

Public Sector Corporate Services VfM Indicators
Legal Services
2011/12

City of London Corporation

compared with

With Other Unitary Authorities Highlighted

Computed and printed by:
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Preface

The UK Audit Agencies (Audit Commission, NAO, Audit Wales, Audit Scotland and Northern Ireland Audit Office) combined together to develop a set of indicators to measure the value for money of support services across the public sector. KPMG, with CIPFA as a partner, was appointed to undertake the research and development work and the Audit Agencies published their report in May 2007.

The functions covered by the VfM indicators (Communications, Finance, HR, ICT, Legal, Estates Management and Procurement) have been identified by the Government as a priority area for securing efficiency improvements and releasing resources for use in delivering front-line services. Although the Audit Agencies were keen for public sector bodies to use the indicators, they decided not to offer a benchmarking service themselves. CIPFA has therefore undertaken to provide this service to the public sector.

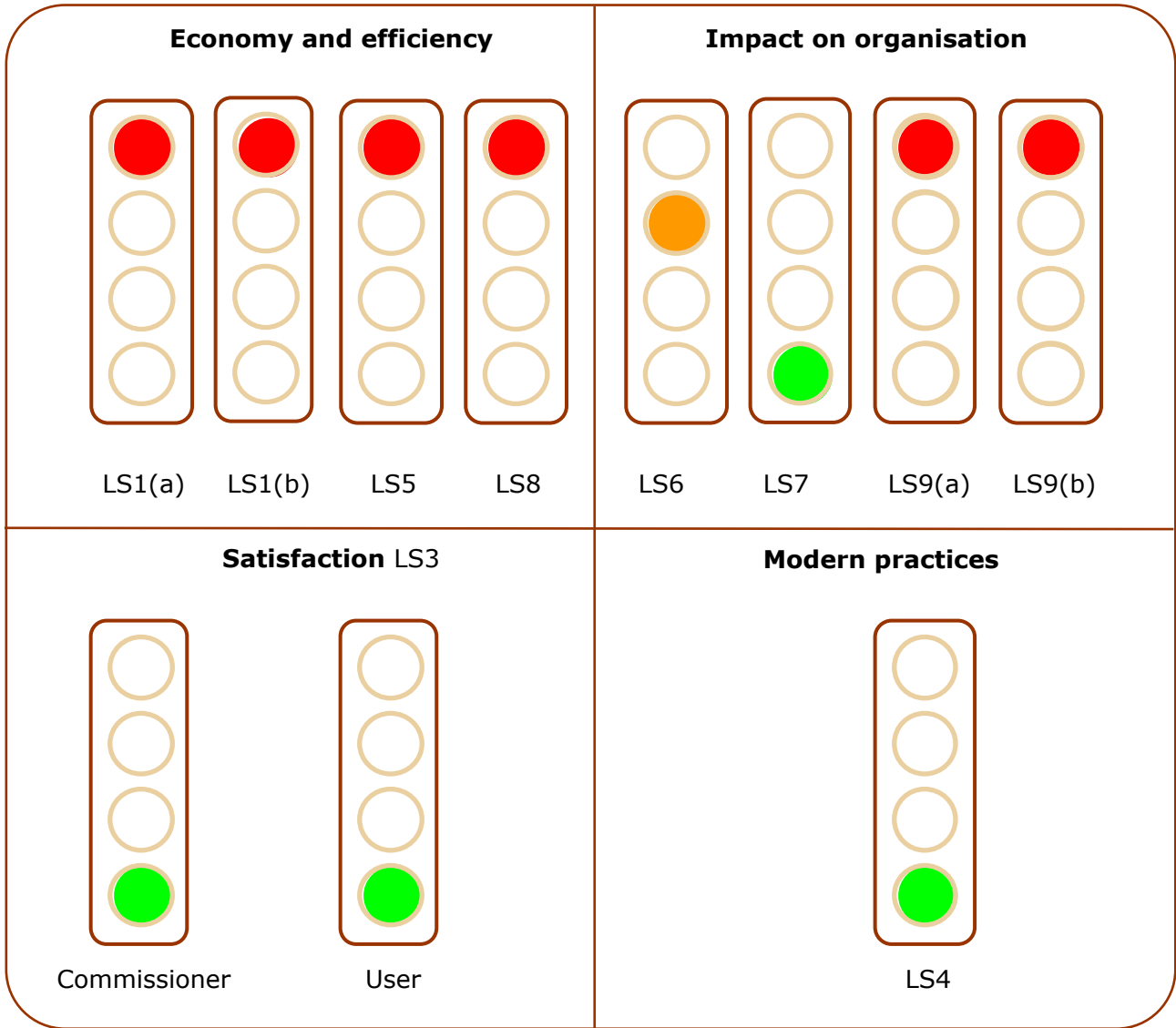
I hope that you find the enclosed information useful, and more importantly that you use it in the spirit in which it is intended; this is a tool to help you take a view on the value for money provided by your corporate support services, and provide some pointers as to how they might improve.

CIPFA would be more than happy to come and discuss with you potential opportunities for you to improve your services, building on the information in this report. Please do not hesitate to give John Wallace a call (0207 543 5822) if you would like to discuss this or any other matters further.

Julian Mund

RESULTS ON ONE PAGE

The Audit Agencies developed an approach to considering Value for Money for Corporate Services which had four dimensions. The overall results are shown below:



Notes:

- a green light indicates performance in the best quartile; a yellow light indicates performance between the median and best quartile; an amber light indicates performance between the median and worst quartile and a red light indicates performance in the worst quartile
- for the purposes of this report, high cost and low productivity are considered poor. However, we accept this is a generalisation and that in some circumstances organisations can choose to invest more in functions because they have under invested in the past or because they want to place particular emphasis on a function
- full descriptions of the indicators are shown in the remainder of this report

Section 1 - ECONOMY AND EFFICIENCY

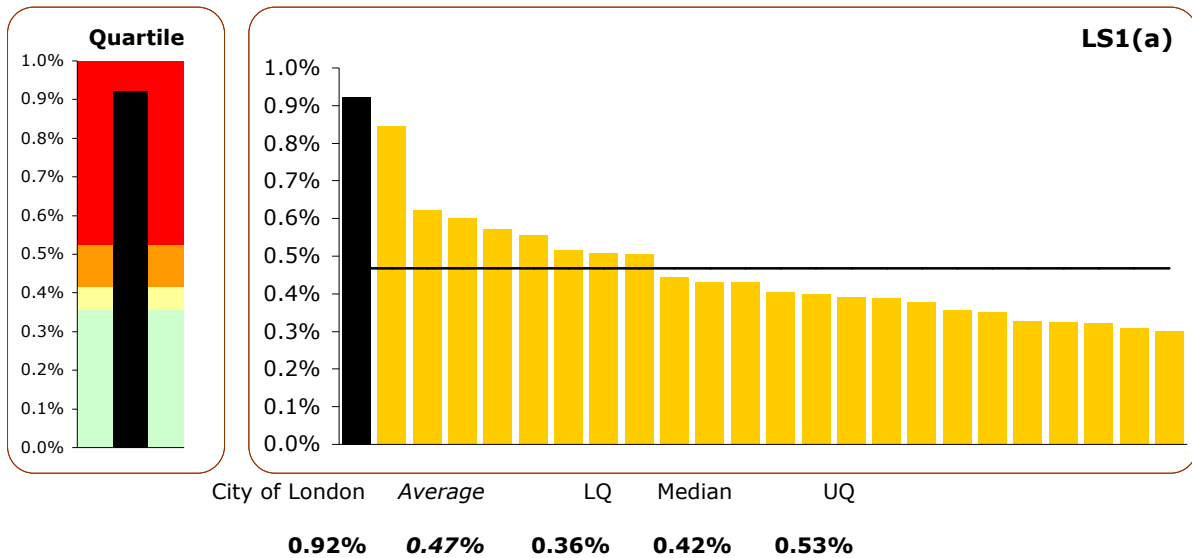
LS1 Cost of the Legal Services function 2011/12

Rationale and expected impact on behaviour

This is a high-level indicator of the cost-effectiveness of the legal function. In most circumstances organisations would aim to reduce their legal costs over time. However, organisations that score poorly on measures designed to test effectiveness of the legal function (for example indicators 4, 5 8 and 9) and also spend less on legal services than the benchmark for their peers, will wish to consider whether extra investment would secure better value for money.

Organisations that spend more than their peer organisations may wish to consider whether this is because, for example, they have above average score against effectiveness criteria or whether there is scope for efficiency savings (for example evidenced by a disproportionately high cost of learning and development, indicator 6).

LS1(a) Cost of the Legal Services function as percentage of organisational running costs



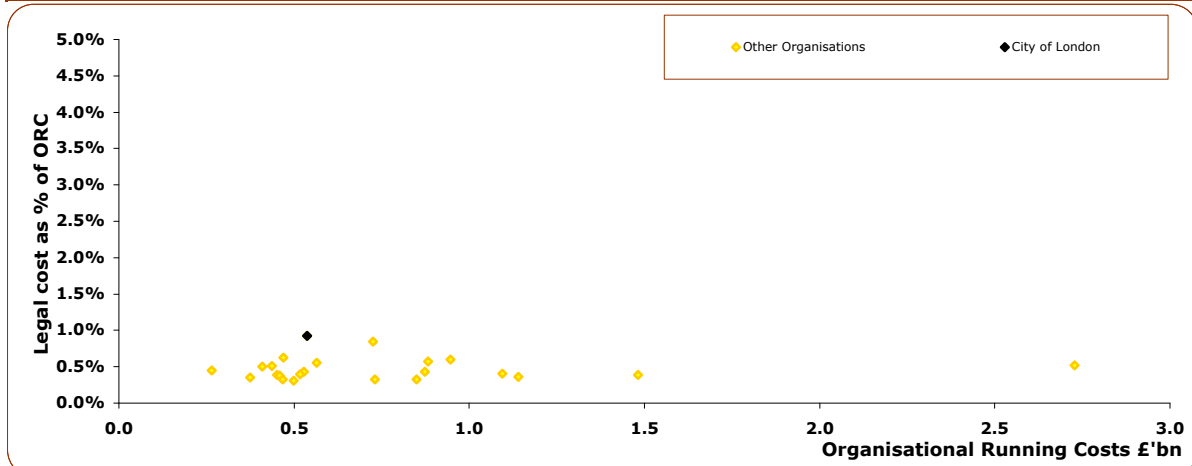
Cost of Difference

This shows the monetary value represented by the difference in percentage from the median (and lower quartile). Favourable variances are shown as negative figures.

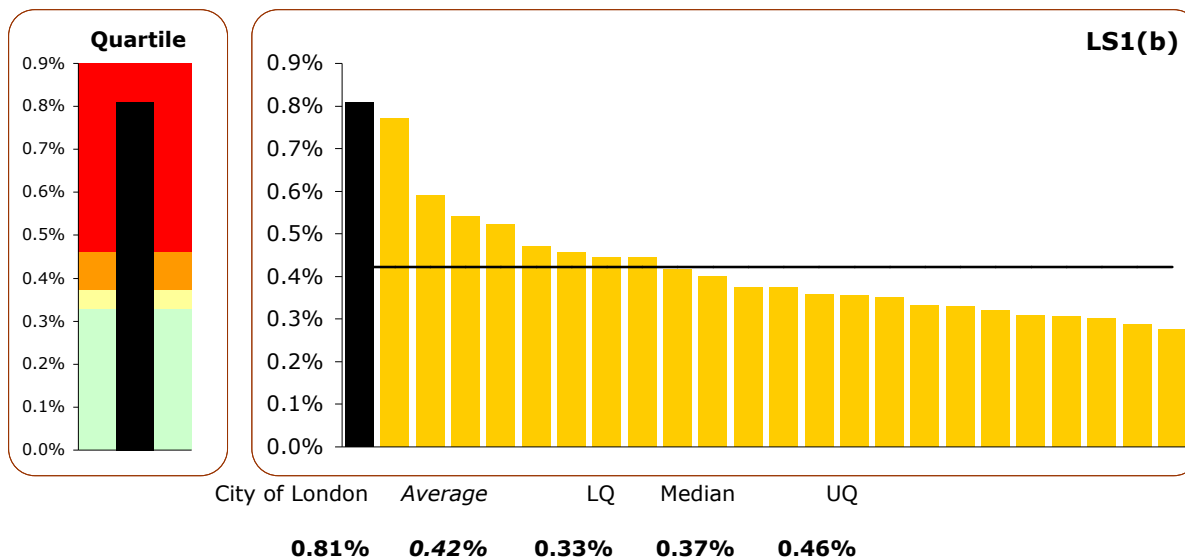
From median (£'000) **£2,711** From lower quartile (£'000) **£3,039**

Economies of Scale

This chart investigates the relationship between cost and size of the organisation. There is some indication that very small organisations tend to use a higher proportion of their resources on the Legal Services function.



LS1(b) Cost of the Legal Services function net of income as percentage of organisational running costs



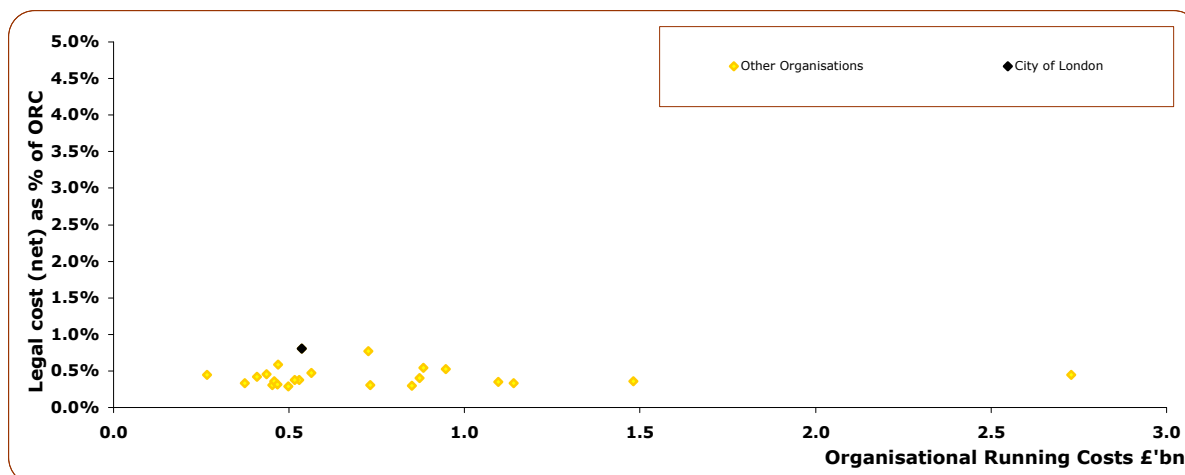
Cost of Difference

This shows the monetary value represented by the difference in percentage from the median (and lower quartile). Favourable variances are shown as negative figures.

From median (£'000) **£2,331** From lower quartile (£'000) **£2,584**

Economies of Scale

This chart investigates the relationship between cost and size of the organisation. There is some indication that very small organisations tend to use a higher proportion of their resources on the Legal Services function.



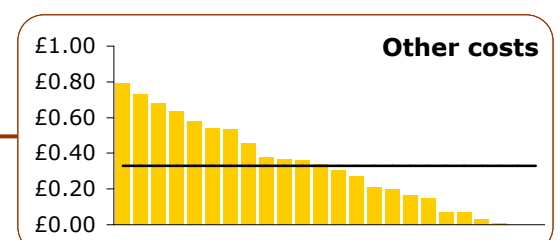
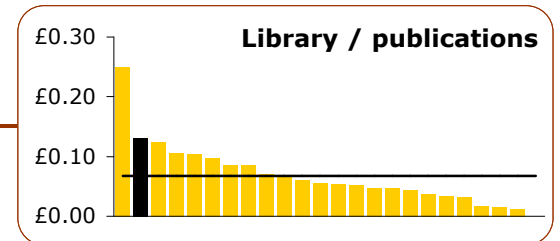
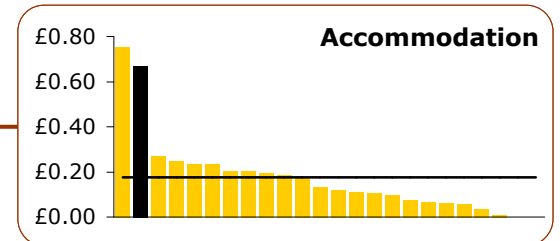
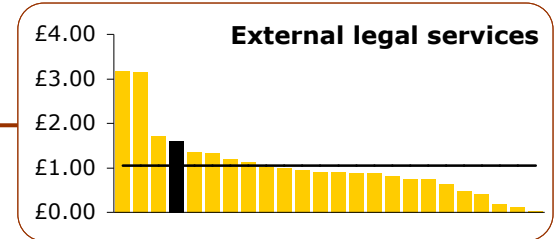
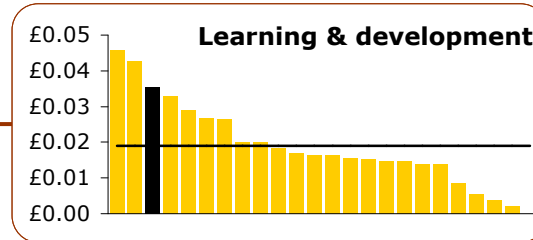
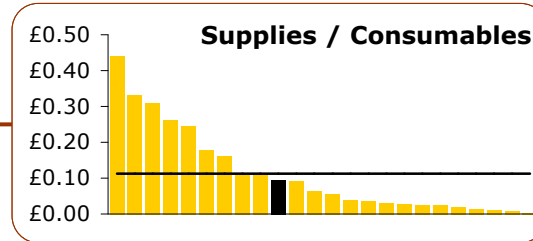
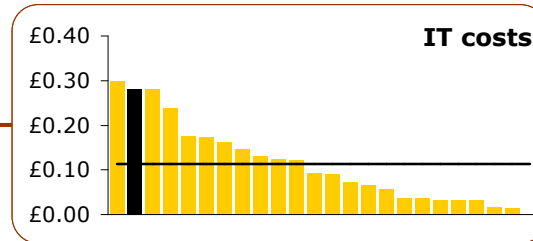
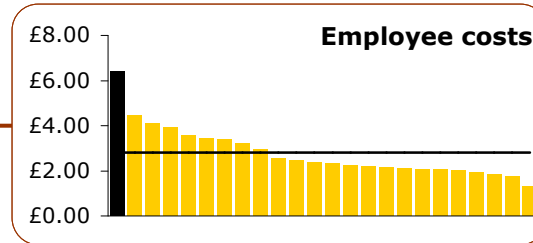
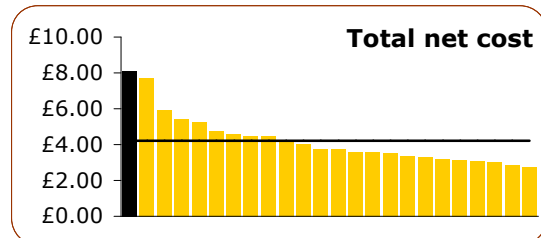
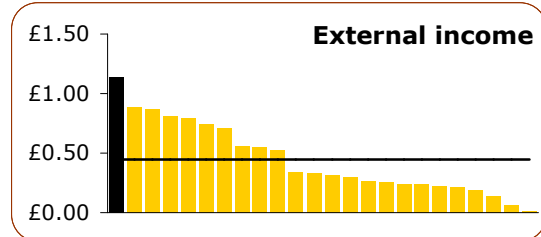
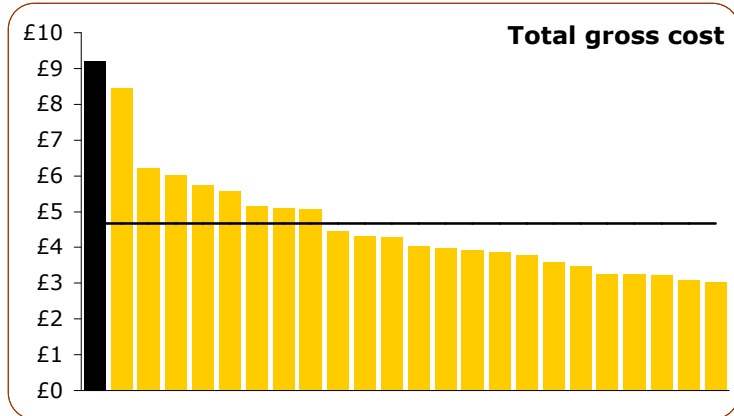
Legal Services Cost/£'000 Organisation running costs 2011/12

For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.

		Employee costs		Costs 2011/12 (£'000)	
		£6.42	£2.80	Employee costs	3,446
				External legal services	855
		External legal services		IT costs	151
		£1.59	£1.05	Accommodation	358
				Supplies / Consumables	51
		IT costs		Library / Publications	70
		£0.28	£0.11	Learning & development	19
				Other costs	-
Total gross cost		Accommodation		Total gross cost	4,950
£9.22	£4.67	£0.67	£0.18		
				External income	609
External income		Supplies / Consumables			
£1.13	£0.45	£0.10	£0.11	Total net cost	4,341
Total net cost		Library / Publications		Organisational running cost:	536,811
£8.09	£4.22	£0.13	£0.07		
		Learning & development			
		£0.04	£0.02		
		Other costs			
		£0.00	£0.33		

COST PER £'000 ORGANISATIONAL RUNNING COSTS

2011/12 Actuals

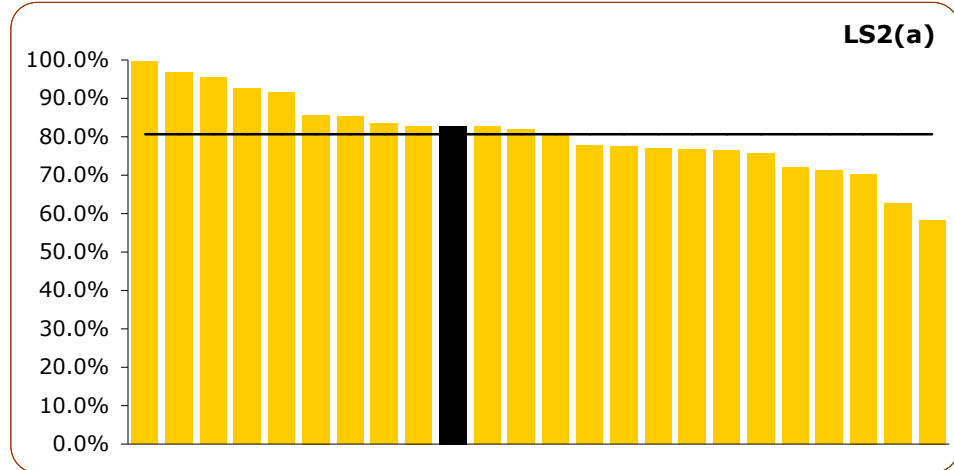


LS2 The cost of in-house and externally sourced legal work

Rationale and expected impact on behaviour

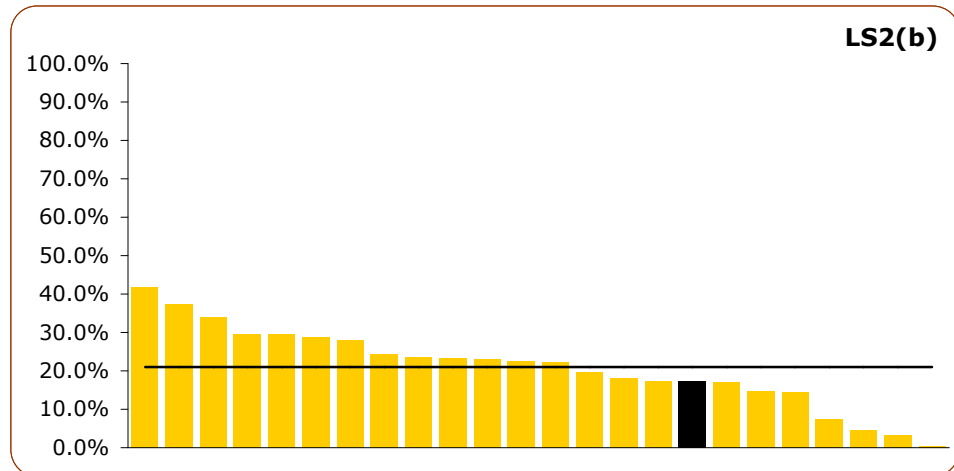
This is a high-level indicator of the cost of in-house and externally sourced legal work. Certain legal work will be externally sourced, for example, where an organisation requires specialist legal advice not available in-house or to deal with peaks and troughs of work. Organisations that spend more than their peer organisations on externally sourced legal work may wish to consider whether the mix of work done in-house and externally sourced represents effective and efficient use of resources.

LS2(a) The cost of the in-house legal function as a percentage of the total legal function cost



City of London	Average	LQ	Median	UQ
82.7%	80.7%	76.1%	81.2%	85.4%

LS2(b) The cost of externally sourced legal work as a percentage of the total legal function cost

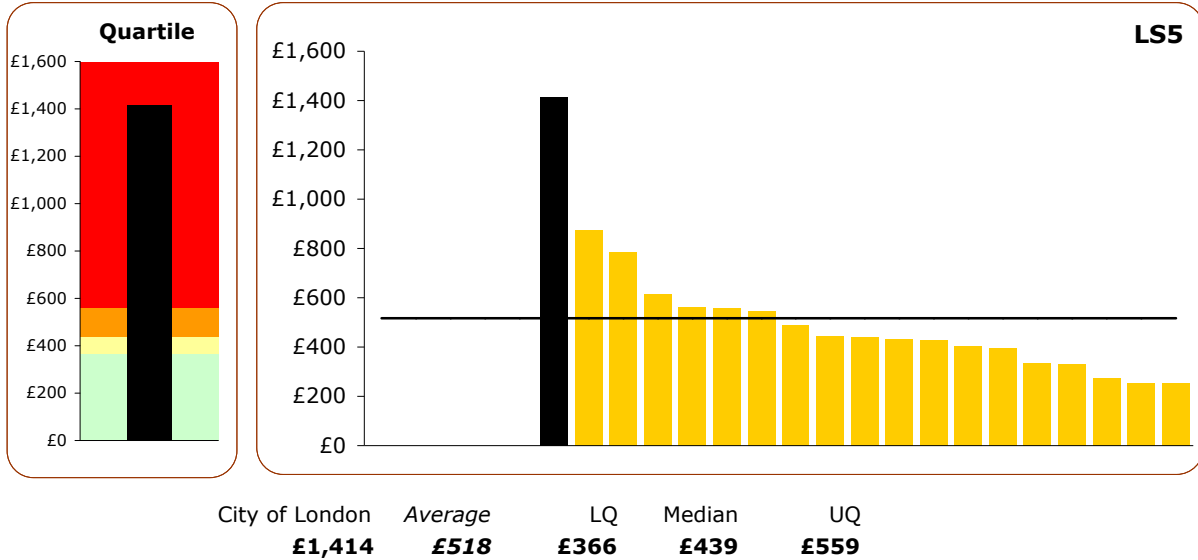


City of London	Average	LQ	Median	UQ
17.3%	21.0%	16.6%	22.4%	28.2%

LS5 Cost of the legal function per employee

Rationale and expected impact on behaviour

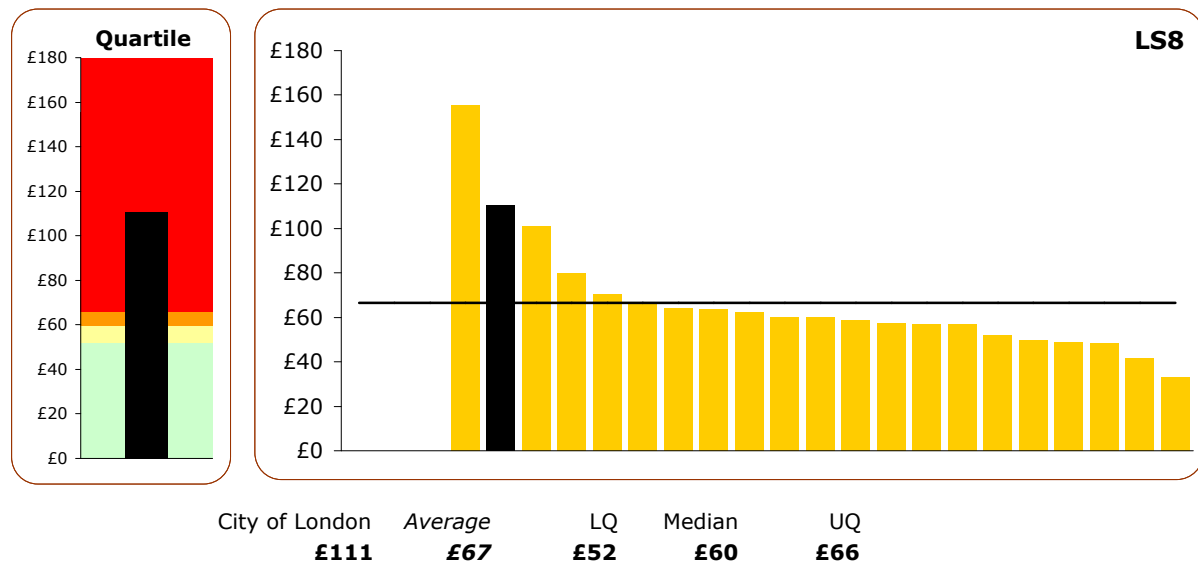
In most circumstances organisations would aim to reduce their legal costs over time. However, organisations that score poorly on measures designed to test the effectiveness of the legal function (for example indicators 3 and 4) will wish to consider whether extra investment would secure better value for money.



LS8 Cost per hour of providing legal work

Rationale and expected impact on behaviour

This indicator of the cost-effectiveness of the legal function complements indicators 1, 2 and 3. Organisations should compare their result for this indicator with their peers, investigating the reasons for any significant differences.



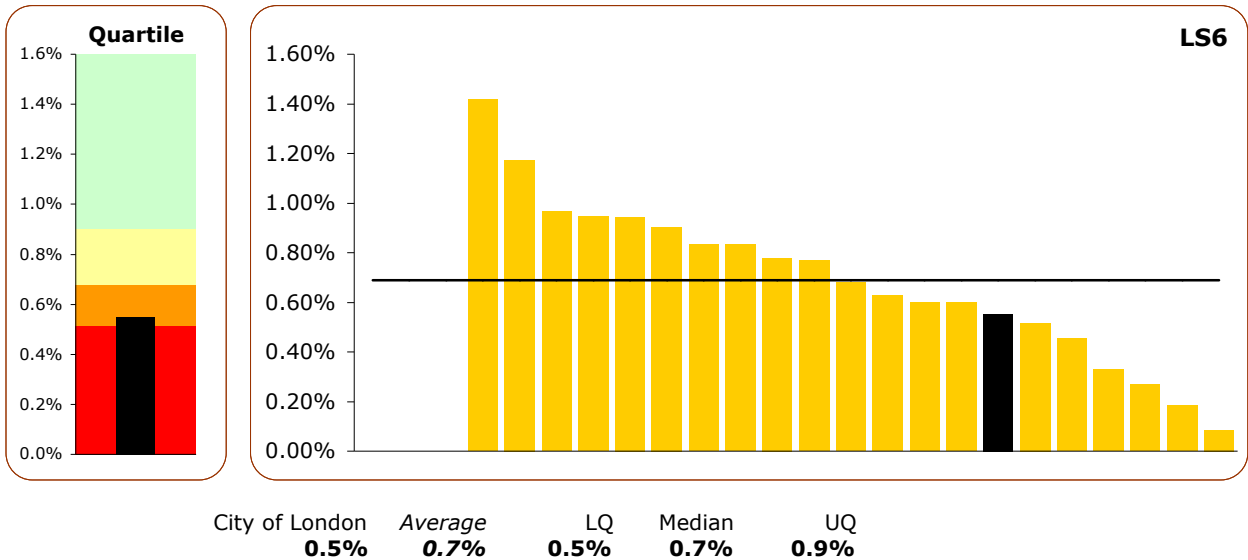
Section 2 - IMPACT

LS6 Cost of learning and development activity as percentage of the total pay-bill

Rationale and expected impact on behaviour

The level of activity on learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve.

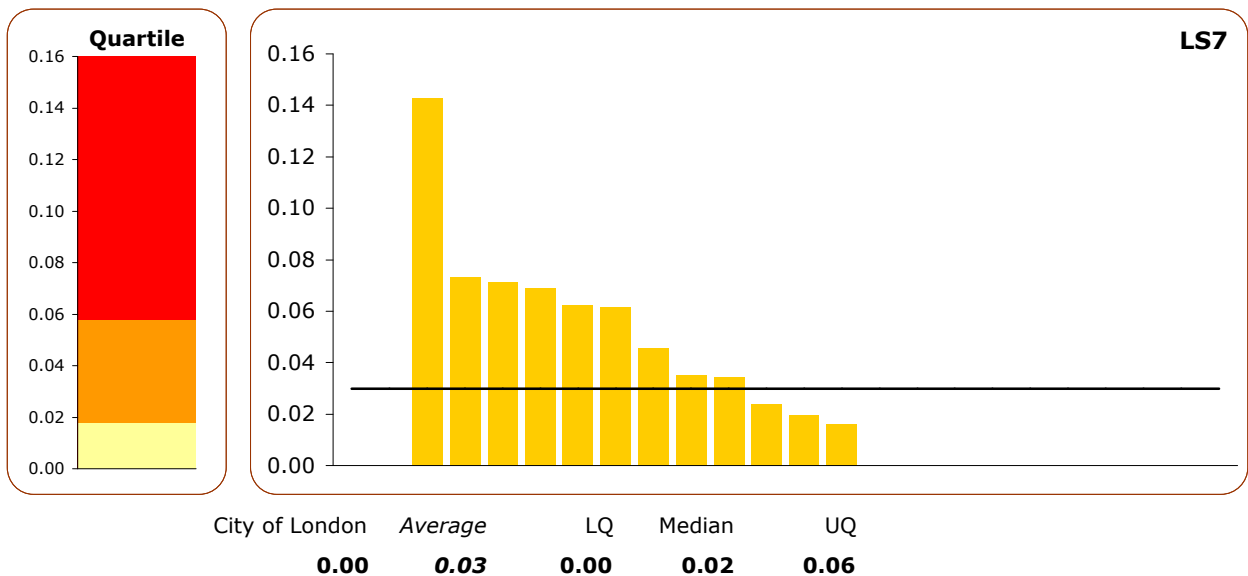
The costs relate to learning and development activity including where appropriate, obtaining continuing professional development (CPD) hours. Organisations should compare their results with their peers, investigating the reasons for any significant differences, taking into account factors such as any difference in the average degree of experience within the workforce and turnover of staff.



LS7 Total number of complaints received per legal employee

Rationale and expected impact on behaviour

Organisations should compare their results with their peers, investigating the reasons for any significant differences, taking into account factors such as any difference in the type of legal work being provided. Organisations would aim to achieve a period-on-period reduction in the number of complaints received. Organisations should have clear procedures for recording and dealing with complaints.



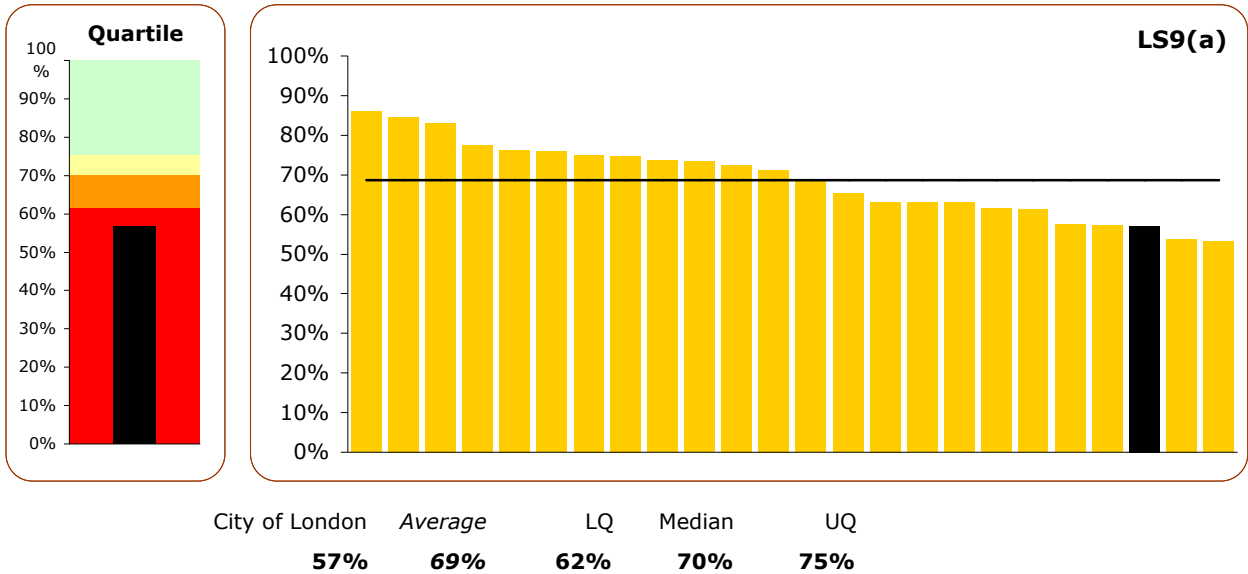
LS9 Ratio of qualified legal staff (FTE) to total legal staff (FTE) Ratio of legal staff (FTE) to support staff (FTE)

Rationale and expected impact on behaviour

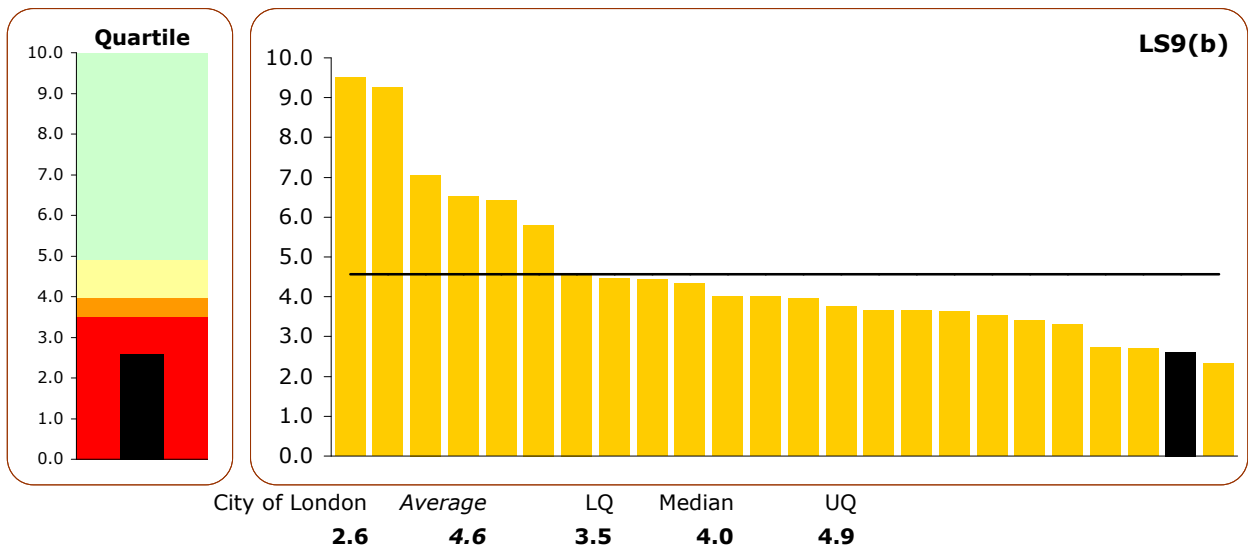
This indicator assesses the capacity and competency of the legal function by examining the proportion of staff with a professional legal qualification. Legal personnel within both the central legal function and those employed in other parts of the organisation should be included.

Organisations should compare their results with their peers, investigating the reasons for any significant differences, taking into account factors such as any difference in the type of legal work being provided. Organisations who outsource all their legal work will report a zero return for this

LS9(a) Ratio of qualified legal employees (FTE) to total legal employees (FTE)



LS9(b) Ratio of legal staff (FTE) to support staff (FTE)

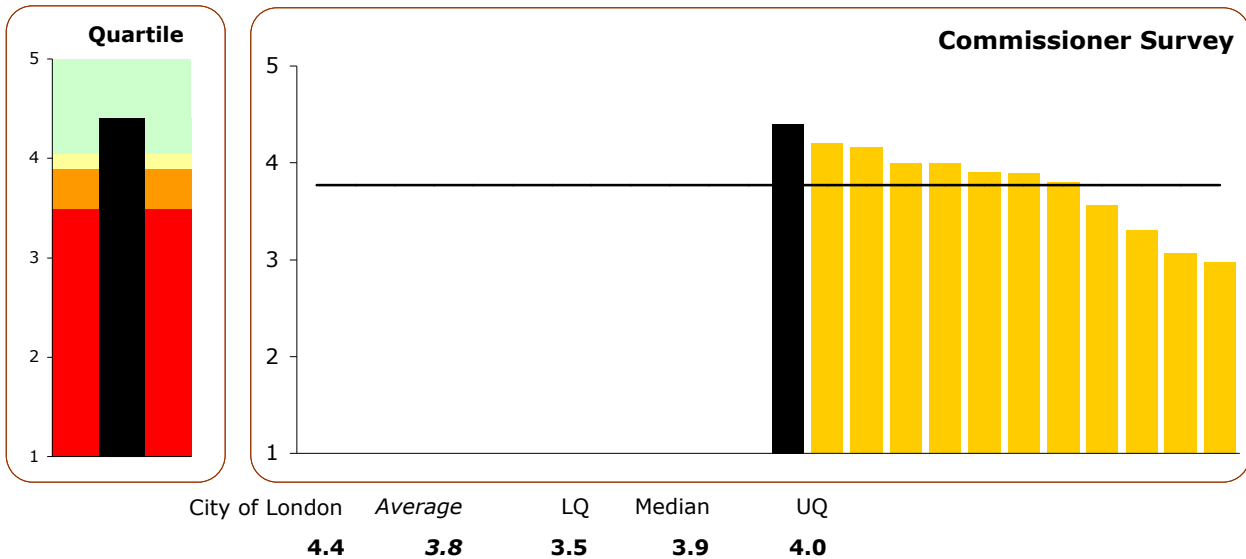


Section 3 - SATISFACTION

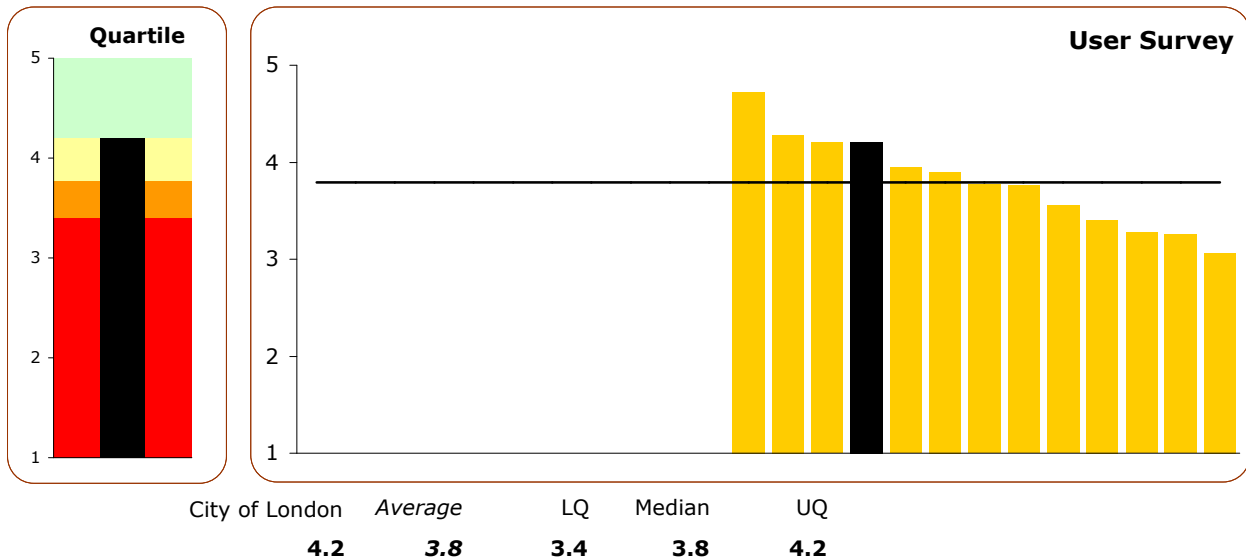
Rationale and expected impact on behaviour

This indicator examines the effectiveness of the legal function by assessing the perceptions of its commissioners and users. The statements have been identified because they are considered to indicate whether the function communicates effectively with its commissioners and users, and is responsive to the requirements of the organisation. Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements. (Organisations may wish to incorporate these statements into existing surveys of users and commissioners).

LS3(a) Commissioner satisfaction average score



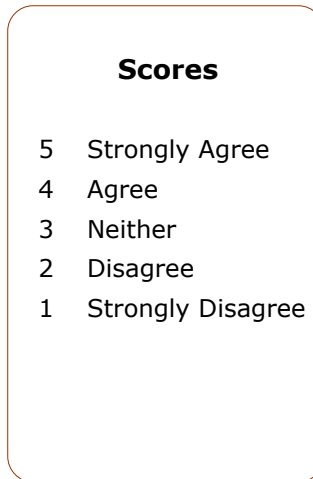
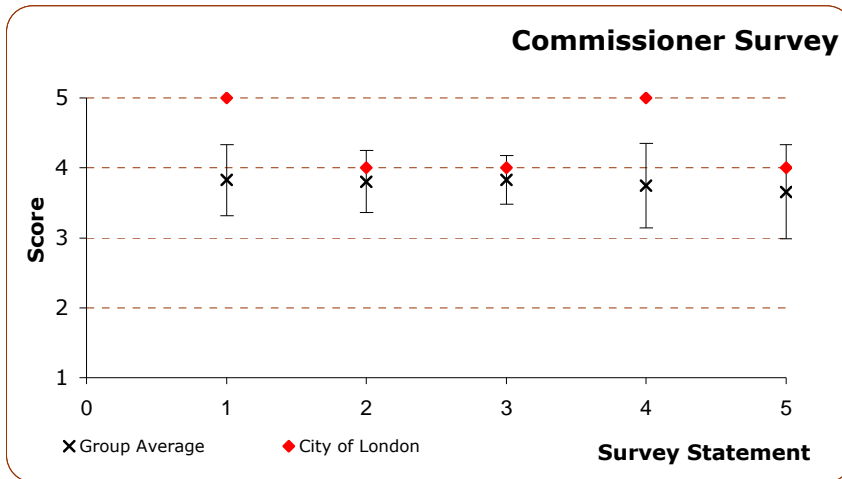
LS3(b) User satisfaction average score



Analysis of individual statement scores

These charts show the average performance scores for all participants as black x's. The black error bars show one standard deviation either side of the mean. Approximately 65 - 70% of the organisations will fall within this range. The red diamond is the average score for your organisation.

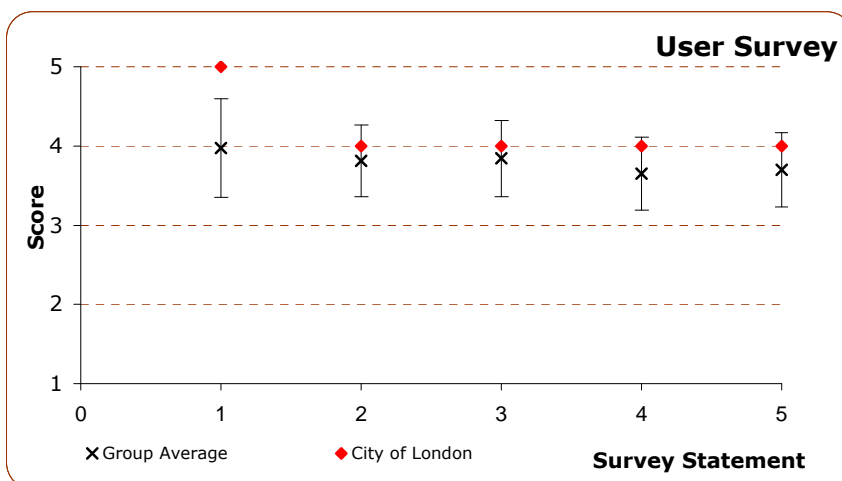
Commissioner Survey



Survey Statements

- The legal services function provides quality advice within agreed timeframes
- The legal services function contributes effectively to the organisation's governance, planning and policy processes
- The legal service reacts promptly when something goes wrong and acts effectively to address issues raised
- The legal service contributes effectively to managing the organisation's risk
- Legal services provide value for money

User Survey

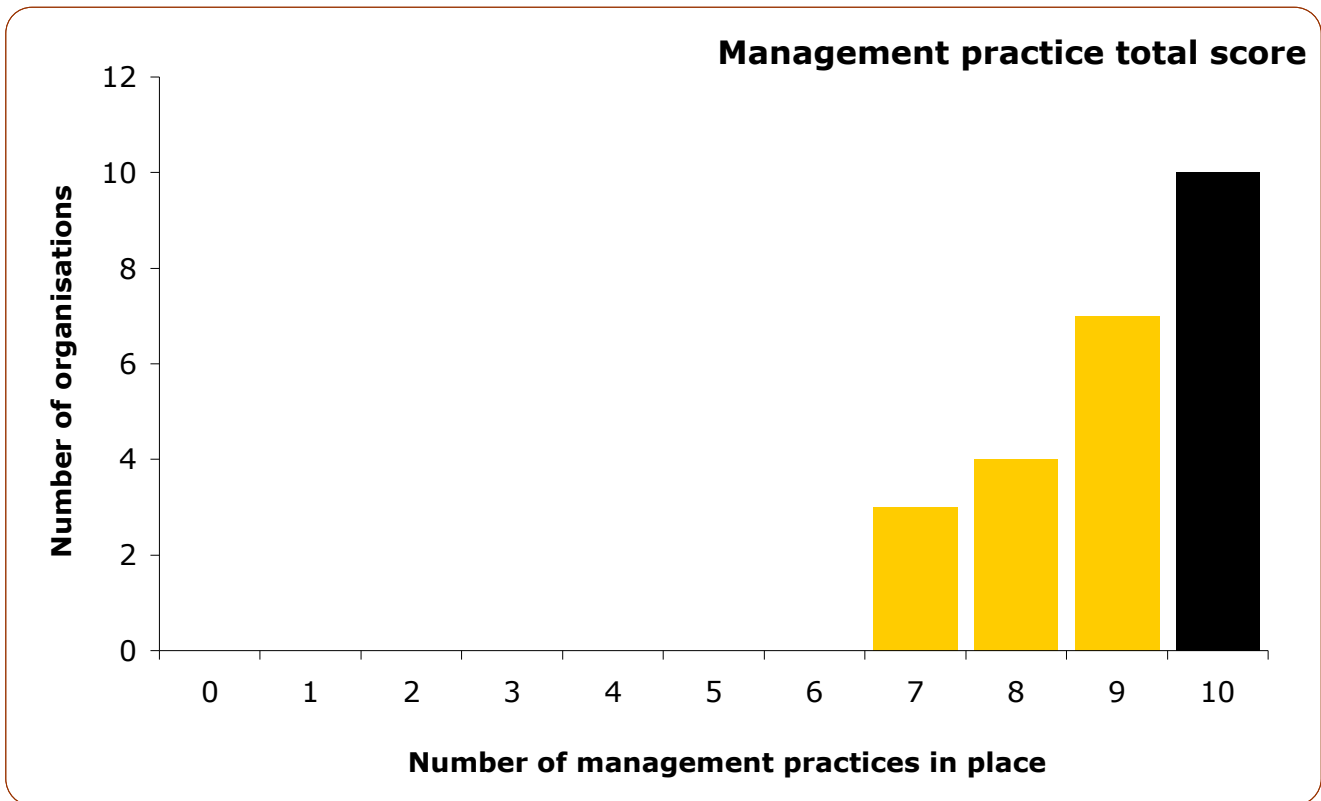


Survey Statements

- The lawyer was accessible and had regard to any changing needs
- The advice provided by the lawyer was consistent and clear
- The lawyer's advice was constructive
- The lawyer kept me informed of progress
- The advice was provided within the agreed timeframe

Section 4 - MANAGEMENT PRACTICE INDICATORS

LS4 Management Practice Indicators

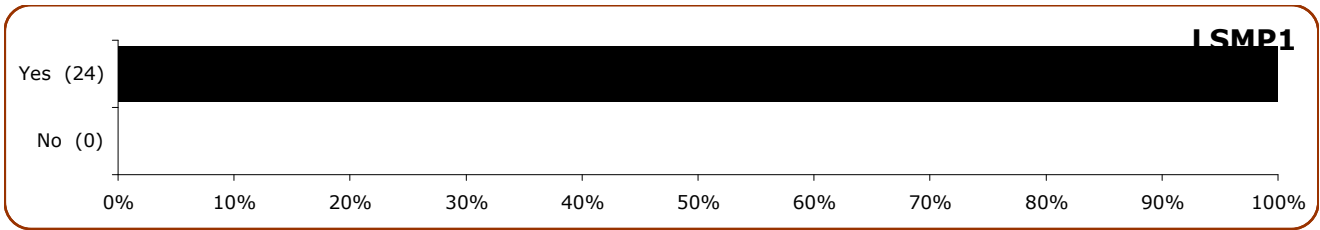


City of London *Average* LQ Median UQ
10.00 **9.00** **8.00** **9.00** **10.00**

		Yes	No	% Yes	% No
LSMP1	Yes	24	0	100.0%	0.0%
LSMP2	Yes	14	10	58.3%	41.7%
LSMP3	Yes	24	0	100.0%	0.0%
LSMP4	Yes	22	1	95.7%	4.3%
LSMP5	Yes	23	1	95.8%	4.2%
LSMP6	Yes	21	3	87.5%	12.5%
LSMP7	Yes	21	3	87.5%	12.5%
LSMP8	Yes	22	2	91.7%	8.3%
LSMP9	Yes	23	1	95.8%	4.2%
LSMP10	Yes	22	2	91.7%	8.3%

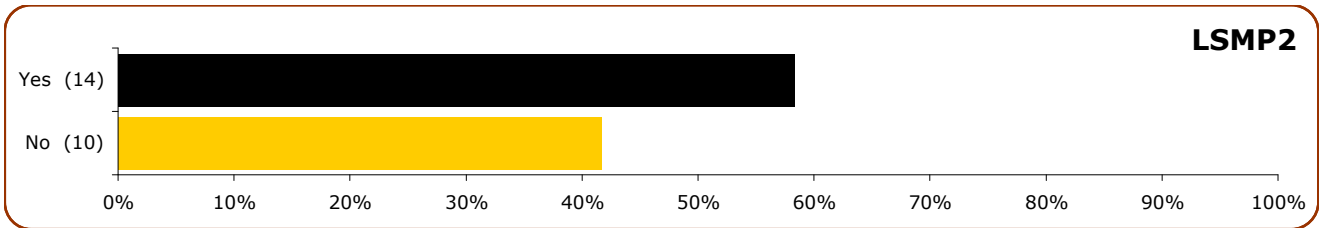
LSMP1

A time recording system is in place and all legal staff record their time against legal matters.



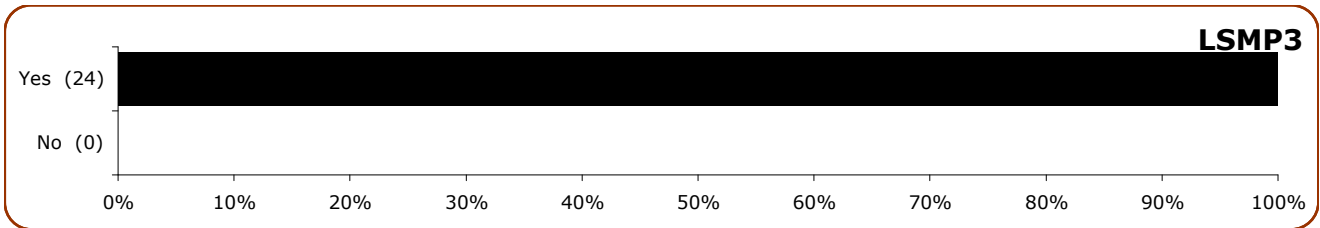
LSMP2

The most senior officer in the organisation with a dedicated legal role has a seat on the corporate management team.



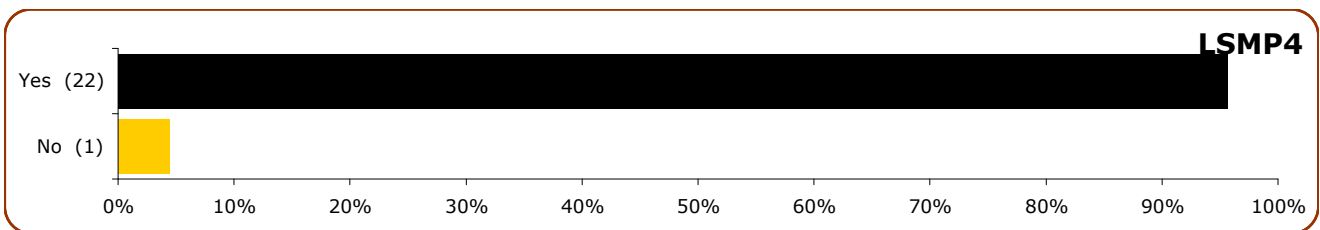
LSMP3

The legal unit has costed its internal legal services and developed charge-out rates for its internal lawyers.



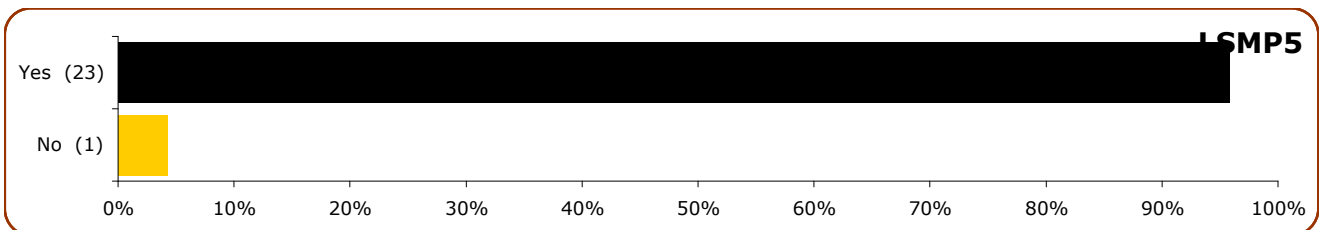
LSMP4

All requests for legal services are coordinated through the legal services unit.



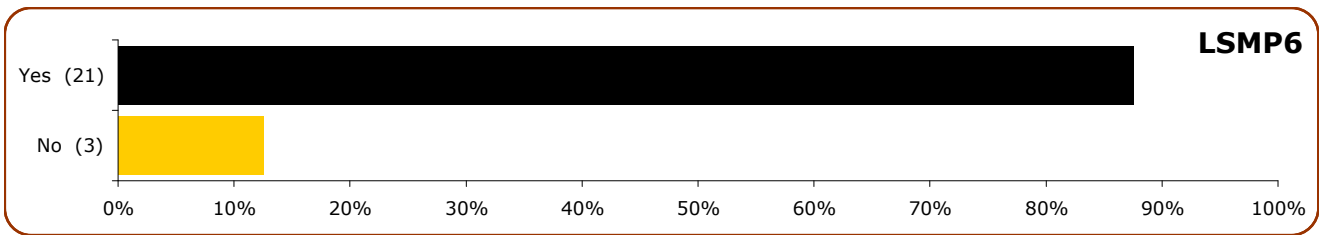
LSMP5

The legal unit has a formal business planning process which deals with its ability to deliver programmes and services.



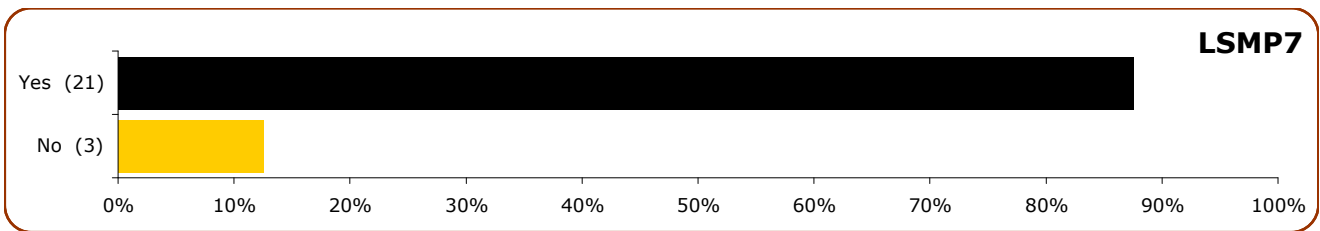
LSMP6

A rigorous process of market testing is adopted when purchasing external legal services involving comparative analysis of all relevant costs and benefits.



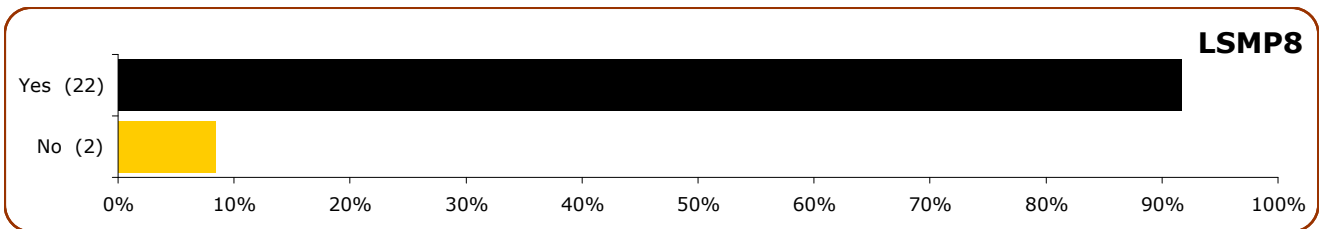
LSMP7

Our tender specification(s) accurately reflect the expected needs for legal services.



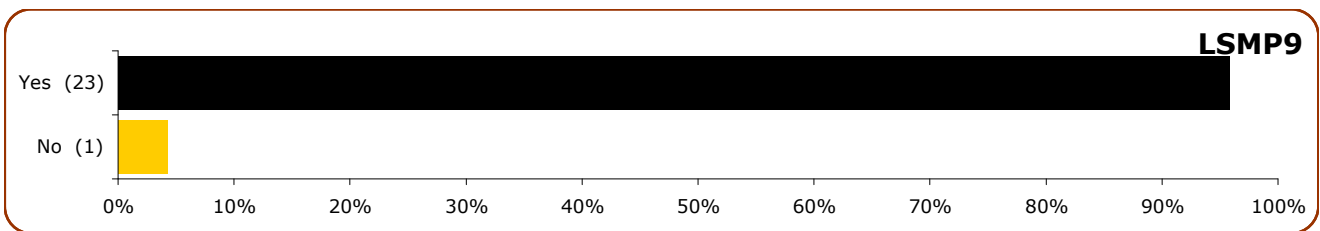
LSMP8

We do not have 'evergreen' contracts (contracts that have no expiry date or that include a 'perpetual option').



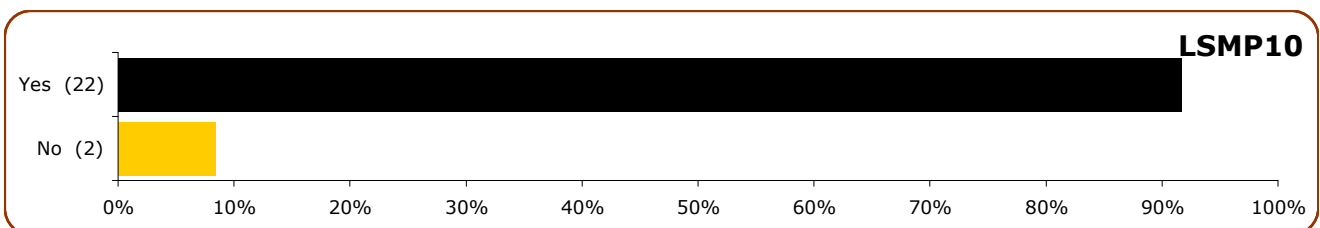
LSMP9

The legal unit undertakes periodic reviews (at least biennially) of their legal services arrangements to ensure that arrangements continue to give value for money to the organisation.



LSMP10

There are personal development plans for all legal staff linked to the business planning process and the organisation's objectives.



Section 5 - TABULAR DATA

	City of London	Average	Lower Quartile	Median	Upper Quartile	
Indicators 2011/12						
LS1(a)	Cost of the Legal Services function as a % organisational running costs	0.92%	0.47%	0.36%	0.42%	0.53%
LS1(b)	Cost of the Legal Services function (net) as a % organisational running costs	0.81%	0.42%	0.33%	0.37%	0.46%
LS2(a)	Cost of the in-house Legal Services function as a % total legal function cost	82.7%	80.7%	76.1%	81.2%	85.4%
LS2(b)	Cost of externally sourced legal work as a % total legal function cost	17.3%	21.0%	16.6%	22.4%	28.2%
LS5	Cost of the legal function per 1,000 employees	£1,414	£518	£366	£439	£559
LS6	Cost of learning & development activity as % the total pay-bill	0.5%	0.7%	0.5%	0.7%	0.9%
LS7	Number of complaints received per legal employe	0.00	0.03	0.00	0.02	0.06
LS8	Cost per chargeable hour	£111	£67	£52	£60	£66
LS9(a)	Ratio of qualified legal employees (FTE) to total legal employees (FTE)	57%	69%	62%	70%	75%
LS9(b)	Ratio of legal staff (FTE) to support staff (FTE)	2.6	4.6	3.5	4.0	4.9