

Title: **Legal Services Budget Review**

Portfolio Holders: **Cllr Carbin - Finance Portfolio Holder**
Cllrs Content - Leader of the Council

Reporting Officers: **Ian Jamieson - Head of Finance**
Ian Gallin - Corporate Director

1. Purpose

The purpose of this report is to update the Scrutiny Committee on the latest financial position in respect of the Legal Service as requested by the Committee at their last meeting. The report also details a financial recovery plan, which seeks to minimise the impact of any overspend on the 2005/2006 revenue budget.

2. Background

The financial position of legal services has been difficult due to staffing vacancies/recruitment, workload volumes/mix and management arrangements.

This resulted in locum support being drafted in to support on-going workloads and specific projects. There was also uncertainty around the management and liability for external fees.

The Legal and Democratic Services Manager resigned on 14 September and an interim manager has been appointed to the end of the financial year.

3. Key issues

The approved 2005/2006 base budget and year end monitoring projection is given below. This excludes support service recharges.

	Base	Actual 31 Aug 05	Variance	Projected 31 Mar 06	Variance
Resources	£k	£k	£k	£k	£k
Staffing	211	83	128	211	0
Supplies and Services	33	24	9	85	(52)
Legal Fees	15	53	(38)	101	(86)
Other income	(13)	(9)	(4)	(53)	40
Original Budget	246	151	95	344	(98)
Locums (Approved by Cabinet)	70	59	11	152	(82)
Total	316	210	106	496	(180)

The following assumptions have been made in the projected spend to 31 March 2006.

- Service manager projection includes change management costs
- New service manager to start 1 April 2006.

Legal Fees analysis

Fee Work Description	Actual 31 Aug 05	Est. Spend Sept to Mar	Total Financial Year 2005- 06
	£k	£k	£k
Challenge to the Local Plan	9		
St. Stephens Place	17		
Multi Storey Valuation	6		
Licensing Act	4		
Compton Fairfield Piggeries	2		
Housing related	4		
Miscellaneous Legal Fee Work	11		
Total Legal Fees	53	48	101

The external legal fees budget has stood at £15k for some years and should be used to cover minor legal work which cannot be undertaken by the internal legal service; this cost is the line miscellaneous legal fee work.

Major work, above the miscellaneous legal fee work, should be shown as a cost against the appropriate service budget.

Since April 2005 a total of £53k has been spent on external legal fees, however only £11K of this should have been met from the £15k budget. Although the current spending rate equates to an average of £10.6k per month, legal fees are forecast to continue at a rate of £6k per annum.

At present there is no formal process to manage significant external legal fee work. The following has been recommended and is being implemented

- Service manager identifies need for legal work within the service.
- Liase with Legal & Democratic Service Manager if work should be taken on internally or externally.
- If external, assess whether work can be absorbed within the existing £15K budget.
- If not, and if timing allows, service manager applies for funding through the normal SARP process.
- If timing does not allow funding via the SARP process then a joint CMT report from both service managers to identify need for additional funding.

4. Financial Implications

The projected year end position is a £180k overspend, but officers have drawn up a financial recovery plan that aims to reduce this as follows:

	£k	£k
Projected overspend		180
1. Capitalisation of costs	(23)	
2. Planning Delivery Grant	(37)	
3. Contingency Fund	(48)	
4. Manage Legal Fee Work	(20)	
5. Contribution from savings	(20)	
Recovery Plan	(148)	
Revised projected overspend		32

Financial Recovery Plan

1. Capitalise external legal fees that were incurred on the Transforming Trowbridge Project. The external legal fees come to a total of £23k, comprising the £17k paid to Stone King solicitors and the £6k valuation fee on the multi storey car park.
2. Use surplus Planning Delivery Grant money to support locum S106 lawyer.
3. Use £48k from the contingency fund to cover the management arrangement costs, which are the expenses incurred from the appointment of an interim service manager.
4. Minimise the impact of external fees. The current forecast is for £6k per month to be spent for the remainder of the financial year. Allowing for accruals this gives a total of £48k. If this were kept at around £30k, or just under £4k per month, then this would reduce the forecast by around £20k.
5. Savings from the cost of undertaking the review of recruitment and retention will be £20K less this year and this has been used to offset the additional costs within legal.

5. Further Issues/Update

CMT are currently considering two additional areas of expenditure related to the legal budget,

- the first relates to an option to extend the contract of the locum officer currently covering s106 and associated planning legal work
- legal fees incurred by the Council in defending the planning appeal in respect of the Frogmore House application

These issues have not been included in the figures present in this report but will be addressed.

6. Recommendation

It is recommended that Scrutiny Committee note the information contained in this report.