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| **Report to:** | The Board |
| **Meeting Date:** | 20 March 2023 |
| **Report Title** | SLAB Budget 2023-24 |
| **Report Category** | For Decision |
| **Issue status:** | Business as usual |

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| **Written by:** | Audrey Crawford |
| **Director responsible:** | Linda Ross |
| **Presented by:** | Linda Ross |
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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** |
| To provide members with details of the Admin and Client Legal Services budget submissions for 2023-24 and a high level overview of 2024-25.  The Board is asked to approve the Budgets as submitted. |

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

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| **Report** |

1. **Grant-in-Aid Funding**

The core funding we expect to receive from the Scottish Government has increased by £1,200k from the previous year. This increase we were asked to allocate to areas like pay policy and investments with the balance being allocated to the pension pressure. Our assumptions on pay award, investment and pension have been discussed with Scottish Government, leaving an anticipated pension pressure of £460k.

Core funding we expect to receive from Scottish Government is £14,750k. With the adjustments noted in the table and an estimated bank balance carry forward of £600k, brings the total funding available to £15,572k.

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| **Funding** | **2022-23**  **Actual** | **2023-24**  **Budget** |
|  | **£k** | **£k** |
| Core SG Funding (Actual/draft SG budget) | **13,550** | **14,750** |
| Non cash funding for Depreciation | **(550)** | **(550)** |
| Retained superannuation receipts | **250** | **250** |
| Additional funding for Grant Funding/ SWRC | **621** | **621** |
| Pension Pressure (additional funding from SG) | **853** | **460** |
| **Total in year funding** | **14,165** | **14,972** |
| **Bank balance brought forward from previous year** | **266** | **600est** |
| **Total available funding for the year** | **14,431** | **15,572** |

1 Admin fees - £42k for GF and £20k from Justice for SWRC

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

All SLAB departments submitted budget requests for 2023-24 in December, Finance have consolidated all returns and the table below shows the proposed Admin budget for 2023-24. For comparison, the original and revised quarter 3 budget for 2022-23 have been provided.

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| --- | --- | --- | --- |
| **Department** | **Original**  **2022-23 Budget** | **Revised Q3 2022-23 Budget** | **Proposed**  **2023-24 Budget** |
|  | **£k** | **£k** | **£k** |
| Staff Costs | **631** | **455** | **468** |
| Running Costs | **8** | **9** | **12** |
| **Total Chief Exec** | **639** | **464** | **480** |
| Staff Costs | **906** | **982** | **954** |
| Running Costs | **137** | **30** | **62** |
| **Total Strat Dev** | **1,043** | **1,012** | **1,016** |
| **Department** | **Original**  **2022-23 Budget** | **Revised Q3 2022-23 Budget** | **Proposed**  **2023-24 Budget** |
|  | **£k** | **£k** | **£k** |
| Staff Costs | **4,900** | **4,713** | **5,112** |
| Running Costs | **2,051** | **1,902** | **2,223** |
| Income from sublet | **(607)** | **(617)** | **(650)1** |
| Capital Costs | **100** | **100** | **100** |
| **Total Corp Serv** | **6,444** | **6,098** | **6,785** |
| Staff Costs | **3,730** | **3,691** | **4,111** |
| Running Costs | **55** | **50** | **60** |
| **Total Operations** | **3,785** | **3,741** | **4,171** |
| Staff Costs | **226** | **233** | **246** |
| Running Costs | **40** | **37** | **50** |
| **Total Legal Serv** | **266** | **270** | **296** |
| Staff – Vacancy Gap | **(200)** | **-** | **(250)** |
| Running – Investment | **-** | **25** | **350** |
| Running – CLS recharge | **-** | **-** | **(190)** |
| **Total Vacancies & Vacancy Gap** | **(200)** | **25** | **(90)** |
| **Total Staff** | **10,193** | **10,074** | **10,641** |
| **Total Running** | **2,291** | **2,053** | **2,567** |
| **Total Income** | **(607)** | **(617)** | **(650)** |
| **Total Capital** | **100** | **100** | **100** |
| **TOTAL EXCLUDING PENSIONS** | **11,977** | **11,610** | **12,658** |
| Pension Costs | **1,600** | **2,200** | **2,200** |
| **TOTAL ADMINISTRATION** | **13,577** | **13,810** | **14,858** |

1. Does not include potential income for 5th floor, see narrative below)
2. **SLAB** **Admin (GIA) Budget 2023-24**

The consolidated budget request for 2023-24 is £14,858k against in year funding of £14,972k which gives a small under commitment of £114k.

When including the anticipated opening bank balance (£600k) the total available funding is £15,572k this results in an overall under commitment (against total available funding) of £714k.

A pay and grade review will take place in 2023-24; the financial impact of which is unknown.

**Variances**

An explanation of the major variances between the 2022-23 revised Q3 forecast and the proposed 2023-24 budget is given below by directorate.

**Staff -** SG Pay Policy for 2023-24 has not been announced however, based on discussions at several SG forums and, in lieu of any further information we have used 5%.

The cost of applying a 5% remit is £650k. There were several new posts agreed by the Executive Team and (as reported in January) some posts were removed. These changes, along with the increase in vacancy gap, result in a net increase to staff costs of £570k.

The vacancy gap has been increased by -£50k to reflect increase in staff costs and higher level of vacancies in recent years.

**Running -** Total Increase in Running Costs is £565k. The main increases are:

* £350k budgeted for approved investment projects. The projects are in relation to increasing our usage of the Oracle Cloud system with a view to realise future staff savings, including employment of temporary Product Manager, and investment in our IT development. Each project will have full business case and approval process in line with our DAM
* Up to £100k for the Leadership & Management Development Programme, and
* £70k for postage plus some smaller increases to accommodation costs

The budget includes £-190k for Client Legal Services licence recharges which brings the net increase in running costs down to £375k. This recharge was approved by Scottish Government in November 2022, to fund pay award. However, with vacancy management this was not required. Discussions therefore continue with Scottish Government on whether to apply the recharge or not.

**Income from sub-let** - Income for 2023-24 is set at £-650k.

This figure does not include potential income for the 5th floor as no contract is currently in place. The potential additional income would be £-220k, although there will be a reduction income as the Scottish Government end their use of “touch down” space on the 1st floor. The details are not yet known, but may require small building alterations to accommodate new tenants.

**Capital -** Our Capital allocation is £100k, this is ring-fenced funding from SG and forms part of our core funding. We received budget requests for the full £100k this year. There is currently no reason to expect we would exceed this value however, if we were to, a request could be made to SG to covert some of our existing revenue budget to capital.

**Pension Cost -** The monthly pensioner salary costs are now £135k (£1,620k annually), we expect a similar level of lump sum payments to the previous year (around £600k) so have kept the pension forecast of £2,200k.

**4. Grant-in-Aid Forecast budget for 2024-25**

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| **GIA Budget** | **2022-23** | **2023-24** | **2024-25** |
| Total Staff Costs | **10,074** | **10,641** | **11,414** |
| Total Running Costs | **1,436** | **2,567** | **2,124** |
| Total Income | **(617)** | **(650)** | **(650)** |
| Total Capital Costs | **100** | **100** | **100** |
| Total Pension Costs | **2,200** | **2,200** | **2,200** |
| **Total Grant-In-Aid Required** | **13,810** | **14,858** | **15,188** |

Staff costs for 2024-25 are higher than 2023-24 due to the application of progression and pay policy. In lieu of any official guidance, we have presumed that pay policy will be similar to 2023-24 (5%).

There is a reduction in running costs of £337k, this is largely caused by the removal of the £350k investment projects and £100k for the leadership and Development project which have been partially offset by an increase in IS Computer Maintenance costs (for several suppliers including Splash BI and Oracle) and an inflationary increase has also been built in. 2024-25 does contain figures for the CLS licence recharge but it does not include any figures for the potential sub-let of the 5th floor (as this is not yet confirmed).

Pension costs are held at a similar level based on projected retirements.

If the income for the fifth floor were to be included at £-220k then the 2024-25 budget would be affordable, even with another year of 5% pay remit. In addition to this, we would hope to see savings due to benefit realisation from the investment projects in 2023-24.

1. **Client Legal Services Budget Submissions 2023-24**

As with Admin, all Client Legal Services (CLS) departments have submitted budget requests for 2023-24, Finance have consolidated all returns and the table below shows the proposed Admin budget for 2023-24.

For comparison, the original and revised quarter 3 budget for 2022-23 have been provided.

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| --- | --- | --- | --- |
| **Department** | **Original**  **2022-23 Budget** | **Revised Q3 2022-23 Budget** | **Proposed**  **2023-24 Budget** |
|  | **£k** | **£k** | **£k** |
| Staff Costs | **-** | **107** | **162** |
| Running Costs | **-** | **200** | **102** |
| **Total Head of CLS** | **-** | **307** | **264** |

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| --- | --- | --- | --- |
| **Department** | **Original**  **2022-23 Budget** | **Revised Q3 2022-23 Budget** | **Proposed**  **2023-24 Budget** |
|  | **£k** | **£k** | **£k** |
| Staff Costs | **2,271** | **2,260** | **2,920** |
| Running Costs | **726** | **618** | **733** |
| Capital Costs | **6** | **31** | **17** |
| Case Related Costs | **354** | **241** | **383** |
| **Total PDSO** | **3,357** | **3,150** | **4,053** |
| Staff Costs | **1,326** | **1,144** | **1,356** |
| Running Costs | **273** | **206** | **323** |
| Capital Costs | **2** | **3** | **16** |
| Case Related Costs | **135** | **116** | **137** |
| **Total CLAO** | **1,736** | **1,469** | **1,832** |
| Staff Costs | **1,033** | **1,057** | **1,065** |
| Running Costs | **58** | **23** | **69** |
| Case Related Costs | **24** | **17** | **23** |
| **Total SCL** | **1,115** | **1,097** | **1,157** |
| Running – Criminal QA | **72** | **33** | **84** |
| Running – Civil QA | **126** | **121** | **125** |
| Running – Children’s QA | **30** | **9** | **7** |
| **Total QA** | **228** | **163** | **216** |
| Staff Costs | **54** | **54** | **57** |
| Running Costs | **1** | **1** | **1** |
| **Total Glasgow Courts** | **55** | **55** | **58** |
| Staff Costs | **98** | **96** | **108** |
| Running Costs | **52** | **26** | **39** |
|  | **£k** | **£k** | **£k** |
| Capital Costs | **-** | **5** | **-** |
| **Total SNSIAPS** | **150** | **127** | **147** |
| **Total Staff** | **4,782** | **4,718** | **5,668** |
| **Total Running** | **1,338** | **1,237** | **1,483** |
| **Total Capital** | **8** | **39** | **33** |
| **Total Case Related** | **513** | **374** | **543** |
| **TOTAL CLS** | **6,641** | **6,368** | **7,727** |

1. **CLS Budget 2023-24 – Detailed Commentary**

The CLS consolidated budget request for 2032-24 is £7,727k. Funding for CLS is not capped and forms part of the overall Fund Forecast.

**Variances**

An explanation of the major variances between the 2022-23 revised Q3 forecast and the proposed 2023-24 budget is given below.

**Staff -** As with Admin, 5% pay policy has been applied. Overall staff costs are £950k higher than in the previous year but this is not all pay policy (which cost around £250k), most of this (£600k) is down to multiple vacancies accruing through the 2022-23 financial year (due to PDSO expansion and vacant senior posts) which caused the 2022-23 actual spend to be much lower than anticipated.

The remaining increase is increased overtime and the cost of the recent 8% increase in overtime due to holiday pay guidelines.

There were no new post requests in the 2023-24 budget submissions, all posts had received prior approval and are either under recruitment or have already been filled.

**Running -** The largest fluctuation in running costs (PDSO and CLAO) is in relation to office relocation costs for Aberdeen, and the addition of the CLS licence recharge from Admin (£190k). This is partially offset by a reduction in costs for the case management system, which has recently concluded, in the head of CLS cost centre.

**Capital -** Requests for capital are low. The small amounts included are to allow for any IT replacements and to assist with the Aberdeen relocation.

**Case related -** Case related cost budgets are increased across CLS as caseloads are anticipated to return to pre-Covid levels.

**Quality Assurance -** Similar to Case costs, budgets presume Peer Reviews will return to pre-Covid levels.

1. **Summary**

The consolidated budget has been presented to and discussed with the Executive Team to ensure it is in line with SLAB objectives and the Corporate Plan.

The Board are asked to consider the consolidated budgets for Admin and CLS and confirm their approval.

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|  | **Governance Links** |
| 1 | **Finance and Resources**  No additional issues of note to report. |
| 2 | **Risk**  Our work to monitor administrative budget requests enables us to mitigate corporate risk. Risk 8: Pressure on the administration budget and being unable to manage within the budget. |
| 3 | **Legal and Compliance**  No issues of note to report. |
| 4 | **Performance**  No issues of note to report. |
| 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 should be published. |

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

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| **Conclusion and next steps** |
| The Board is asked to note and comment on the report as necessary. |