

- **Process complexity** – it is well accepted the process is complex and prescriptive, and the SLCC is seeking to address this through legislative reform.
- **Appeals** – under the current legislation the SLCC has one of the most expensive appeal routes of any UK ombudsman. The SLCC is seeking to address this through legislative reform.
- **Access to solicitor files** – there is a widespread and systemic failing in the solicitor profession to comply with professional responsibility and the law around providing access to files. This is driving significant cost to tackle as well as delay for all parties. The SLCC is seeking new options to tackle this in legislation, as well as a range of other means.

THE GENERAL LEVY

The general levy is set at £572 (last year £547)

The majority of levies are discounted, and further details are available in **Appendix 3**.

In previous years we have consulted on the ‘apportionment’ of discounts. Currently discounts are structured around categories where clear regulatory data is available from RPOs and has been for some time (to allow predictions to be made). These currently include discounts for in-house lawyers and employed solicitors in private practice (compared to business owners).

THE COMPLAINTS LEVY

We charge this when a complaint is upheld. The statutory aim was to ensure that some costs could be recovered, often known as ‘polluter pays’, when a complaint was upheld. This was to balance income from the general levy.

Two years ago, following a specific consultation with the profession we increased the maximum levy from £5,000 to £7,000. The additional £2,000 will only be levied where a firm has failed to comply with a statutory s17 notice.

The current full complaints levy policy can be found on the [policies page](#) of our website.

The complaints levy is set at £7,000 (last year £7,000)

APPROVED REGULATOR (AR) AND LICENSED PROVIDER (LP) LEVIES

Approved Regulator levy: Two years ago this was increased to £10,000 (up £3,000) based on final authorisation for the Law Society of Scotland (LSS) to license new businesses being granted in December 2021, and a statement from LSS that licensing would start within the budget year. This did not happen, but preparation costs were expended.

LSS then committed to launching the scheme in 2024. The SLCC invested in a further round of preparation, however, the date for implementation passed and only after that point was it confirmed that LSS were not now planning to implement by that date.

LSS have again committed to progressing this work in their 2024-25 Annual Plan:

“We will work towards delivering the licensing of new legal service providers with alternative business structures.”

Based on this, the SLCC must again remain operationally ready for, and prepare for, a significant change in its operations.

We had previously received (2018-19) an element of set-up funding from the Scottish Government to cover historical costs and assist with set up (for example, we developed and consulted on an Approved Regulator complaints process). However, much of that dated quickly when the LSS did not implement as they had originally planned.

Funding received from this levy last year supported training for staff and Board members, updating of template letters and processes, legal advice, dealing with relevant amendments in the reform debate, the preparation of call handling scripts, engagement with stakeholders in the legal sector who continue to have concerns about new business models, website updates, case management system updates, and other factors. All of this was required because the information we were passed by the responsible organisations was that there would be implementation in 2024. Much work will need repeated this year.

Law Society have noted their concern at this levy in their consultation responses. However, we have consistently noted to the Law Society that their role as an Approved Regulator is elective, if they wished to save these costs they could step back from Approved Status until such time as they were ready to launch. This is therefore a cost they chose to take on. Indeed, the LSS engagement on the Approved Regulator budget is an example of the annual work which comes around in relation to this (taking executive and board time).

As we approach the 15 year anniversary of this reform legislation, which was considered urgent and important at the time, we hope progress can be made.

No Approved Regulator complaints have been received (although we have dealt with enquiries).

This levy will be collected.

In future years this levy may fluctuate significantly again, depending on the work we have to carry out.

Approved Regulator complaints levy: The complaints 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. With set-up costs now recovered the AR complaints levy reduced three years ago from £10,000 to £8,000. We did not consider there is any new data to vary the amount further this year, and the fee is only charged if a complaint is upheld (and can be waived in part or full).

It is hard to predict what complaints may arise in the first full year of the Society being fully approved. The levy may change significantly in future years.

The Approved Regulator levy is set at £10,000 (last year £10,000).

The Approved Regulator complaints levy is set at (for a complaint that is upheld) is £8,000 (last year £8,000).

Licensed Provider Levy: Complaints about LPs are similar to the types of complaint we already handle, although new systems and templates are required, and new legal issues will arise.

It still appears unlikely that any LPs will be fully licensed by July 2025, when the first levy will be collected. As a consequence, it may be that no fees are collected.

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. We currently have no information from the LSS on the likely size 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.

It is unlikely any LP levies will be received within the year. The levy may change significantly in future years.

The Licensed Provider levy is set at £1,000 (last year, £1,000).

The Licensed Provider complaints levy is set at £7,000 (last year, £7,000).

APPENDIX 1: INTERIM STRATEGY 2025 TO 2027

Our vision is that **every client receives a professional service, and every lawyer adheres to professional standards.**

Our mission is to **resolve complaints, prevent the common causes of complaints, and enable quality improvement.**

We have five strategic aims to achieve our ambition to be an efficient and effective complaints, regulatory, and oversight body, delivering a quality service. Our aims are to:

Deliver

Deliver our functions as a high-quality service which is accessible and inclusive, has good customer service at its heart, is prompt, and proportionate, and which delivers fair resolutions.

Innovate

Innovate across our complaints, regulatory and oversight functions by working as a performance-focused, agile, change-confident and resilient team, delivering continuous quality improvement and best value in our work.

Prevent

Prevent the common causes of complaints through analysis, shared learning and improvement work.

Influence

Influence the evolution of the regulatory system across the legal services market through complaints learning and our regulatory and oversight functions.

Transition

Transition the organisation through a period of strategic change and expansion of functions and role, supporting our staff, and focusing on a service design approach.

Our values are:

Fairness

Our processes and outcomes can be trusted by all as fair, independent and impartial.

Respect

We understand and respect the diverse groups we work with, work inclusively, and offer a good customer experience to all.

Impact

Every element of our work will deliver a meaningful result.

Learning

We continuously learn and develop, and share that learning, so we all improve our processes and the quality of our work.

Clarity

Our decisions, explanations, communication, and services will be clear and accessible.

APPENDIX 2: CALCULATIONS OF INCOMING CASE LOAD

COMPLAINTS ABOUT LAWYERS

In 2018-2019 we received 1,326 complaints; the highest incoming numbers we had ever received to that date.

The next four years were impacted by Covid-19. There was a dramatic drop in the first lockdown, a smaller drop in the second lockdown, and then a steady rebuilding of numbers:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Incoming complaints - total for year	1,326	1,036	1,054	1,159	1,281	1,385

2023-2024 then saw an all-time high of incoming cases, 1,385. However, this increase was largely driven by complaints about a single firm which has ceased operating.

As of the end December 2024, when finalised our budget consultation, we had received 602 complaints in the year, compared to 590 in the same period last year, placing us 2% up 'year to date'.

	2020/21	2021/22	2022/23	2023/24	2024/25
Incoming complaints - to December	526	572	638	590	602

This seems consistent with the long-term trend over the last 15 years which, despite yearly fluctuation, suggests a slow and steady (1-3%) increase in complaints year on year.

Accompanying this 2% increase in new incoming complaints is the higher than previous internal workload (of part worked cases) still present from the record high in the previous year due to the failure of a single firm (detailed in Section 5 above).

However, we also recognise that last year was partly a spike from that firm failure and that many of those complaints came in during spring 2024 (so do not show in the six-month year on year comparison above).

Last year we predicted an incoming of 1,345 for this year (2024-25).

We are left in the position of many previous years where some indicators suggest there will be an increased workload in 2025-2026, and others may suggest a small decrease (the absence of the firm failure 'spike').

Considering all the data in the round we are projecting the upcoming year this budget relates to as a 'flat line' (although with higher internal workloads from the firm failure still being worked out of the system). This means a projection of 1,345 for the coming year (2025-2026).

Complaints about lawyers	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
	Actual	Actual	Actual	Actual	Forecast	Forecast
Complaints incoming and requiring a formal prematurity and / or eligibility determination.	1,054	1,159	1,281	1,385	1,345	1,345
Of those eligibility decisions, 'Frivolous, Vexatious or Totally Without Merit (FVTWM)' and 'Time bar' are reserved to Commissioners	180	222	181	147	190	190*
Full service mediations will be required on the following:	90	80	57	89	60	60*
Full service investigations will be required on the following:	355	270	326	377	342	342*
Case not resolved at eligibility, mediation or investigation and requiring a panel of three commissioners to make the final determination	131	133	124	132	130	130*

If complaints remain static, or decrease, then adjustments can be made to resource to incorporate savings, and then further adjustments can be made in the budget for 2026-2027. If complaints increase above these estimated rates then reserves can be used and the levy increased in future years.

Forecasting cannot always be accurate. While we use a variety of recognised techniques and have independent support on our predictive model, the outputs are never more than an estimate or 'educated guess'.

We would note that predictions of the case flow from incoming, to the later stages of our process (marked with an * above in the 2025-2026 column) are likely to be subject to great variation this you due to the impact of a court decision in late 2024. We have not yet fully finalised our operational response to that decision, so cannot model for it in this budget.

Detailed information on our past performance and complaint volumes can also be found in our [annual report](#).

OTHER CASE RELATED ACTIVITY

We are also responsible for investigating handling complaints which look at how the Relevant Professional Organisations (RPOs) deal with complaints about conduct. This can vary any year and the small numbers means little statistical significance can be drawn from numbers. Incoming by the half year point suggested higher than anticipated cases (up to 15, compared to an estimate of 11 in the budget for this year). Similar patterns are expected next year.

We also have a significant caseload assisting people with Data Subject Access Requests (DSAR) and Freedom of Information (FOI) requests. These requests have tended to be in proportion to the number of complaints we receive. The tight statutory turnaround times, and potential for significant fines, means this work must always be fully resourced. Projected numbers for this year, based on data in the first six months, are slightly higher than anticipated (in last year's budget consultation). We predict 21 DSARs (up from 20) and 24 FOIs (up from 22).

The level of appeals was unusually high in 2023-24, but some of these cases were linked. We have marginally increased our prediction for this year (up 1, from 11 to 12) and currently anticipate similar levels next year.

Other case types	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025*	2025-2026
	Actual	Actual	Actual	Actual	Forecast	Forecast
Handling complaints	15	9	11	19	(↑15) 11	15
Freedom of Information Requests	24	21	22	16	(↑24) 22	24
Data Subject Access Requests	36	27	15	14	(↑21) 20	21
Appeals	9	10	10	17	(↑12) 11	12

Where a forecast number is in brackets this is a revised forecast for year-end (compared to last year budget consultation forecast). The arrow indicated if the revised forecast is up or down.

As can be seen, all work in this area is now expected to be slightly higher than budget and staff provision was made for in the current year, and we expect similar levels in the coming year requiring resource provision to be made.

KEY PERFORMANCE INDICATORS

Key performance indicators (KPIs) are set at the start of each year.

These KPIs usually include a target 'journey time' for complaints, a target level of 'work in progress' in the organisation, quality indicators, productivity indicators, and measures around certain key stages of the process (such as waiting time at eligibility and waiting time at investigation). More details on our annual performance are in our annual accounts and reports. For example, the last reported year's data can be seen in our [Annual Accounts for 2023 to 2024](#), page 20 to 22.

APPENDIX 3: DRAFT BUDGET FOR 2025-2026

SUMMARY OF LEVIES, INCOME AND EXPENDITURE

Proposed 2025-26 Levy & Budget

Actual General Levy Set	£
Private Practice Solicitors +3 Years (Principals/Managers)	572
Private Practice Solicitors +3 Years (Employed)	464
Conveyancing or Executry Practitioner 3+ years	464
Solicitors in first 3 years of practice	196
Practising out with Scotland	139
In-house Conveyancing or Executry Practitioner	139
In-house Lawyers	139
Advocates +3 Years	219
Advocates in first 3 years of practice	184
Association of Commercial Attorneys	147

Total Actual Levy required from each Professional Body	£
Law Society of Scotland	4,598,317
Faculty of Advocates	95,180
Association of Commercial Attorneys	735
	4,694,232

Income and Levy	
Levy from Law Society of Scotland	4,598,317
Levy from Faculty of Advocates	95,180
Levy from Association of Commercial Attorneys	735
Contribution from Complaint Levy	196,000
Approved Regulator Levy	10,000
Estimate of Interest Earned	55,500
	4,955,732

Expenditure	
Staff and Related Costs	3,722,891
Non-Staff Costs	1,232,833
Reform Costs	108,850
	5,064,574

Budget Deficit	(108,843)
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BREAKDOWN AND COMPARISON OF EXPENDITURE AND LEVY

Draft Budget 2025-2026

	2023-24 Actual	2024-25 Budget	2025-26 Budget
Income			
Levy Income	3,852,965	4,361,550	4,694,232
Complaint Levy Income	189,400	236,250	196,000
Other Income	178,791	55,000	65,500
Total Income	4,221,156	4,652,800	4,955,732
Direct Staff Costs			
Staff salaries and NIC	2,884,743	3,251,259	3,573,655
Reporters	4,100	5,000	5,000
Member Salaries and NIC	56,560	70,000	70,000
Total Staff Costs	2,945,403	3,326,259	3,648,655
Indirect Staff Costs			
Staff training & development	31,891	30,000	31,735
Member training & development	1,055	5,000	5,000
Staff travel & subsistence	1,913	1,500	2,100
Member travel & subsistence	3,269	4,000	4,000
Other staff costs	22,793	25,350	31,401
Total Indirect Staff Costs	60,921	65,850	74,236
Non Staff costs			
Property costs	227,196	131,812	195,602
Office running costs	81,593	52,569	82,049
Mediation and associated Costs	48,244	47,250	50,000
Appeal legal costs and advice-case specific	349,727	250,000	250,000
S17 legal costs and advice-case specific	100,868	85,000	85,000
Communication	27,911	21,758	26,278
IT	268,813	233,711	289,057
Corporate Legal Costs	30,367	15,000	15,000
Audit	33,320	37,000	35,000
Special projects & research	60,814	30,000	30,000
Bad Debt	(11,250)	35,438	9,100
Investment to reduce Office Dependency	0	0	0
Depreciation	166,419	207,012	165,748
Total Non Staff Costs	1,384,022	1,146,550	1,232,833
Total Expenditure	4,390,346	4,538,659	4,955,725
Surplus/(Deficit) excluding Reform Costs (inc 24/25)	(169,190)	114,141	7
Total Reform Costs	0	103,840	108,850
Surplus/(Deficit)	(169,190)	10,301	(108,843)

BREAKDOWN OF LEVY INCOME

Levy Income

Actual General Levy Set	Levy	No's	Income
Private Practice Solicitors +3 Years (Principals/Managers)	572	3,156	1,805,232
Private Practice Solicitors +3 Years (Employed)	464	3,802	1,764,128
Conveyancing or Executry Practitioner 3+ years	464	3	1,392
Solicitors in first 3 years of practice	196	1,445	283,220
Practising outwith Scotland	139	1,106	153,734
In-house Conveyancing or Executry Practitioner	139	3	417
In-house Lawyers	139	4,246	590,194
Advocates +3 Years	219	380	83,220
Advocates in first 3 years of practice	184	65	11,960
Association of Commercial Attorneys	147	5	735
		14,211	4,694,232

APPENDIX 4: SUMMARY OF POLICY CONSIDERATIONS

There are various matters the SLCC takes account when forming a decision (whether these are a legal duty, or simply as a matter of ensuring a broad range of considerations are taken into account even when we are not covered by a formal duty).

Consideration comes at a number of stages: when setting our overall strategy, when setting an annual operating plan, in the design of specific projects and policies, and in ongoing operational decision making.

Some of the areas of consideration, and examples of issues, are shared below.

Some of the projects on the operating plan (see Section 3) specifically link to these considerations – for example projects A8 and A9 particular link to human rights, UN rights of the child, and equality:

A8. We will ensure our approach to accessibility and inclusion is embedded in all our work. We will consider how we could make our service more visible and accessible to those who might need it, including consumers in vulnerable circumstances and with protected characteristics, and specific consideration of UNCRC. [D, Iv, If]

A9. Last year we reviewed our own equality data and multiple sources of information on the population of Scotland and Scotland's legal profession. We also reviewed a dip sample of reasonable adjustments we made, and where we dealt with translation issues. We'll build on that learning with projects to proportionately respond to issues highlighted by last year's work. [D, Iv]

In other cases, considerations listed below are ones which must be taken account of as the detail of project is designed and delivered. For example,

A2. We will continue our innovation and change programme, including our agile process improvement work, looking for new opportunities to work more efficiently, reduce the time it takes to handle complaints, and improve the quality of our work. The final programme will depend on whether reform is progressing, or we are working with the current system. [D, Iv, P]

In this case we need to make sure any changes to the system support access (those with protected characteristics, consumers in general) and comply with more specific legal requirements (like management of data under GDPR).

Human rights and UN rights of child	<p>Process improvement work will take account of these legal requirements to ensure any tested or finalised approach is compliant with these duties.</p> <p>A wider review of compliance is planned as part of either reform or development of a new strategy (if reform does not progress).</p>
Equality and Fairer Scotland / Social deprivation	<p>There are specific projects on equality, accessibility and increasing the visibility of the service to vulnerable groups.</p> <p>Process improvement work will take account of these legal requirements to ensure any tested or finalised approach is compliant with these requirements.</p> <p>A wider review of compliance is planned as part of either reform or development of a new strategy (if reform does not progress). This wider review will also consider how well trauma informed practice is being incorporated.</p> <p>We will consider equality issues in our review of employee benefits.</p>

Consumer duty	<p>This is a strategic decision which requires a full Consumer Duty Impact Assessment. Board considered a draft assessment alongside the budget papers.</p> <p>Consideration has included ensuring our services are known about, accessible to consumers, and that complainers are supported.</p> <p>We consulted through public consultation including with consumer groups and our Statutory Consumer Panel.</p>
Regulatory Principles (new Act)	<p>These are not yet legally in force.</p> <p>Early work is planned for transition to define and discussion how the SLCC balances these. For example, the requirement to use <i>best</i> practice in regulation means erring too far on the side of minimalist implementations may not be compliant with the Act (they may be good practice, but not the best practice). Equally, we are required to be proportionate and targeted in how we regulate which helps justify lower cost approaches.</p>
Finance and Best value (inc environment etc.)	<p>Best value projects include retendering work (such as internal audit, IT, case management systems and our legal panel), our process improvement work, and work to tackle significant drivers of cost (appeals, s17, etc.)</p> <p>Environmental responsibilities are being discharged by our carbon measurement and biodiversity projects.</p>
SLCC Values - fairness, respect, impact, learning, and clarity	<p>SLCC values have influenced the development of this plan. For example: <i>Fairness</i> and <i>respect</i> are especially important in our process improvement work and handling of s17. <i>Learning</i> is built in for staff and Board through development budgets and plans, in the sector via outreach, and for us an organisation through the regulatory risk project. Our customer service work and quality assurance cycle will continue to focus on <i>Clarity</i>. We are seeking <i>Impact</i> via our continuous improvement work and outreach.</p>
Data Protection / GDPR	<p>There are no major data protection issues in this paper itself. Funding is proposed to meet our FOI and GDPR commitments.</p> <p>We need to take care in our consultation to flag to those responding that there is a statutory duty for us to publish responses unless a party formally requests that we do not (as this can involve personal information going into the public domain).</p>
Comms issues	<p>Alongside the consultation we developed and implemented a communications plan which includes the publication of responses and the publication of a public statement to accompany the laying of our budget in Parliament.</p>
Other	<p>In August 2024 the Cabinet Secretary for Justice and Home Affairs wrote to all justice bodies requesting support to balance the 2024-25 Scottish Government budget. The SLCC does not receive funds from, or refund unspent funds to, the Scottish Government, and our funding model set out in the 2007 Act means we have slightly different consideration to take into account whilst conscious of the overall public sector position. The SLCC has taken into account the requests made in forming its proposed budget and operating plan.</p>