

Report to:	The Board
Meeting Date:	25 th March 2019
Report Title	SLAB GIA Budget submissions 2019-20
Report Category	For Information
Issue status:	Business as usual

Written by:	Financial Accountant
Director responsible:	Director of Corporate Services and Accounts
Presented by:	Director of Corporate Services and Accounts
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Delivery of Strategic Objectives	
Select the Strategic Objective(s) relevant to the issues	2. to advise Scottish Ministers on strategic development of legal assistance and its contribution to Scotland in which rights are supported and disputes are resolved fairly and swiftly

Link to Board or Committee Remit
This paper is linked to the Board's role in monitoring the financial position of SLAB expenditure.

Publication of the Paper
The Board has previously agreed that this paper should be published as a matter of routine. It will be published on our website in due course.

Executive Summary
This paper provides members with an update on the Admin, PDSO, CLAO, SCL, QA & Glasgow Courts Budget Submissions for 2019/20 and a high level overview of 2020/21.

Previous Consideration	
Meeting	Detail
N/A	

Report

1. Grant-In-Aid Funding Available

The core funding we are to receive from the Scottish Government is £11,620k. This is made up of £11,320 received last year and £300k to cover costs of Legal Aid review works. Core funding includes £100k of capital funding which cannot be transferred to staff or running costs. Core cash funding (after removing £550k of funding for Depreciation) is £11,020k. We are also allowed to retain £250k of superannuation receipts and anticipate an award of £20k for administration of the SWRC Project. Additional monies have also been added for pension costs above the £327k threshold bringing total in year funding to £12,013. Factoring in a potential opening bank balance of £610k brings total available funding to £12,623k.

Funding	2018/19 Actual	2019/20 Budget
	£k	£k
Core SG Funding (Actual/draft SG budget)	11,320	11,320
Additional Funding for LA Review	-	300
Non cash funding for Depreciation	(550)	(550)
Retained superannuation receipts	250	250
Additional funding for Grant Funding/ SWRC	75	20¹
Additional funding for pensions costs above £327k	673	673²
Total in year funding	11,768	12,013
Bank balance brought forward from previous year	344	610
Total available funding for the year	12,112	12,623

¹ 2018/19 contained £55k for GF from SW and £20k from Justice for SWRC, 2019/20 contains only £20k for SWRC

² Total 2019/20 pension costs are estimated to be in the range £1m - £2m. £1m has been used for the purposes of this paper.

2. Grant-In-Aid Budget Request

All SLAB departments have submitted budget requests for 2019/20.

The Table below shows the 2019/20 budget requests broken down by directorate. The original 2018/19 budget and forecast figures as at the 2018/19 quarter 2 budget review have been provided for comparison.

Department	Original 2018/19 Budget	Revised Q2 2018/19 Budget	Proposed 2019/20 Budget
	£k	£k	£k
Staff Costs	1,122	1,203	1,235
¹ Running Costs	31	1	60
Capital Costs	-	50	9
Total Strategic Development	1,153	1,254	1,304
Staff Costs	4,245	3,995	4,061
Running Costs	1,118	1,468 ¹	1,490
Capital Costs	100	50	91
Total Corporate Services & Accounts	5,463	5,413	5,642
Staff Costs	3,605	3,513	3,662
Running Costs	91	99	77
Capital Costs	-	-	-
Total Operations	3,696	3,612	3,739
Staff Costs	248	266	315
Running Costs	45	(14)	(12)
Capital Costs	-	-	-
Total Legal Services	293	252	303
Staff Costs	-	-	115
Total Vacancies & Vacancy Gap	-	-	115
Total Staff	9,220	8,977	9,388
Total Running	1,285	1,553	1,615
Total Capital	100	100	100
TOTAL EXCLUDING PENSIONS	10,605	10,630	11,103
Pension Costs	1,000	1,000	1,000
TOTAL ADMINISTRATION	11,605	11,630	12,103

¹ This figure includes £100k for emergency lift repairs which was agreed shortly after the Q2 budget review concluded

3. Budget 2019/20 - Detailed Commentary

The quarter 3 review has been completed and approved by the Exec Team; however at this time, as the detail has still to be updated in the budget ledger a summary is provided below.

The current SLAB-Admin consolidated budget request for 2019/20 is £12,103k, available funding (including the forecast opening bank balance) is £12,623k. This is an overall under commitment

of £520k although compared to in year funding (i.e. excluding the opening bank balance) we are over committed by £90k which we expect could be managed through in year savings and utilising the brought forward bank balance.

Department	Staff costs	Running costs	Capital	Pension Costs	Total budget
Q2 Revised GIA budget	8,977	1,453	100	1,000	11,530
Post Q2 Review changes (lifts)	-	100	-	-	100
Q3 review Proposed changes	(63)	(21)	(42)	-	(126)
Total proposed budget	8,914	1,532	58	1,000	11,504

Total Vacancies & Vacancy Gap

In 2018/19, vacancies reduced staff costs by nearly £400k - made up of the £150k allowance included centrally in the original budget and a further circa £240k which arose during the financial year. This, along with significant lift refurbishment costs moving from 2018/19 to 2019/20 are the main reasons for the estimated 2019/20 opening bank balance increasing to £610k. Due to the impact vacancies can have on in year spend, these are shown separately in the budget spend table. The 2019/20 budget includes vacancies of £265k where ET approval is yet to be requested and the usual vacancy gap of **£-150k**. The net vacancy figure is therefore £115k and is shown in the table above in a new section for 'Vacancies & Vacancy Gap'.

Increased bank balance - Quarter 3

The aforementioned lift refurbishment costs moving from 2018/19 to 2019/20 and other facilities work not undertaken during this financial year is a result of the considerable works carried out on the 3rd floor of Thistle House, enabling a sharing of the space for the Mental Welfare Commission (previously had the whole floor) and Children's Hearings Scotland, due to become a tenant from April 2019. This has taken up a considerable amount of our Facilities staff resource across the year; however in terms of meeting "smarter working" objectives and maximising the use of Thistle House, the outcome is a significant benefit to the public sector and it's shared use of publically owned buildings.

Pay Remit

SG Pay Policy for 2019/20 was announced in December 2018. The new Policy is very similar to 2018/19 and proposes to award 3% to those earning up to £36.5k, 2% to those above £36.5k with this being capped at £1,600 for those earning £80k or over. Additionally, there was a £750 underpin (minimum rise) for those earning £25k or less and a 1% non-consolidated, one off payment to those at the top of their grade as at Apr-18. The policy has been applied in full to the proposed 2019/20 budget although the final pay award is subject to both union negotiation and Scottish Government approval.

Progression in 2019/20 (before pay policy is applied) will cost £72k, the cost of applying the pay policy is an additional £322k.

Variances

An explanation of the major variances between the 2018/19 revised Q2 forecast and the proposed 2019/20 budget is given below by directorate.

Strategic Development

Staff costs are increased due to the pay remit, this is partially offset by the transfer of a grade 5 post which was in the 2018-19 budget to the vacancies section as the recruitment is not yet authorised by the Executive Team. In addition to this, there is a new post (grade 6, 2 year fixed term) in the vacancies area for Legal Aid Review work which is also awaiting ET approval.

2019/20 Running costs have increased due to a £16k reduced spend on research which is more than offset by the removal of MAS income (previously £-75k).

Capital expenditure in 2018/19 is in relation to the new Website, we don't expect the same spend in 2019/20 but some costs are expected.

Corporate Services & Accounts

As the directorate with the highest number of staff, the pay remit has the largest effect on Corporate Services however, this is largely offset by the transfer of several posts to the new vacancies area. All of these posts were in the 2018/19 budget and are currently awaiting ET/recruitment approval.

Running costs are slightly increased due to the transfer of lift works from 2018/19 to 2019/20 and the fact those lift works were originally forecast to be around £100k but are now looking likely to cost as much as £200k. Additionally, IS will see the re-introduction of Oracle licences in 2019/20; we had previously paid for 2.5 years up front which runs out half way through 2019/20 so we will incur costs for 6 months.

The budget includes £100k of capital spend and £91k of this in Corporate Services. Currently some of this spend is unallocated although we would typically expect that some additional capital spend will arise during the budget year and will be included during the quarterly review processes. Capital spend levels will be kept under review during 2019/20.

Operations

The effect of the pay remit in Operations is also slightly offset by the transfer of posts to the vacancies section. Staff costs are increased due to the addition of car allowances in the 2019/20 budgets for staff members in Compliance Audit.

Running costs for 2019/20 are reduced as SLAB now as allowances will be costed through payroll instead of lease/hire cars, and reduced budget for search fees in Debt Recovery.

Legal services

Staff costs are increased by the pay remit and the addition of a new post to cover the long term secondment of an existing staff member.

Running costs are broadly in line with those expected for 2018/19. The reason for the negative balance is income from the seconded post.

Pension Costs

2019/20 pension costs have been included at an estimated £1.0m although actual costs can be difficult to predict as there is no set retirement age. Scottish Government provide additional funding for pension costs above £327k so variations in the actual spend will be matched by funding changes. It should be noted that there are several managers that could retire in 19/20 and if this happens, actual pension costs would be closer to £1.5m.

4. Grant-in-Aid Forecast budget for 2020/21

GIA Budget	2018/19	2019/20	2020/21
Total Staff Costs	8,977	9,388	9,669
Total Running Costs	1,553	1,615	1,436
Total Capital Costs	100	100	100
Total Pension Costs	1,000	1,000	1,000
Total Grant-In-Aid Required	11,630	12,103	12,205

Although similar Wte's have been used, staff costs for 2020/21 are higher than budgeted in 2019/20 due to the application of progression and pay policy (we have presumed that the policy will be similar to that of 2019/20 and applied 3%, 2% and £1,600 increments but we have not added the cost of the £750 underpin or the 1% non-consolidated payment as we don't know if these will be applied next year).

Running costs are reduced due to no renovation costs in the 2020/21 budget and no costs in relation to Oracle Cloud except support. The reduction is slightly offset by a full year of Oracle licence costs.

Summary - Admin Budget

For 2019/20 there is a £90k over commitment against in year funding. Our experience in earlier years is that there will also be vacancy savings in excess of the £150k allowance and these would help manage the over commitment.

For 2020/21, if funding remains at current levels, the budget (which includes a £150k vacancy gap) does not appear affordable within year funding alone. The deficit is forecast to be £192k, all of which relates to an additional year of the pay remit. However, we would again anticipate that this will at least be partly offset by vacancies over and above the £150k allowance. We will keep this under review and will work internally to close any remaining gap. We also hold ongoing funding discussions with Scottish Government.

4. Fund Budget Submissions 2019-20

PDSO	2018/19 Original Budget	2018/19 Revised Q2 Budget	2019/20 Budget Request
	£k	£k	£k
Staff Costs	1,805	1,739	1,922
Running Costs	449	365	465
Capital Costs	31	31	31
Total excluding case costs	2,285	2,135	2,418
Case Costs	282	264	316
Total PDSO	2,567	2,399	2,734

The 2019/20 budget request for PDSO is £2,734k

Staff costs in 2018/19 are underspent compared to the original budget due to vacancies and maternity leave. The increase in 2019/20 is due to progression and the pay remit, along with extra resources authorised in 2018/19. Running costs are increased due to office relocations in Glasgow, Inverness and Falkirk.

CLAO	2018/19 Original Budget	2018/19 Revised Q2 Budget	2019/20 Budget Request
	£k	£k	£k
Staff Costs	1,308	1,241	1,301
Running Costs	271	218	322
Capital Costs	24	24	22
Total excluding case costs	1,603	1,483	1,645
Case Costs	125	94	101
Total CLAO	1,728	1,577	1,746

The 2019/20 budget request for CLAO is £1,746k

Staff costs in 2018/19 are underspent compared to the original budget due to vacancies and maternity leave. The increase in 2019/20 is due to progression and the pay remit. Increased running costs are primarily due to relocation costs for Inverness and Aberdeen.

Fund - Other	2018/19 Expected spend	2019/20 Budget Request
	£k	£k
Solicitor Contact line	1,013	1,010
Glasgow Courts	57	59
Criminal QA	70	89
Civil QA	146	146
Children's QA	26	26
SNSIAP	154	150
Total Fund Other	1,466	1,480

Fund - Other budgets are broadly in line with 2018/19 budget levels. In Criminal QA, Peer review numbers have been slightly lower than expected in 2018/19 but they are expected to return to normal levels in 2019/20.

Governance Links	
1	Finance and Resources As above
2	Risk In accordance with Corporate risk ID 8 (Pressure on the administration budget and being unable to manage within the budget. Caused by reduction in budget and/or increase in cost base and/or additional demands on resources) we continue to monitor available funding and forecast spend levels and aim to mitigate them as best we can.
3	Legal and Compliance N/A
4	Performance N/A
5	Equalities Impact An Equality Impact Assessment is not required for this paper.
6	Privacy Impact and Data Protection No privacy or data protection issues identified.
7	Communications and Engagement It has previously been agreed that this paper could be published.
Appendices/Further Reading	
N/A	
Conclusion and next steps	
N/A	