

SRA BOARD

20 October 2020

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This paper will be published

SRA Budget 2020/21

Purpose

- 1 This paper provides the Board with an update on the proposed budget for 2020/21.
- 2 The Board is asked to:
 - a) approve the proposed budget for 2020/21.

If you have any questions about this paper please contact: Liz Rosser, Executive Director of Resources, liz.rosser@sra.org.uk 0121 329 6468.

Equality, Diversity and Inclusion considerations

- 3 Our commitment to Equality, Diversity and Inclusion (EDI) is threaded throughout our Corporate Strategy and work programme and therefore throughout the budget provision for them.
- 4 Key project work for next year includes two substantial pieces of research into EDI related issues - the profile of solicitors in our processes and the attainment gap in professional assessments (paragraph 18).

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SRA Budget 2020/21

Background

- 5 The Board discussed the draft 2020/21 budget earlier in the year as part of agreeing the net funding requirement. The draft budget was consulted on alongside the 2020/21 business plan.
- 6 The budget provided for a small increase in the amount of practising fee income to be collected whilst ensuring that the individual practising certificate fee was not increased due to a commensurate reduction in the Law Society collection. This was necessitated by some accounting adjustments as part of planning for the establishment of the SRA as a distinct legal entity within the Law Society Group and the consequent impact on investment income.
- 7 It was prepared on the expectation that the SRA would be trading as a distinct legal entity within the Law Society Group and the final proposed budget has been prepared on the same basis.
- 8 We continue to be mindful of the need to deliver Value for Money. During the last five years we have absorbed significant additional costs due to inflationary pressures and new requirements placed upon us from changes in legislation and our regulatory role.
- 9 These included annual pay inflation of £4m over 5 years, £0.5m in 2019/20 for additional resource to respond to changes in anti-money laundering requirements, £1m in 2018/19 in response to new GDPR legislation and further anti-money laundering requirements.
- 10 These items are in addition to the usual inflationary pressure on other expenditure, such as IT licensing costs, at a time when our income streams other than from practising fees have not increased significantly. Had we not been able to absorb these costs through efficiency savings, the practising fee would be around 5% higher than the current level.
- 11 The budget includes significant additional funding for new activity to be delivered within the first year of the 2020-23 Corporate Strategy. This has been funded predominantly through a reduction in project expenditure as the modernising IT programme draws to a conclusion and we move towards an evergreen IT solution.

Proposed 2020/21 budget

- 12 The final proposed 2020/21 budget has been prepared in discussion with budget holders, directors and executive directors to discuss their plans for the coming year and to consider if those plans could be delivered within the funding identified as part of the NFR submission. A significant focus of these discussions has been the need to drive continued Value for Money. This resulted in changes within some expenditure lines but a balanced budget in line with expectations.

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- 13 The table below shows the variance between the draft budget and the proposed budget.

SRA Financial Summary 2020/21 Budget	2020/21 Budget £000	2020/21 Draft budget (NFR) £000	Variance F / (A) £000
Practising Fee income	(54,800)	(54,799)	1
Regulatory income	(3,037)	(3,069)	(32)
Investment income	(152)	(152)	0
Total Income	(57,989)	(58,020)	(31)
Staff Costs	35,716	36,251	535
Non staff costs	23,768	23,900	132
Projects / Modernising IT	5,725	5,725	0
Facilities and property costs	4,326	4,396	69
Total Expenditure	69,535	70,272	736
Recoveries	(11,546)	(12,252)	(706)
Total	0	0	0

- 14 The draft budget included a significant reduction in IT costs which were assumed to be in non-staff costs. In actuality a reduction of c.£300k has been identified within IT staff costs, creating a variance to the draft budget. The additional reduction in staff costs is a consequence of the removal of vacant roles no longer required.
- 15 The movements within non-staff costs primarily represent changes in working practices as a result of Covid-19. Within that figure is an increase in IT costs to support the new telephony solution, recently implemented to allow the Contact Centre to operate successfully while working remotely.
- 16 This has been mitigated by a reduction in areas such as staff travel, external meetings and engagement and a scaled back 2020 Compliance Officers' conference, in light of the pandemic.

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- 17 The 2020/21 business plan included new activities to begin to deliver on the 2020-23 Corporate Strategy. While these activities may not yet have been fully scoped, the proposed budget includes provisions as identified in the draft budget setting process.
- 18 New activities expected to occur or commence during 2020/21 include:
- Enhancement to our quality assurance work.
 - Developing our approach to technology and innovation.
 - Research into disproportionality in our processes and outcomes.
 - Research into the attainment gap in professional assessments.
 - Investment in hardware.
 - Stakeholder perception survey.
- 19 All of these activities are provided for within the proposed budget.

Risks and Opportunities

- 20 As in every year, the budget includes a number of risks and opportunities that we will look to mitigate and realise respectively during the year.
- 21 In previous years the budget has included a contingency to manage unexpected activity during the year to avoid a call on Law Society group reserves. This has been removed in expectation of us having control of our own reserves in 2020/21 and to allow the inclusion of the additional activities.
- 22 There is therefore no contingency for unexpected items such as legal cases that we may be required to defend. It may be necessary to call on reserves in these circumstances. Consideration should be given by the Board as to whether it is comfortable with this approach.
- 23 While we have prepared the budget as best as we can to consider the 'new normal' environment in which we now operate, the impact of the ongoing Covid-19 pandemic clearly still results in uncertainties.
- 24 The next significant part of our modernising IT programme, RegOps 2, is due to go live in December. At the time of writing some requirements are still not fully scoped and there is an opportunity that we may see benefits from this implementation later in the financial year. We will return to the Board at a later meeting to discuss the benefits resulting from the modernising IT programme.
- 25 These benefits may include the opportunity to save money on our IT cost base as contracts are renewed later in the year. We will work to ensure value for money is achieved in all contracts as they become due.

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- 26 However, if there is any delay to the current go live date there will be a knock on delay in ending our contract with CGI leading to significant additional costs. We are doing everything we can to mitigate this risk.

Next Steps

- 27 The Board will receive regular updates on performance against the 2020/21 budget through the quarterly performance reporting.
- 28 This will include updates on the risks and opportunities that exist within the budget as they develop over the year.
- 29 The 2020/21 budget will provide a baseline for us as a distinct legal entity from which we will measure efficiencies as part of a value for money programme that will take shape during 2020/21. The Board is considering a separate paper on financial expectations over the next three years in its workshop session.

Recommendation: the Board is asked to approve the proposed budget for 2020/21.

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Supporting information

Links to the Corporate Strategy and/or Business Plan

- 30 Our budget underpins all of our strategic objectives and the work set out in our Business Plan for 2020-21.

How the issues support the regulatory objectives and best regulatory practice

- 31 Our Corporate Strategy supports the regulatory objectives and the budget underpins the Strategy and the year one business plan. The development of our work programmes, consultation on and subsequent publication of the Corporate Strategy and Business Plan and of our budget deliberations supports the better regulation principles of accountability and transparency.

Public/Consumer impact

- 32 The Corporate Strategy and Business Plan, which the budget supports, includes a number of priority activities which are designed to specifically address our public/consumer obligations.

What engagement approach has been used to inform the work and what further communication and engagement is needed

- 33 The Corporate Strategy and Business Plan which the budget supports were subject to a full public consultation, as was the level of the practising certificate fees for 2020-21.

What equality and diversity considerations relate to this issue

- 34 Our commitment to Equality, Diversity and Inclusion is threaded throughout our Corporate Strategy and work programme and therefore throughout the budget provision for them.
- 35 Key project work for next year includes two substantial pieces of research into EDI related issues - the profile of solicitors in our processes and the attainment gap in professional assessments (paragraph 18).

How the work will be evaluated

- 36 The components of our Corporate Strategy and work programme which the budget supports are evaluated in different ways, as appropriate. Performance against the work programme is published quarterly through performance reports to the Board.

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Date 4 October 2020