

SRA BOARD
14 September 2021

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This paper will be published

SRA Budget 2021/22

Purpose

- 1 This paper provides the Board with an update on the proposed budget for 2021/22.
- 2 The Board is asked to:
 - a) approve the proposed budget for 2021/22.

If you have any questions about this paper please contact:
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Equality, Diversity and Inclusion considerations

- 3 Our commitment to Equality, Diversity and Inclusion is threaded throughout our Corporate Strategy and Business Plan and therefore throughout the budget provision for them.

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SRA Budget 2021/22

Background

- 4 As part of our internal governance arrangements, the SRA is required to confirm its budget to the Law Society Council in October each year.
- 5 The Board discussed the draft 2021/22 budget earlier in the year as part of agreeing the practising fee requirement. The draft budget was consulted on alongside the 2021/22 business plan.
- 6 The budget provided for an increase in the amount of practising fee income to be collected whilst still allowing for a reduction in the individual practising certificate fee due to increasing numbers of practising solicitors.
- 7 The significant factors in the increase were, staff cost pressures, increased 'cloud' services/license costs and one-off property refurbishment costs. Reducing the impact of these increase were reductions in costs of c.£1m related to benefits delivered through the modernising IT programme (MIT).
- 8 The budget includes further additional funding for additional research to allow us to deliver against our 2021/22 business plan and the second year of the 2020-23 Corporate Strategy.

Proposed 2021/22 budget

- 9 The proposed 2021/22 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 practising fee requirement submission. This exercise confirmed our plans aligned with the original funding provision.
- 10 The proposed budget is in line with the draft budget consulted on and is shown below with variances to the current year for comparison.
- 11 Following the establishment of Solicitors Regulation Authority Limited, recoveries from the Compensation Fund will be classified as income, rather than offset against expenditure. This is a presentational adjustment required by accounting standards but makes no material change to our budget.

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SRA Budget 2021/22	2020/21 Budget	2021/22 Budget	Variance £000
Practising Fee income	(54,800)	(56,800)	2,000
Compensation Fund recoveries	(10,046)	(10,084)	38
Regulatory income	(3,037)	(3,037)	0
Investment income	(152)	(152)	0
Total Income	(68,035)	(70,073)	(2,038)
Staff costs	35,714	36,572	(858)
Non staff costs	17,105	18,555	(1,450)
Intervention costs	6,665	6,665	0
Projects	5,725	5,125	600
Facilities costs	4,326	4,656	(330)
Total Expenditure	69,535	71,573	2,038
Recoveries	(1,500)	(1,500)	0
Total	0	0	0

- 12 The table on the following page summarises the changes from the 2020/21 budget. These were discussed by the Board earlier in the year.
- 13 Staff cost pressures include the impact of the annual pay review process as well as allowing us to implement any changes required following our upcoming review of pay bandings. The provision also allows us flexibility in responding to any recruitment challenges we may face during the year, for example allowing handovers between staff and providing cover for maternity leave. We often require specialised staff, such as qualified solicitors and technical experts, where market rates dictate that we may need to pay more and there may also be potential cost implications as we consider actions to address some disparity highlighted by our work on the gender pay gap.
- 14 The overall movement on staff costs shown above includes these pressures, a reduction in costs of £420k as a result of benefits from the modernising IT programme and additional funding in relation to 'Mutual Recognition of Professional Qualifications'. Where cost increases relate to work done on behalf of the Compensation Fund these costs are recovered from the Fund.

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- 15 As previously discussed with the Board, we are experiencing rising costs for 'cloud' services, data storage and licenses and expect costs to increase by up to £700k in the next financial year. The completion of the Modernising IT programme has provided a platform for us to deliver longer term continuous improvements and we continue to rationalise these environments to mitigate cost increases where possible however there may be short term increases in running costs while this occurs.

Changes from 2020/21 budget to 2021/22 budget	Impact on Budget (£k)
Staff cost pressures	1,120
'Cloud' services, data storage, moving our services online	700
Approximate one-off property refurbishment costs (net of savings)	330
Additional research spend	200
Inflation on non-staff costs	180
Mutual Recognition of Professional Qualifications	120
Staff travel	100
SQE – additional assessor costs	50
Introduction of Welsh Office	90
Compliance conference	80
Governance effectiveness review	75
Wider events	40
Information security	35
Reduced Stakeholder perception costs	(100)
MIT Benefits – Staff cost reductions	(420)
MIT Benefits - Reduction in project costs	(600)
Total	2,000

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Risks and Opportunities

- 16 As in every year, the budget includes a number of opportunities and risks that we will look to realise and mitigate respectively during the year.
- 17 Following the establishment of Solicitors Regulation Authority Limited we have control over our reserves and investments. We have maintained the budget for investment income at the current level in the budget as any income from this is inherently uncertain. There is both an opportunity and risk associated with this income stream and the Board will be regularly updated on investment performance throughout the year.
- 18 We are in the process of renewing a number of significant ICT contracts and support agreements. As part of this we are looking for opportunities to consolidate some contracts to provide greater efficiencies. Nevertheless, our ICT infrastructure is complex and with a dependency on Microsoft which presents financial risk. These changes will take effect from 1 January 2022 and negotiations are ongoing therefore no allowance has been made for this (positive or negative) in the budget.
- 19 The Board will consider a paper on the progress of the Continuous Improvement Programme in December. As this programme progresses, we would expect to identify opportunities for efficiencies, which will be delivered over varying timeframes. There will be opportunities in the budget where efficiencies can be delivered during the financial year. The Board will receive regular updates on the progress of the programme.
- 20 There is likely to be some activity planned for 2020/21 which is not completed by the end of the year, resulting in under spend in this financial year. We may need to utilise some of this under spend in 2021/22 to complete these activities. Specifically, this would include some elements of our ongoing research work, project spend associated with the implementation of SQE and project spend in relation to changes to the Cube. We will update the Board on the impact of this timing on this expenditure across the year end as this year progresses and a more accurate forecast can be developed.
- 21 The significant programme of work to refurbish the Cube by the end of February next year remains on track and within the overall budget approved by the Board. We have appointed a contractor and they are progressing with preliminary work prior to starting the refurbishment in September. Once the planning phase is fully complete, we will have greater clarity on the timing of expenditure. As it will span the financial year end the actual expenditure may differ from the budgeted spend profile with more or less activity occurring in 2021/22 than anticipated.
- 22 The budget includes 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. Should any such cases arise we will inform the Board as part of the regular financial updates.

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- 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 for both the profession and the wider world. At the current time we are not aware of any specific financial consequences.

Next Steps

- 24 The budget will be confirmed to the Law Society Council at its meeting in October.
- 25 The Board will receive regular updates on performance against the 2021/22 budget through the quarterly performance reporting. This will include updates on the risks and opportunities that exist within the budget as they develop over the year.

Recommendation: the Board is asked to:

- a) approve the proposed budget for 2021/22.**

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Supporting information

Links to the Corporate Strategy and/or Business Plan and impact on strategic and mid-tier risks

- 26 Our budget underpins all of our strategic objective and is a costed version of our business plan. Effective budgeting mitigates strategic and mid-tier risks around resourcing.

How the issues support the regulatory objectives and best regulatory practice

- 27 Our Corporate Strategy supports the regulatory objectives and the budget underpins the Strategy. Publication of the Corporate Strategy supports the better regulation principles of accountability and transparency.

Public/Consumer impact

- 28 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

- 29 The Corporate Strategy which the budget supports was subject to a full public consultation, as was the draft budget itself and the business plan for 2021/22.

What equality and diversity considerations relate to this issue

- 30 Our commitment to Equality, Diversity and Inclusion is threaded throughout our Corporate Strategy and Business Plan and therefore throughout the budget provision for them.

How the work will be evaluated

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

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