

Legal Indicators

1) Introduction

This document sets out the indicators for the Legal Services Function.

The guidance below starts by defining the scope of the Legal Services function and goes on to identify key questions which reflect the requirements of a modern, value for money Legal services function that the indicators are aiming to help organisations explore. The scope and key themes are included as background information.

2) Scope

Organisations may need legal services for any of a variety of reasons: to meet administrative, legislative or policy objectives. Legal advice can provide assurance that the way an organisation has acted, or proposes to act, is legally appropriate, within the scope of its powers, and that legal risks are being adequately managed.

Organisations will have identified their legal service needs and will have decided whether the organisation would gain better value for money from an in-house legal unit, external lawyers or a mix of both in providing the particular services the organisation requires. It will be necessary for organisations to benchmark their mix of work with other organisations providing broadly the same range of services.

The following elements are included within our definition of this function:

Advisory work - Provide advice on aspects of law, for example, consumer protection, better regulation, employment relations, discrimination and equality, information law, insolvency, procurement and contracts, application of EC legislation, administrative law, human rights, devolution, freedom of information, data protection, governance, elections and child protection.

Property transactions – for example, sale, purchase, lease and compulsory acquisition of land and other property rights

Litigations– for example, debt recovery, personal injury and employment matters to high-profile judicial reviews and proceedings in the European Court.

Disputes - for example, judicial reviews, mediation and other forms of negotiated settlement

Prosecuting for offences under legislation and regulatory enforcement – this might include bankruptcy offences, and fraudulent trading, or planning and licensing

Law-making – for example, drafting primary and secondary legislation and statutory instruments.

3) Key questions

In order to help derive our VfM indicators for the Legal function, we have identified some key questions that reflect a modern, value for money Legal function which we hope the indicators will help to explore:

- Is the legal function cost-effective?
- Is the legal function effectively supporting the organisation in ensuring it is providing the best possible legal advice?
- Has the legal function achieved an appropriate balance between legal services provided in-house and externally sourced?
- Does the legal function provide consistent, concise, clear and constructive advice?
- Are internal customers satisfied with the services provided by the legal function?

4) Summary list of indicators

Indicators	
Indicator 1	<p>a) Total cost of the legal function as a percentage of organisational running costs (expenditure)</p> <p>b) Total cost of the legal function (net of external income) as a percentage of organisational running costs (expenditure)</p>
Indicator 2	Total cost of (a) the in-house legal function and (b) externally sourced legal work expressed as a percentage of the total legal function cost.
Indicator 3	Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Indicator 4	Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10.
Indicator 5	Cost of the legal function per full time employee (FTE)
Indicator 6	Cost of learning and development activity as a percentage of the legal unit pay-bill
Indicator 7	Total number of complaints received per legal employee
Indicator 8	Cost per hour of providing legal work
Indicator 9	<p>(a) Professionally qualified legal employees (FTEs) as a percentage of total legal employees (FTEs)</p> <p>(b) Ratio of legal staff to support staff (FTE)</p>

Reference number	Indicator 1
Description	<p>a) Total cost of the legal function as a percentage of organisational running costs (expenditure)</p> <p>b) Total cost of the legal function (net of external income) as a percentage of organisational running costs (expenditure)</p>
Rationale and expected impact on behaviour	<p>This is a high-level indicator of the cost-effectiveness of the legal function.</p> <p>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 3, 4, 7 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.</p> <p>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)</p>
Definition	<p>The indicator should be based on figures for the latest financial year and should include internal and bought-in legal services costs.</p> <p>Part a) Total cost of the legal function should include:</p> <ul style="list-style-type: none"> • Employee costs for all legal staff only (including employers NI, pension and recruitment costs). Staff includes fee earners, support staff. Where legal staff are devolved in the organisation, include the <u>total</u> cost of those staff who spend more than 50 per cent of their time on legal activities. (The exact time spent on legal activities should be used if available). • External legal services (solicitors, counsel etc.) • IT costs • Accommodation costs • Supplies / consumables • Library/publication budget • Training budget

	<p>• Other costs</p> <p>Part b) Total costs as set out above. Organisations should exclude income received from external bodies that are not part of the organisation.</p> <p>Internal recharges, SLAs, etc should <u>not</u> be netted off.</p> <p><u>Organisational running costs (expenditure)</u></p> <p>Organisational running costs (expenditure) are the costs for delivering the primary responsibilities / remit of the organisation. Pension cost adjustments as required under FRS 17 should be excluded from organisational running costs – in-year service costs should be included.</p> <p>It should also exclude transfer payments, capital programme spend, and programme spend grants, precepts and other funds which simply flow through to another body, for example grants made to voluntary organisations.</p> <p>It should include payments made to any contractors for services which are within the main remit of the organisation, for example a refuse contract in a local authority.</p> <p>The cost of work being undertaken for third parties should be excluded, e.g. where a council undertakes work for another council.</p> <p>Example</p> <p>(a) To calculate the cost of the Legal function as a percentage of organisational running costs (expenditure)</p> <p>Organisational running costs (expenditure) = £32 million Cost of Legal function = £300,000</p> <p>Cost of Legal as a percentage of organisational costs is therefore $300,000 / 32,000,000 * 100 = 0.94$ per cent</p>
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Reference number	Indicator 2
Description	Total cost of (a) the in-house legal function and (b) externally sourced legal work expressed as a percentage of the total legal function cost.
Rationale and expected impact on behaviour	<p>This is a high-level indicator of the cost of in-house and externally sourced legal work.</p> <p>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.</p> <p>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.</p>
Definition	<p>The indicator should be based on figures for the latest financial year.</p> <p>Total cost of the legal function (denominator) should include:</p> <ul style="list-style-type: none"> • Employee costs for all legal staff only (including employers NI, pension and recruitment costs). Staff includes fee earners, support staff. Where legal staff are devolved in the organisation, include the <u>total</u> cost of those staff who spend more than 50 per cent of their time on legal activities. (The exact time spent on legal activities should be used if available). • External legal services (solicitors, counsel etc.) • IT costs • Accommodation costs • Supplies / consumables • Library/publication budget • Training budget • Other costs <p>The cost of work being undertaken for third parties should be excluded, e.g. where a council undertakes work for another council.</p>

	<p><u>Part (a) in-house legal function (expenditure)</u></p> <p>These are the direct costs for delivering the in-house legal function as set out above excluding external charges.</p> <p><u>Part (b) externally sourced legal work</u></p> <p>These are all externally sourced legal costs including disbursements and include all work undertaken by external legal providers.</p> <p>Example</p> <p>(a) To calculate the cost of the in-house legal cost</p> <p>In-house legal function cost = £4 million Cost of legal function = £6 million</p> <p>Cost of in-house legal function as a percentage of total legal function = £4 million/£6 million = 66%</p> <p>(b) To calculate the cost of externally sourced legal work</p> <p>Externally sourced legal work = £2 million Cost of legal work = £6 million</p> <p>Cost of externally sourced legal function as a percentage of total legal function = £2 million/£6 Million = 33%</p>
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Reference number	Indicator 3
Description	Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Rationale and expected impact on behaviour	<p>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.</p> <p>Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements.</p> <p>(Organisations may wish to incorporate these statements into existing surveys of users and commissioners.)</p>
Definition	<p>Commissioners are defined as senior decision-makers within the organisation, for example, chairs of committees, chief/senior officers who commission work, elected/board members.</p> <p>Users are internal staff that use the service for example, frontline managers and staff.</p> <p>The commissioner and user statements are as follows:</p> <p>Commissioners statements:</p> <ul style="list-style-type: none"> • The legal services function provides quality advice within agreed timeframe. • 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

	<p>User statements:</p> <ul style="list-style-type: none">• 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. <p>Apply to permanent staff only. Staff on fixed term contracts and temporary staff that have been employed by the authority for over a year should be considered permanent.</p>
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Reference number	Indicator 4
Description	Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10.
Rationale and expected impact on behaviour	<p>The aim of this indicator is to assess the extent to which the legal function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernised and mature function.</p> <p>It is not anticipated that most organisations will have adopted all of the practices listed when first measuring themselves against this indicator set, or that all indicators are appropriate to all circumstances. However organisations should expect that the number of practices that they have adopted would increase over time.</p> <p>(The list of practices will be updated, if appropriate, in future revisions of the indicator set).</p>
Definition	<p>Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10.</p> <ol style="list-style-type: none"> 1) A time recording system is in place and all legal staff record their time against legal matters. 2) The most senior officer in the organisation with a dedicated legal role has a seat on the corporate management team. 3) The legal unit has costed its internal legal services and developed charge-out rates for its internal lawyers. 4) All requests for legal services are coordinated through the legal services unit. 5) The legal unit has a formal business planning process which deals with its ability to deliver programmes and services. 6) A rigorous process of market testing is adopted when purchasing external legal services involving comparative analysis of all relevant costs and benefits. 7) Our tender specification(s) accurately reflect the expected

	<p>needs for legal services.</p> <p>8) We do not have ‘evergreen’ contracts (contracts that have no expiry date or that include a ‘perpetual option’).</p> <p>9) 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.</p> <p>10) There are personal development plans for all legal staff linked to the business planning process and the organisation’s objectives</p> <p>For each practice tick ‘yes’ if the organisation has fully implemented that practice. For each practice tick ‘no’ if the organisation:</p> <ul style="list-style-type: none"> • Does not have that practice in place; • Has the intention to develop this practice but it is currently not in place; or • Is currently implementing this practice but it is not yet fully in place. <p>The organisation should then count the number of questions where they answered ‘yes’ in order to calculate their score.</p> <p>The maximum score is therefore 10.</p>
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Reference number	Indicator 5
Description	Cost of the Legal function per FTE employees
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.
Definition	<p>Total cost of the legal function should include:</p> <ul style="list-style-type: none"> • Employee costs for all legal staff only (including employers NI, pension and recruitment costs). Staff includes fee earners, support staff. Where legal staff are devolved in the organisation, include the <u>total</u> cost of those staff who spend more than 50 per cent of their time on legal activities. (The exact time spent on legal activities should be used if available). • External legal services (solicitors, counsel etc.) • IT costs • Accommodation costs • Supplies / consumables • Library/publication budget • Training budget • Other costs <p>The denominator should be based on the organisation's FTE employees. Include permanent staff only. Staff on fixed term contracts and temporary staff that have been employed by the organisation for over a year should be considered permanent.</p> <p>Casual staff (i.e. those not employed on a regular basis but when a particular need arises) and those employed by outside contractors (e.g. private companies), are not to be counted.</p> <p>The cost of work being undertaken for third parties should be excluded, e.g. where a council undertakes work for another council.</p> <p>Example</p> <p>To calculate the cost of the Legal function per FT employee. Cost of Legal function = £2,000,000 FT Employees = 10,000 Cost per FT employee is therefore £2,000,000 / 10,000 = £200</p>

Reference number	Indicator 6
Description	(a) Cost of learning and development activity as a percentage of the legal unit pay-bill
Rationale and expected impact on behaviour	<p>The level of activity on learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve.</p> <p>The costs relate to learning and development activity including where appropriate, obtaining continuing professional development (CPD) hours.</p> <p>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.</p>
Definition	<p>This indicator should be based on figures for the latest financial year.</p> <p>Include all formal learning and development activities, including generic skills/knowledge, professional qualifications, but exclude one-off attendance at conferences, seminars, etc. i.e those not directly related to training and development.</p> <p>Includes all internal and external training.</p> <p>For internal training, include the costs of development and delivery (costs of the trainer, the venue and materials etc.), but exclude the cost of the delegate's time away from work, and any replacement staffing costs that may be incurred.</p> <p>For external training, include the cost of course fees and any associated direct costs such as travel costs and other expenses, but exclude the cost of the delegate's time away from work, and any replacement staffing costs that may be incurred.</p> <p>Include training for compulsory CPD.</p>

	<p>Part (a) The total pay-bill should be calculated as the total cost of gross pay (including where appropriate London weighting, performance related pay, honoraria and market supplements) in a year and excluding overtime and fringe benefits (such as leases of free cars, health insurance, PCs, mobiles and other non-cash benefits).</p> <p>Example</p> <p>Part (a) Total cost of learning and development activity = £2 million, total pay-bill = £20 million</p> <p>Cost as a percentage of the overall pay bill is £2million / £20 million *100= 10 per cent</p>
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Reference number	Indicator 7
Description	Total number of complaints received per legal employee.
Rationale and expected impact on behaviour	<p>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.</p> <p>Organisations should have clear procedures for recording and dealing with complaints.</p>
Definition	<p>A 'complaint' which is defined as a cause for complaining; a grievance or criticism, it exists when a complainant formally draws to the attention, orally or in writing, any action or outcome related to the activities of the legal service and its staff.</p> <p>A complaint is addressed internally when:</p> <ul style="list-style-type: none"> • All reasonable steps have been taken to address the substance of the complaint; or • The complaint is withdrawn; or it is referred on to an appropriate external complaint agency; or satisfactory "agreed action" is taken. <p>All expressions of grievance or criticism should be recorded regardless of whether these are considered to be frivolous or vexatious.</p> <p>Subsequent complaints made by the same person about the same complaint should not be counted for the purposes of the indicator.</p> <p>Complaints are professional complaints, for example, those received from Magistrates, Judges or Sheriffs. They will also include for example, complaints from staff in client departments and councillors.</p> <p>Legal services should record all cases of complaints during the reporting year even if the work to which the complaint was directed was in a previous reporting year.</p>

	<p>The denominator should be based on all employees i.e. head count, including part time and full-time staff. Include permanent staff only. Staff on fixed term contracts and temporary staff that have been employed by the organisation for over a year should be considered permanent. Casual staff (i.e. those not employed on a regular basis but when a particular need arises) and those employed by outside contractors (e.g. private companies), are not to be counted.</p> <p>Example</p> <p>To calculate the number of complaints per employee.</p> <p>Total number of complaints = 40 Employees = 25</p> <p>Complaints per employee are therefore $40 / 25 = 1.6$.</p>
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Reference number	Indicator 8
Description	Cost per hour of providing legal work
Rationale and expected impact on behaviour	<p>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.</p> <p>This is the cost of the in-house legal function</p>
Definition	<p>The indicator should be based on figures for the latest financial year and should include internal legal services costs.</p> <p>Total cost of the legal function should include:</p> <ul style="list-style-type: none"> • Employee costs for all legal staff only (including employers NI, pension and recruitment costs). Staff includes fee earners, support staff. Where legal staff are devolved in the organisation, include the <u>total</u> cost of those staff who spend more than 50 per cent of their time on legal activities. (The exact time spent on legal activities should be used if available). • External legal services (solicitors, counsel etc.) • IT costs • Accommodation costs • Supplies / consumables • Library/publication budget • Training budget • Other costs <p>The number of hours per annum spent directly on work for clients is a crucial factor in determining the cost of time. The denominator is total chargeable hours i.e. it is the time spent directly on work for clients as required by the job, including time spent on project boards whether called upon to advise or not, it is <u>not</u> total hours worked.</p> <p>Organisations that do not use time-recording methods should undertake sampling over a representative period of the year to identify a charge out percentage and apply to the whole year for those providing legal work. If this is not</p>

	<p>suitable an estimate of chargeable hours should be provided.</p> <p>Example</p> <p>To calculate the cost per hour of providing legal work</p> <p>In-house legal function cost = £3 million Total chargeable hours (over the year) = 20,000</p> <p>Cost per chargeable hour = $\text{£}3,000,000 / 20,000 = \text{£}150$.</p>
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Reference number	Indicator 9
Description	(b) Professionally qualified legal employees (FTEs) as a percentage of total legal employees (FTEs) (c) Ratio of legal staff to support staff (FTE)
Rationale and expected impact on behaviour	<p>This indicator assesses the capacity and competency of the legal function by examining the proportion of staff with a professional legal qualification.</p> <p>Legal personnel within both the central legal function and those employed in other parts of the organisation should be included.</p> <p>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.</p> <p>Organisations who outsource all their legal work will report a zero return for this indicator.</p>
Definition	<p>The indicator should be based on figures for the most recent financial year.</p> <p><u>Legal professionals should be consistent with those staff included in Indicator 1.</u></p> <p>Part a) “Professionally qualified” is defined as full-time equivalent staff holding a qualification recognised by barristers, solicitors, qualified para legals, legal executives, licensed conveyancers or another comparable jurisdiction. (Part qualified legal executives should not be included until they become fully qualified).</p> <p>Total legal staff is calculated as the total full-time equivalent (FTE) staff (including part-time staff who should be calculated on the basis of the proportion of time of a full-time equivalent). Where legal staff are devolved in the organisation apportion their time spent on legal activities.</p> <p>For staff leaving / joining during the 12 month period, calculate on a full-time equivalent basis the proportion of the year that they worked. For example if someone left 3 months into the year they would be a 0.25 FTE, or if they</p>

	<p>served 6 months it would be 0.5 FTE etc. The same principle applies to the calculation for anyone who joined during the year (i.e. the calculation should be based on the proportion of the year that they worked translated into an FTE figure).</p> <p>Your calculation should include any temporary / agency staff who are brought in for periods of over 10 per cent of the working days available in the 12 month period</p> <p>Part b) Legal staff are defined as those undertaking and providing technical work/advice. Support staff includes administrative and clerical staff.</p> <p>Example</p> <p>Part a) Number of professionally qualified legal staff = 6.5 FTEs Number of legal staff = 20 FTEs</p> <p>Therefore the percentage of professionally qualified legal staff is $6.5 / 20 = 32.5\%$</p> <p>Part b) Total number of legal staff undertaking/providing legal work/advice = 10 FTEs Number of support/administrative staff = 8 FTEs</p> <p>Therefore the ratio of legal staff to support staff is $10/8 = 1.25:1$.</p>
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