



COSTS COMMITTEE

Synopsis of third meeting, held on 25 July 2013

- The Committee was reminded of changes to its membership including its decision to include a commercial litigator representative in its membership.
- The chairman expressed his thanks to the economic advisers for their work in making an initial analysis of the five surveys listed below, and to the organisations that had provided help. Those surveys were:
 - A. The Law Society's Practice Certificate Holders survey 2012
 - B. Data from Jaggards
 - C. The Law Society's Firm Finance survey 2011
 - D. The Law Society's LMS survey 2011
 - E. The PWC Top 100 Law Firms survey 2012.
- The Committee was reminded that the information being sought from the data was:
 1. *Salary*. The average salary of a contentious fee earner, by band and by region.
 2. *Hours*. The average number of hours billed by each, by band and by region. (Thus calculating the average salary cost by billed hour.)
 3. *Overheads*. The average loading for overheads (running firm and costs of administrative staff).
- The Committee then went on to discuss the statistical validity of the information, and the ways in which it required supplementing. It concluded that further information was required on:
 1. **Overheads**. A finer breakdown of overheads in order to assess what was reasonable.
 2. **Additional costs**. Further data on the additional costs incurred by firms on National Insurance, pensions and other benefits.
 3. **Realisation rate**. Further data on the proportion of hours worked and recovered by firms (rather than the proportion of the bill).
 4. **Regional breakdown**. Further data from some regions in England and Wales and in order to sub-divide the data relating to London.
 5. **Trainees**. More data was needed on Band D generally.
 6. **Profit**. It was suggested that the available data might be cross-checked with similar professions. The Committee discussed how and to what extent it should challenge the breakdown that seemed to be emerging: that something in the region of a third of a firm's income was accounted for by salaries, overheads and profit.
- The Committee agreed that its questionnaire should be concise and simple and that draft questions should be formulated for discussion at its next meeting.
- The Committee aims to meet again at the end of September.