Report No: **SLAB/2021/04**

Agenda Item: **08**

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| **Report to:** | The Board |
| **Meeting Date:** | 15th March 2021 |
| **Report Title** | SLAB GIA Budget submissions 2021-22 |
| **Report Category** | For Information |
| **Issue status:** | Business as usual |

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| **Written by:** | Audrey Crawford |
| **Director responsible:** | Graeme Hill |
| **Presented by:** | Graeme Hill |
| **Contact details:** | hillgr@slab.org.uk |

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| **Delivery of Strategic Objectives** |
| Select the Strategic Objective(s) relevant to the issues  | 1. We deliver a high quality user focussed service
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| **Link to Board or Committee Remit** |
| This paper is linked to the Board’s role in monitoring the financial position of SLAB expenditure. |

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| **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. |

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| **Executive Summary** |
| This paper provides members with an update on the Admin, PDSO, CLAO, SCL, QA & Glasgow Courts Budget Submissions for 2021-22 and a high level overview of 2022-23. The Board is asked to approve the Budgets as submitted. |

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| **Previous Consideration** |
| **Meeting** | **Detail** |
| N/A |  |

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| **Report** |

1. **Grant-In-Aid Funding Available**

The core funding we expect to receive from the Scottish Government is £12,150k. Core funding includes £100k for capital which cannot be transferred to staff or running costs. Core cash funding (after removing £550k of funding for Depreciation) is £11,600k. We are also allowed to retain £250k of superannuation receipts and anticipate an award of £62k for administration of Grant Funding and SWRC Projects. Additional monies have also been added for pension costs above the £327k threshold bringing total in year funding to £13,085. Any remaining bank balance brought forward into 2021/22 will supplement the available in year funding.

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| **Funding** | **2020-21****Actual** | **2021-22****Budget** |
|  | **£k** | **£k** |
| Core SG Funding (Actual/draft SG budget) | **11,650** | **12,1501** |
| Non cash funding for Depreciation | **(550)** | **(550)** |
| Retained superannuation receipts | **250** | **250** |
| Additional funding for Grant Funding/ SWRC  | **812** | **622** |
| Additional funding for pensions costs above £327k | **1,6733** | **1,1733** |
| **Total in year funding** | **13,104** | **13,085** |
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1 Contains an additional £500k for 2021-22

2 2020-21 = £61k for GF and £20k from Justice for SWRC 2021-22 = £42k and £20k respectively

3 Despite a large spend in 2020-21 of £2m, 2021-22 retirements are expected to return to normal levels with costs estimated to be £1.5m

1. **Grant-In-Aid Budget Request**

All SLAB departments submitted budget requests for 2021-22 in December assuming a year of business as usual (BAU). Given the current restrictions and based on our experience in 2020-21 plus discussions with HR around timing of recruitment for vacant posts in the BAU budgets, Finance have created a Covid adjusted budget.

The Table below shows the 2020-21 budget requests broken down by directorate with separate columns for Business as usual (BAU) and Covid adjusted. For comparison, the original 2020-21 budget and revised budget as at quarter 3 have been provided.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Department** | **Original****2020-21 Budget** | **Revised Q3 2020-21 Budget** | **BAU**  **2021-22 Budget** | **Covid Adjust 2021-22 Budget** |
|  | **£k** | **£k** | **£k** | **£k** |
| Staff Costs | **1,369** | **1,270** | **1,399** | **1,390** |
| Running Costs | **80** | **30** | **93** | **91** |
| Capital Costs | **-** | **-** | **-** | **-** |
| **Total Strategic Development** | **1,449** | **1,300** | **1,492** | **1,481** |
| Staff Costs | **4,252** | **4,078** | **4,344** | **4,326** |
| Running Costs | **1,377** | **1,689** | **1,3691** | **1,3301** |
| Capital Costs | **100** | **263** | **100** | **100** |
| **Total Corporate Services & Accounts** | **5,729** | **6,030** | **5,813** | **5,760** |
| Staff Costs | **3,704** | **3,442** | **3,683** | **3,653** |
| Running Costs | **109** | **32** | **109** | **102** |
| Capital Costs | **-** | **-** | **-** | **-** |
| **Total Operations** | **3,813** | **3,474** | **3,792** | **3,755** |
| Staff Costs | **278** | **276** | **282** | **282** |
| Running Costs | **10** | **54** | **62** | **62** |
| Capital Costs | **-** | **-** | **-** | **-** |
| **Total Legal Services** | **288** | **330** | **288** | **288** |
| Staff – New Posts | **58** | **-** | **-** | **-** |
| Staff - Vacancy Gap | **(150)** | **-** | **(150)** | **(200)** |
| **Total Vacancies & Vacancy Gap**  | **(92)** | **-** | **(150)** | **(200)** |
| **Total Staff** | **9,510** | **9,066** | **9,558** | **9,455** |
| **Total Running** | **1,577** | **1,806** | **1,577** | **1,529** |
| **Total Capital** | **100** | **263** | **100** | **100** |
| **TOTAL EXCLUDING PENSIONS** | **11,187** | **11,135** | **11,235** | **11,084** |
|  Pension Costs | **1,500** | **2,000** | **1,500** | **1,500** |
| **TOTAL ADMINISTRATION**  | **12,687** | **13,135** | **12,735** | **12,584** |

1. Contains £570k of income from sub-let. Total running costs are BAU £1,939k and CA £1,900k
2. Contains £64k of income for secondment. Total running costs are £70k (£60k of which are legal costs)

## 3. SLAB Admin (GIA) Budget 2021-22

The (Covid adjusted) consolidated budget request for 2021-22 is £12,584k, against in year funding of £13,085k which gives an **under-commitment of £501k.** The surplus has been caused by an additional £500k in funding from Scottish Government (SG), a combination of spend-to-save discussions along with scenario planning and commencing workforce planning with the Exec Team will determine the best use of these available funds.

**Pay Remit**

An updated SG Pay Policy for 2021-22 was announced on 8th March 2021 and we have included the increments in the budget figures above. The Policy is: 2% for those earning up to £40k with an under-pin (minimum rise) of £800 for those earning £25k or less and 1% for everyone else to be capped at £800 for higher earners.

**Variances**

When comparing last year’s opening budget with this year’s BAU version you will see that they are broadly in line despite the 2021-22 BAU version containing the latest pay remit from SG pay policy. This is due to the pay remit being smaller than in previous years, an increase in retirements in 2020-21, a number of posts removed and those positions which have been backfilled (or are in the process of being backfilled) have often been at lower grade steps or, departments have taken the opportunity to regrade posts and redistribute workloads amongst existing staff.

There is little to be gained from a detailed analysis of why the revised 2020-21 Q3 budget differs from the proposed 2021-22 budget as most reasons for underspends in 2020-21 are Covid-19 and reasons for additional costs (i.e. licencing and hardware costs in Corporate Services) are to facilitate home working. Instead of a detailed breakdown on this we have explained the changes between the 2021-22 BAU budget (supplied by cost centre managers in December 2020) and the Covid Adjusted version (created by Finance in February 2021).

**Staff**

As the budgets are submitted in December and don’t go live until April there are often posts put into the budgets as of April 1st but which are not filled until later in the year. We have been in discussion with HR to confirm which of the vacant/new posts are currently on track to be recruited, which posts have Exec Team approval, and a realistic date for recruitment to commence. Using this information we have adjusted the budgets accordingly. You will see from the budget table above that (ignoring the vacancy gap increase of £50k) the aforementioned process has reduced staff budgets by £53k.

**Running**

Many costs (such as research, training and staff/recruitment costs) are expected to return to normal levels in 2021-22 however, until staff return to Thistle House we will continue to see savings across accommodation and travel. Given the current restrictions we have presumed that staff will not be returning for (at least) the first quarter and have reduced budgets accordingly for Apr-Jun 2021. Adjustments include, reducing heat & light by 30%, cleaning by 25%, postage by 50% and travel across all directorates by 70% in the 3 month period.

**Income from sub-let** – As SLAB have existing MOTO’s in place, and tenants have been in regular communication, we have included the expected annual income (£570k) and have not adjusted this. There is a risk that in the future, the tenants’ requirements could change; however there continues to be ongoing requests for space from Scottish Government Property mitigating that risk.

**Capital**

The Capital budget was temporarily increased in 2020-21 to cover the purchase of new hardware for home working. In 2021-22 it will return to the usual level of £100k. There have been budget requests for the full £100k from IS in relation to further facilitating home working, licences for a testing tool and the potential replacement of all iPhones, and depending on the outcomes of our scenario planning we may seek to move some of our revenue budget to capital during 2021/22.

**Vacancy Gap**

In 2020-21 vacancies have, to date, reduced staff costs by £594k – made up of the £-150k vacancy gap allowance included in the original staff budget of £9,510k and the further reduction (by quarter 3) of £444k which lowered the overall staff budget to £9,066. At almost £600k this is the highest reduction to staff costs we have seen in recent years. The cause is a combination of the aforementioned retirements, a number of vacant posts not being filled until workloads return to normal levels, restructure of some departments and recruitments taking longer due to Covid.

It is not anticipated that the same level of underspend for 2021-22 will continue, as we expect Covid restrictions to lift part way through the year and for retirements to begin returning to normal levels however, we have increased the vacancy gap to £-200k and we have also made adjustments to the budget to incorporate posts that we don’t anticipate filling by 1st April 2021.

**Pension Costs**

Retirements in 2020-21 were much higher than anticipated and are forecast to reach between £1.8m -£2m by the year end. Whilst we don’t expect this trend to continue at the same pace we have estimated pensions to cost around £1.5m in 2021-22. Scottish Government provide additional funding for pension costs above £327k, so variations in the actual spend will be matched by equivalent funding.

**4. Grant-in-Aid Forecast budget for 2022-23**

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| --- | --- | --- | --- |
| **GIA Budget** | **2020-21** | **2021-22** | **2022-23** |
| Total Staff Costs | **9,066** | **9,455** | **9,818** |
| Total Running Costs | **1,806** | **1,529** | **1,582** |
| Total Capital Costs | **263** | **100** | **100** |
| Total Pension Costs | **2,000** | **1,500** | **1,650** |
| **Total Grant-In-Aid Required** | **13,135** | **12,584** | **13,150** |

Staff costs for 2022-23 are higher than 2021-22 due to the vacancy gap returning to its previous level £-150k, the assumption all currently vacant posts should be filled by April 2022 and the application of progression and pay policy. In lieu of any official guidance, we have presumed that pay policy will be similar to 2021-22 and have applied 2% with the £800 underpin for £40k or less and 1% (capped at £800).

Running costs are increased due to the assumption Thistle House will be occupied at a reasonable capacity for the full 12 months. There have been no indications from cost centre managers of any other significant running cost changes in 2022-23.

Pension costs are expected to rise by around £150k in 2022-23 most of this being estimated lump sum payments.

**5. Summary – Admin Budget**

2021-22 (Covid adjusted) budgets show an under-commitment of £501k against in year funding. As previously noted this is due to an additional £500k funding from SG. A combination of spend-to-save discussions along with scenario planning and commencing workforce planning with the Exec Team will determine the best use of this £500k.

The additional £500k is an increase to core funding and we anticipate this to continue in future years. Core funding in 2022-23 (including pensions above £327k) should be £13,235k meaning an in year funding surplus of £83k. As with 2021-22 there will be changes implemented as a result of the pending Exec team spend-to-save discussions.

For future years beyond 2022-23, assuming that core funding remains flat cash, after the compounded impact of year on year pay remits we would, once again, be in the position where we had a funding shortfall; however the scenario planning and spend to save work planned for this year should address this position in advance.

**6. Fund (other) Budget Submissions 2021-22**

As with Admin, all FUND departments have submitted budget requests for 2021-22 assuming a year of business as usual. Given the current restrictions and based on our experience in 2020-21 and discussions with HR around timing of recruitment for vacant posts in the BAU budgets, Finance have created a Covid adjusted budget.

The Table below shows the 2021-22 budget requests broken down by directorate with separate columns for Business as usual (BAU) and Covid adjusted. For comparison, the original 2020-21 budget and revised budget as at quarter 3 have been provided.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Department** | **Original****2020-21 Budget** | **Revised Q3 2020-21 Budget** | **BAU****2021-22 Budget** | **Covid Adjust 2021-22 Budget** |
|  | **£k** | **£k** | **£k** | **£k** |
| Staff Costs | **1,848** | **1,819** | **1,932** | **1,932** |
| Running Costs | **673** | **466** | **851** | **846** |
| Capital Costs | **120** | **42** | **6** | **6** |
| Case Related Costs | **321** | **185** | **331** | **291** |
| **Total PDSO** | **2,962** | **2,512** | **3,120** | **3,075** |
| Staff Costs | **1,246** | **998** | **1,279** | **1,216** |
| Running Costs | **420** | **228** | **571** | **566** |
| Capital Costs | **64** | **24** | **3** | **3** |
| Case Related Costs | **142** | **52** | **142** | **120** |
| **Total CLAO** | **1,872** | **1,302** | **1,995** | **1,905** |
| Staff Costs | **966** | **910** | **819** | **819** |
| Running Costs | **55** | **35** | **141** | **141** |
| Capital Costs | **6** | **6** | **1** | **1** |
| Case Related Costs | **26** | **5** | **26** | **20** |
| **Total SCL** | **1,053** | **956** | **987** | **981** |
| Running – Criminal QA | **79** | **11** | **79** | **65** |
| Running – Civil QA | **126** | **73** | **126** | **107** |
| Running – Children’s QA | **23** | **3** | **34** | **26** |
| **Total QA** | **228** | **87** | **239** | **198** |
| Staff Costs | **51** | **48** | **51** | **45** |
| Running Costs | **1** | **-** | **1** | **1** |
| Capital Costs | **-** | **-** | **-** | **-** |
| **Total Glasgow Courts** | **52** | **48** | **52** | **46** |
| Staff Costs | **100** | **88** | **91** | **83** |
| Running Costs | **59** | **7** | **59** | **44** |
| Capital Costs | **-** | **-** | **-** | **-** |
| **TOTAL SNSIAPS** | **159** | **95** | **150** | **127** |

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| **Total Staff** | **4,211** | **3,863** | **4,172** | **4,095** |
| **Total Running** | **1,436** | **822** | **1,862** | **1,796** |
| **Total Capital** | **190** | **72** | **10** | **10** |
| **Total Case Related** | **489** | **242** | **499** | **431** |
| **TOTAL FUND (Other)** | **6,326** | **4,999** | **6,543** | **6,332** |

### **7. FUND (Other) Budget 2021-22 – Detailed Commentary**

The current FUND (Other) consolidated budget request for 2021-22 is £6,332k. Funding for Fund (other) budgets is not capped and forms part of the overall Fund Forecast. As with the Admin budgets, SG pay policy has been applied.

**Variances**

Much like Admin when comparing last year’s original budget with this year’s BAU version you will see that the budgets are not too dissimilar. Also like Admin, the principal reasons for variation between the revised 2020-21 Q3 budget and the proposed 2021-22 budget relate to Covid-19.

Instead changes between the 2021-22 BAU budget and the Covid Adjusted version are explained below.

**Staff**

BAU staff budgets for CLAO, Glasgow Courts and SNSIAPS all have vacancies and have been adjusted in line with information received from HR on the likely timing of recruitments.

The reasons for variances between years are: SCL has seen a reduction in fte from 2020-21 and also has a staff member on maternity leave. SNSIAPS has seen vacancies and a change to staff structure which has reduced their costs. All other changes are down to progression and application of SG pay policy.

**Running**

Many of the PDSO and CLAO offices remain open so the Covid adjustments to running costs are marginal. The large variance between last year’s original budget and this year is down to the shared case management system which was held in Capital last year but has moved to Revenue in 2021-22. Following a recent tender, the cost of this is now known to be in the region of £393k and is almost double what had been budgeted last year. The rough split (based on fte) is as follows: PDSO £185k, CLAO £130k and SCL £78k.

All relocation costs as budgeted in 2020-21 have been transferred into 2021-22.

**Capital**

There are no changes between the BAU and Covid adjusted versions of the budget, all Fund capital budgets are contingencies to cover the cost of replacement broken/damaged hardware. The budget differs materially from 2020-21 due to the movement of budget lines for the shared case management system. This was previously held in capital but in 2021-22 it has been moved to revenue costs.

**Case related**

It was expected that case costs would revert to normal levels in 2021-22 but, given the current restrictions we have reduced the budgets in the first quarter of the year. Our reduction is calculated at office level and is based on spend patterns in the 10 months to end January 2021.

**QA**

Similar to Case costs, we have reduced the QA budgets in anticipation of the continued effect Covid will have on the ability to carry out peer reviews in the first quarter of 2021-22.

# 8. SUMMARY

The Executive Team have considered the consolidated budgets for Administration and Fund (Other) and have confirmed that they are in line with SLAB objectives and the Corporate Plan. The Board is asked to consider the consolidated budgets and confirm they are in agreement.

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|  | **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 his paper could be published.  |

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| **Appendices/Further Reading** |
| N/A |

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| **Conclusion and next steps** |
| N/A |