



SERVING
the PUBLIC
INTEREST

Law Society of Alberta

2011 Business Plan and Budget

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Introduction

The proposed 2011 Law Society of Alberta Business Plan and Budget is our plan to achieve the strategic targets identified by the Benchers and the operational strategies of the organization. The budget was driven by business plans prepared by area leaders and reviewed by the Management Committee.

Summary budgets for each fund follow a synthesis of these business plans in the Business Plan section.

This proposed 2011 Business Plan and Budget is presented to the Benchers on the recommendation of the Finance Committee. The Finance and Executive Committees met on August 18 and 25 respectively to review and provide feedback to Law Society management on the Business Plan and Budget. The Finance Committee met again on September 2 to review the updated Business Plan and Budget.

The proposed 2011 budget reflects a practice fee increase of \$225 to \$1,700 (from \$1,475 in 2010) and no change in the Assurance Fund levy at \$570. Combined with the previously approved Alberta Lawyers Insurance Association (ALIA) levy of \$2,900, the overall increase in total fees from 2010 to 2011 is \$525.

Budget Structure

The budget of the Law Society of Alberta includes three funds:

- **General Fund**, which covers the general operating costs of the regulatory function and other work of the Law Society;
- **Assurance Fund**, which covers the costs of compensating clients and others who are the victims of trust defalcations, as well as the cost of our loss prevention audit and custodianship programs; and
- **Viscount Bennett Fund**, a donated sum, the income from which funds scholarships.

Our fiscal year end is October 31. We refer to:

- **Budget 2011**, which means the fiscal year beginning November 1, 2010 and ending October 31, 2011;
- **Budget 2010**, which means the fiscal year beginning November 1, 2009 and ending October 31, 2010; and
- **Forecast 2010**, which is our forecast of the actual revenue and actual spending for the fiscal year beginning November 1, 2009 and ending October 31, 2010.

Budget Assumptions

This budget is built on the following assumptions:

- Excluding staff additions and merit increases, we have assumed a 3% increase in wage costs. This increase is designed to keep our compensation levels on pace with labour market trends in Alberta.
- Membership growth at 1.9% from 2010 to 2011 (see Appendix 5).
- This draft budget includes an increase of \$225 in the General Fund practice fee (to \$1,700 from \$1,475 in 2010) and no change in the Assurance Fund levy (\$570). The practice fee increase in the General Fund is designed to result in a surplus of approximately \$200K to bring the fund balance (fund assets net of liabilities or accumulate surplus) closer to the targeted fund balance as discussed on page 20 of this document. As outlined in Appendix 2, these proposed fee increases combined with the previously approved insurance levy result in a combined fee increase of \$525 from 2010 (or an increase of 11%).
- Unrealized gains or losses on changes in the market value of investments related to the Assurance and Viscount Bennett funds have not been budgeted for as these amounts are virtually impossible to predict and are non-cash items by nature.
- The provision for Assurance Fund claims and costs (or claims expense) is very difficult to predict. The actual provision is determined through actuarial work performed on an annual basis in conjunction with the preparation of our yearend financial statements. As outlined in Appendix 4, the actual provision varies significantly on an annual basis depending on the actuarial assessment of our current and anticipated Assurance Fund claims environment. Through a review of our current claims and overall claims environment, we have used a provision in this budget that is generally reflective of the anticipated level of our reserve for claims for the budget period.

Business Plan

Budget preparation began with each department developing a business plan, which forms the foundation for this budget.

In organizing the business plans we broke down our work into five core areas:

Membership – this group deals with all aspects of applications for new membership, Professional Corporations (PCs) and Limited Liability Partnerships (LLPs), and deals with all changes in membership and annual renewals. The bar admission program, delivered by the Canadian Centre for Professional Legal Education (CPLED), is included in this department.

Complaints and Conduct Hearings – in which we review, resolve where possible, and investigate complaints, refer to practice review where appropriate, and prosecute when necessary.

Public Protection – includes our trust audit program, our custodianship program and our Assurance Fund program designed to compensate those suffering losses of trust funds through lawyer theft.

Professionalism, Competence and Access – this bundles together all of our programs that support the professional work of lawyers: Continuing Professional Development (CPD), practice advice, pro bono, libraries, equity ombudsperson, and equity programs.

Governance – the governance of the organization, including the development of policy for consideration by the Benchers.

To these we add:

Organizational Support – the support groups necessary to carry out all of our regulatory work: Corporate Services (consisting of Information Technology, Business Enablement Services, Accounting, Communications, Records and Information Management Services and Office Services), Counsel and Human Resources.

Alignment with Strategic Plan

The business plan and budget that follows was developed in the context of strategic goals developed by the Benchers. These goals are:

- **Model Regulator:** Be a model regulator by promoting and ensuring high ethical standards and competence on the part of all those seeking admission to and practicing law in Alberta.
- **Public Confidence:** Build public confidence in the profession and the LSA as a regulator by being effective, fair, timely, transparent and responsive.
- **Principles of Justice:** Uphold and preserve the principles of justice fundamental to a free democratic society, particularly client-lawyer privilege, the rule of law, and the independence of courts and lawyers.
- **Access to Justice:** Promote access to high quality legal services.

In our strategic planning the Benchers made it clear we must do a first class job of our core regulatory work. This encompasses credentials and education, complaints and hearings processes, ensuring lawyers are professionally competent, and operation of the Assurance Fund. The business plan that follows includes work in all of these areas and reflects the following operational goals:

- Be highly trusted;
- Be recognized for excellence in management and leadership in service;
- Manage risk and stand up for the public interest and the principles of justice; and
- Be a leader organization of choice for staff and volunteers.

The table on page 7 maps the major initiatives (in addition to our ongoing core regulatory and related activities) included in the core area business plans to the Bencher strategic goals.

Appendix 9 provides a three year summary of these initiatives in relation to the four strategic goals and the fifth organizational capacity goal that flows from the strategic goals.

Strategic Goals and Planned Initiatives Map

CORE AREAS STRATEGIC GOALS	Membership	Complaints and Conduct Hearings	Public Protection	Professionalism, Competence and Access	Governance	Organizational Support
Goal 1: Model Regulator	<ul style="list-style-type: none"> National Accreditation Standards Quebec Mobility Agreement 	<ul style="list-style-type: none"> Formal complaints staff 	<ul style="list-style-type: none"> Safety of Trust Property 	<ul style="list-style-type: none"> Director CPD improvements Assist Libraries CanLII 	<ul style="list-style-type: none"> Quality Assurance Task Force Conduct Process Task Force Lawyers at Risk 	<ul style="list-style-type: none"> BES staff
Goal 2: Public Confidence		<ul style="list-style-type: none"> Continual improvement of regulatory effectiveness 				<ul style="list-style-type: none"> Communications staff Strategic communications plan/Government relations
Goal 3: Principles of Justice						<ul style="list-style-type: none"> Counsel staff enhancements
Goal 4: Access to Justice	<ul style="list-style-type: none"> Quebec Mobility Agreement 			<ul style="list-style-type: none"> Director PBLA Libraries CanLII 	<ul style="list-style-type: none"> ADLS Retention and re-engagement 	
Goal 5: Organizational Capacity					<ul style="list-style-type: none"> Governance enhancements 	<ul style="list-style-type: none"> BES staff Office space HR management

Business Plan

Our business plan focuses on significant planned changes to our policies and programs, and the continued operation of our core programs. These changes are intended to enhance the organization's ability to protect the public interest as articulated in the strategic and operational goals. The major elements of the business plan for the coming year (2011) and subsequent two years (2012 and 2013) are:

Enhancements

- Implement the new Safety of Trust Property program, including significant eBusiness features (i.e. electronic filing of annual trust information and computerized audit of electronically submitted trust accounting data);
- Improve the service quality and timeliness of the complaints process, particularly with respect to formal complaints;
- Improve our complaints and hearings processes through the development of a plan in the Conduct Process Task Force and beginning the implementation of that plan;
- Address issues around access to legal services through the Alternative Delivery of Legal Services Task Force and the Retention and Re-engagement Task Force;
- Better support Benchers and other volunteers through training programs and by providing collaborative and remote access tools for volunteers and staff;
- Strengthen our ability to support the professionalism, competence and access to the profession by moving management of those programs from the Executive Director to a dedicated management position;
- Develop organizational capacity to successfully manage major change initiatives like Safety of Trust Property, electronic document management, enhancements to our regulatory and membership information systems, and development of more eBusiness services to improve customer service;
- Move to additional office space in order to accommodate staff and volunteers ;
- Enhance our performance measurement programs to better measure and demonstrate the effectiveness of our regulatory work;
- Plan for the organization's move to electronic document management; and
- Enhance our ability to communicate the value of an independently regulated legal profession through a review of our existing government relations program, and development and implementation of enhancements.

Core business

These enhancements take place in the context of the ongoing core activities of the Law Society. These core activities represent the regulatory foundation upon which improvements are made.

It is these critical core activities that drive the fundamental cost structure of the organization. A large part of the annual budget that is developed as a consequence of the business plan is reflective of these core regulatory activities.

The following analysis describes the core activities of our five business units, area goals, and significant initiatives planned in each area.

Membership

Core activities:

This group is responsible for the administration of numerous membership transactions including: students-at-law, enrolment and reinstatement of lawyers, transfer of inter-jurisdictional lawyers, Professional Corporations and Limited Liability Partnerships, membership status and address changes, insurance changes and membership renewals. The bar admission program (CPLED) is funded and managed through this department.

On an annual basis, this group of nine employees processes renewals for approximately 8,500 active, 2,000 inactive and 5,800 insured lawyers. They also process over 300 applications for students-at-law and 100 transfer applications as well as annual renewals for about 2,300 Professional Corporations and 170 Limited Liability Partnerships.

Goals:

- Serve the public interest by ensuring high standards of competence and good character for all those applicants seeking admission to and practicing law in Alberta.
- Provide a high level of customer service (internal and external customers).
- Provide service to lawyers while facilitating annual regulatory requirements – such as, annual renewal of membership, insurance, PC and LLP registrations.
- Continue to enhance risk assessment management internally as well as in cooperation with the larger corporate program regarding risk assessment.
- Continue to evolve business practices, policies and documentation to accommodate expectations of our customers and to operate as a model regulator by moving to self-service, web-based transactions.
- Enhance our relationship with our customers (lawyers, students, etc.) through improvements to the website, forms and an increased number of presentations to our customers.
- Enhance our relationship and productivity with the CPLED team in order to provide a more cohesive service to students-at-law.

2011 initiatives:

- Enhance customer service and internal efficiencies through the implementation of a “call centre” process through the technology of our internet based telephone system.
- If the necessary amendments to the *Legal Profession Act* are made, adapt the Rules and internal processes to accommodate the Quebec Mobility Agreement.
- Participate in the development of national accreditation standards.

Complaints and Conduct Hearings

Core activities:

This core area consisting of 40 staff reviews, resolves where possible, and investigates complaints, refers to practice review where appropriate, and prosecutes as necessary. The complaints team handles about 3,500 contacts annually from the public, financial institutions, government departments, other regulatory bodies and lawyers. The majority of the contacts received are resolved to the satisfaction of the complainant through an informal process. This informal process includes Law Society staff providing information, referral to other agencies, mediation or other alternate resolution services. Typically 15% (about 500) of these contacts relate to complaints that are serious enough to require formal investigation and review. Of these serious (or formal) complaints, about 10% (roughly 50) ultimately result in conduct hearings.

Goals:

- Deal with every complaint to ensure it is investigated in an effective and timely manner.
- Deal with matters in practice review when risk appears remediable.
- Prosecute matters in an effective and timely manner.
- Maintain a risk assessment program that supports and furthers the goals and objectives identified in the strategic plan.

2011 initiatives:

- Enhance statistical reporting for the management of the department and for the Executive Director's report.
- Ensure consistency of process between the Calgary and Edmonton Law Society offices.
- Revamp the formal complaints reviews to improve quality and consistency.
- Implement changes to the complaints process as directed by the Conduct Process Task Force.
- Introduce new communication strategies with complainants and witnesses in the hearing process.
- Increase staff to achieve timeliness goals.

Public Protection (Safety of Trust Property and the Assurance Fund)

Core activities:

This area, which is funded from the Assurance Fund, manages the risk of lawyers holding trust funds, and compensates claimants who suffer financial loss through lawyer misappropriation of trust funds. Programs include the Safety of Trust program (formerly the Trust Audit program), the Custodianship program, the financing of the Assurance Fund, and claims management.

The Trust Audit program conducts approximately 200 examinations of lawyer trust accounts each year. This group consists of seven employees and is supported by the investigative team in the Complaints and Conduct Hearings group. The Trust Audit program will undergo significant changes in 2011 with the introduction of the new Safety of Trust Program.

The Assurance Fund responds to allegations of lawyer misappropriation of trust funds and compensates claimants who have been victims of misappropriation. Claims are reviewed by a Claims Examiner and referred to Trust Audit staff to review the trust account of the lawyer concerned. The total number of open Assurance Fund claims is normally under 200 and typically three Assurance Fund files are opened monthly. Claims are paid from the Assurance Fund levy, as well as a \$10 million dollar bond that functions as insurance.

The Custodianship program is designed to protect the public in the event that a lawyer is unable or not allowed to continue the practice of law. In these circumstances, custodians (lawyers appointed by the court and paid by the Law Society) protect the interests of the client and their trust property until the client is able to arrange appropriate representation. The number of active custodianships is typically around 50. The program is managed by the Director of Lawyer Conduct and supported administratively by two other employees.

Goals:

- Through the new Safety of Trust Property program, effectively protect the public interest with respect to the safety of trust property held by lawyers.
- Manage every claim to ensure a fair and timely outcome.
- Finance the Assurance Fund in an economically sustainable manner.
- Fairly compensate those who lose money when trust account defalcations occur.
- Identify areas of potential loss and develop programs to assist lawyers to avoid such loss.

2011 initiatives:

- Implement the Safety of Trust Property program.
- Refine the referral process of trust compliance issues to the Conduct department to improve timeliness.
- Develop key performance indicators for Assurance Fund claims processing.
- Develop an enhanced risk management strategy for our Custodianship program.

Professionalism, Competence and Access

Core activities:

This group bundles together all of our programs that support the professional work of lawyers including CPD, practice advice, PBLA, law libraries and CanLII, the Equity Ombudsperson and equity programs, Assist, the Alberta Law Review and our Access to Justice initiatives.

Advice about ethical, practice, practice management and equity issues are delivered by a professional staff of three, with one support person. They deal with about 5,000 calls per year. The CPD program is delivered through other staff and LESA. Practice issues are also addressed through practice advisory committees dealing with family law, corporate and commercial practice, criminal law and real estate.

Other competency supports are provided by funding external parties: the law libraries, CanLII, Alberta Law Review and Assist.

Access to justice work includes funding of PBLA, as well as the Access to Justice Committee and Retention and Re-engagement Task Force.

Goals:

- Support the professionalism and competence of lawyers through Practice Advisors providing ethics and practice management advice, the Alberta Law Review, CPD, the Equity Ombudsperson, Assist and by providing legal research resources through law libraries and CanLII.
- Consider practice issues in the practice advisory committees.
- Support access to justice through PBLA, the Access to Justice Committee and the Retention and Re-engagement Task Force.

2011 initiatives:

- Lead in the area of national standards by rolling out the Alberta version of the National Model Code with appropriate communication and training strategies.
- Strengthen practitioner support programs by developing and implementing a plan for redevelopment of the startup kit and other practitioner support materials for those seeking assistance from the Practice Advisors/Practice Management Advisor, as well as being resources for use by the Practice Review program.
- Better manage risk by articulating the role of the Practice Advisors in developing and publishing risk management articles, develop a program plan for implementing that role, and then implement the plan.

Governance

Core activities:

The governance of the organization, including the development of policy for consideration by the Benchers, is the focus of this core area. This business unit includes the office of the Executive Director (two employees) and the Policy and Research department (five employees). Ongoing policy work includes:

- Maintain the Policy Development Inventory of Bencher priorities on strategic, process, and potential policy projects, and the Administrative Policy Inventory of administrative policy projects.
- Monitor the local, national, and international regulatory environment to identify potential policy issues, questions, and future policy projects to further the strategic goals of the Law Society.

Goals:

- Support sustained effective governance of the Law Society through the Benchers and committees.
- Provide training, information and support to assist the Benchers and other volunteers in their work.
- Manage policy issues and prepare policy matters for Bencher discussion.
- Be an active participant in national governance of the profession (primarily through the FLSC).

2011 initiatives:

- Complete the review of the governance policies necessary to fully implement the strategic priority setting exercise.
- Develop and implement a new organizational quarterly progress report based on the strategic priorities identified by the Benchers.
- Implement a rationalized organizational planning cycle, including strategic planning, management planning, business plan development, individual employee goal development, budget development, and associated processes.
- Develop an enhanced Bencher orientation and education process and program including a syllabus and course materials.
- Support Bencher policy projects including the Alternate Delivery of Legal Service, Conduct Process, Retention and Re-engagement, Pro Bono funding, other third party funding and Lawyers at Risk.

Organizational Support

Counsel

Core activities:

This department provides litigation support (including hearing counsel for a wide variety of Law Society hearings) as well as corporate counsel services. With a team of eight staff and contract counsel, the department provides the following services:

- Work with knowledgeable professionals and paraprofessionals to provide legal and strategic expertise to all Law Society departments, the Benchers and committees.
- Provide advice on operational and public policy matters including assisting in the analysis, drafting and implementation of initiatives.
- Act as litigators on behalf of the Law Society for all types of internal hearings and appeals, including disciplinary hearings and on behalf of the Law Society before all levels of court.
- Actively monitor challenges and threats to solicitor-client privilege and takes targeted action when appropriate.

Goals:

- Monitor challenges and threats to solicitor-client privilege and take targeted action.
- Move caseload in accordance with timeliness benchmarks.
- Provide excellent legal advice to clients.
- Identify, analyze and manage risks to the effectiveness and operations of the Law Society.
- Provide excellent counsel support to strategic initiatives requiring counsel input.
- Maintain expertise as a resource on solicitor-client privilege.
- Be recognized as a model counsel department for all Law Societies.

2011 initiatives:

- Complete the transition of caseload reporting and analysis from a manual system to the Legal Suite software program.
- Introduce new communication strategies for encouraging consultation with the counsel department for issues requiring legal advice or risk assessment.
- Introduce new communication strategies with complainants and witnesses.

Corporate Services:**Core activities:**

This group provides accounting, IT, communications, records management, business enablement and general office services to Law Society and ALIA staff, Benchers and other volunteers. This organizational support group consists of 34 employees. The teams that comprise Corporate Services are:

- The accounting team handles the financial reporting, budgeting, payroll and cash management of the Law Society and ALIA.
- The IT and Business Enablement Services teams design and maintain the information technology infrastructure required to support the regulatory work of the Law Society. This includes the membership and financial databases, the website, data/video/voice links between the two offices, the video conferencing facilities, remote access, computer hardware and overall systems security.
- The Communications group develops communications tools and techniques to inform key external and internal stakeholders, and provides strategic communications advice to the Benchers and Law Society management.
- Records and Information Management Services securely manage all of the information that is collected and generated by the organization. This includes internally generated records and records the Law Society collects from lawyers through our regulatory processes.
- The Office Services group manages the physical office locations of the Edmonton and Calgary premises, including the very busy meeting facilities. This team also operates the document production facility that produces information materials, particularly for Law Society regulatory and adjudication activities.

Goals:

- Provide accounting services to the Law Society, ALIA and affiliated organizations.
- Support the Law Society's record keeping, knowledge management and privacy responsibilities.
- Provide effective support for communications to the public, the profession, stakeholders and staff.
- Provide IT services to the organization to track relevant information, permit management of key business processes and support communication of staff, Benchers, volunteers and the public.
- Provide office services support including leased premises management and document reproduction services.

2011 initiatives:

- Within the context of ongoing communications strategic planning, review our current government relations strategy to build relationships with key government stakeholders, and consider and possibly implement enhancements.
- Develop a project plan to outline how the organization will move to electronic document management for our internal documents.

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- Through the newly formed Business Enablement Services Team, develop organizational capacity to successfully manage major change initiatives like the Safety of Trust Property project and electronic document management, enhancements to our regulatory and membership information systems, and development of more eBusiness services to improve customer service.
 - Develop collaboration tools for Benchers, volunteers and staff.
 - Manage the relocation of the Edmonton office and identify additional office space to satisfy capacity issues in the Calgary office.

Human Resources

Core activities:

This team, consisting of three employees, provides advice and guidance in the effective recruitment and retention of employees who ultimately possess the necessary skills, characteristics and qualifications needed to achieve the Law Society's strategic and operational objectives. This team supports the human resource needs of approximately 115 Law Society and 15 ALIA employees.

Goals:

- Operate a model HR business unit to ensure HR policies and practices are integrated and aligned with our organizational mission, vision, goals, objectives and strategic initiatives.
- Support all departments in meeting their goals, objectives and strategic initiatives as they relate to human resource initiatives.
- Provide timely and efficient service to internal customers.
- Support the organization in realizing the goal of becoming a model regulator and to be a leader organization of choice for staff by continuing to build and focus on strategic recruiting, hiring, developing and retaining a competent and dedicated workforce.

2011 initiatives:

- Implement a comprehensive strategic human resources plan that includes recruitment, retention, compensation, employee training/development, performance management and succession planning.

Summary General Fund Budget

*The Law Society of Alberta
General Fund Summary
For the Year Ending October 31st*

	<u>2010 Approved Budget</u>	<u>2010 Forecast*</u>	<u>2011 Proposed Budget</u>	<u>Variance 2010 Forecast vs to 2010 Budget</u>	<u>Variance 2011 Budget vs to 2010 Budget</u>
Revenue					
Fees	\$ 13,755,562	\$ 13,674,051	\$ 15,804,000	\$ (81,511)	\$ 2,048,438
Management fees	3,063,696	3,063,696	3,356,100		292,404
Investment income	13,000	66,000	65,000	53,000	52,000
Other	96,000	107,500	124,500	11,500	28,500
	<u>16,928,258</u>	<u>16,911,247</u>	<u>19,349,600</u>	<u>(17,011)</u>	<u>2,421,342</u>
Expenses					
Membership	1,121,962	1,067,569	1,143,320	(54,393)	21,358
Complaints and conduct hearings	3,328,747	3,258,834	3,746,190	(69,913)	417,443
Professionalism, competence and access	2,416,674	2,380,078	2,865,670	(36,596)	448,996
Governance	2,213,148	2,258,380	2,254,430	45,232	41,282
Organizational support	7,790,895	7,489,401	9,135,875	(301,494)	1,344,980
	<u>16,871,426</u>	<u>16,454,262</u>	<u>19,145,485</u>	<u>(417,164)</u>	<u>2,274,059</u>
Net Income (loss)	<u>\$ 56,832</u>	<u>\$ 456,985</u>	<u>\$ 204,115</u>	<u>\$ 400,153</u>	<u>\$ 147,283</u>

* Actual results for November 1, 2009 to June 30, 2010 plus estimated results for July 1, 2010 to October 31, 2010

Summary Assurance Fund Budget

*The Law Society of Alberta
Assurance Fund Summary
For the Year Ending October 31*

	2010 Approved Budget	2010 Forecast*	2011 Proposed Budget	Variance 2010 Forecast to 2010 Budget	Variance 2011 Budget to 2010 Budget
Revenue					
Fees	\$ 4,793,700	\$ 4,850,000	\$ 4,879,200	\$ 56,300	\$ 85,500
Investment income	497,000	706,800	462,000	209,800	(35,000)
	<u>5,290,700</u>	<u>5,556,800</u>	<u>5,341,200</u>	<u>266,100</u>	<u>50,500</u>
Expenses					
Organizational support	67,800	54,327	56,000	(13,473)	(11,800)
Administration	2,152,104	2,148,104	2,321,720	(4,000)	169,616
Trust audit and custodianship costs	2,838,152	2,936,100	2,685,375	97,948	(152,777)
Provision for claims and costs	250,000	250,000	250,000		
	<u>5,308,056</u>	<u>5,388,531</u>	<u>5,313,095</u>	<u>80,475</u>	<u>5,039</u>
Net Income (loss) before other items	(17,356)	168,269	28,105	185,625	45,461
Other items:					
Unrealized gain (loss) on market value of investments		(400,000)		(400,000)	
Net Income (loss)	<u>\$ (17,356)</u>	<u>\$ (231,731)</u>	<u>\$ 28,105</u>	<u>\$ (214,375)</u>	<u>\$ 45,461</u>

* Actual results for November 1, 2009 to June 30, 2010 plus estimated results for July 1, 2010 to October 31, 2010

Summary Viscount Bennett Fund Budget

*The Law Society of Alberta
Viscount Bennett Fund Summary
For the Year Ending October 31*

	2010 Approved Budget	2010 Forecast*	2011 Proposed Budget	Variance 2010 Forecast to 2010 Budget	Variance 2011 Budget to 2010 Budget
Revenue					
Investment income	\$ 46,400	\$ 60,150	\$ 45,000	\$ 13,750	\$ (1,400)
Expenses					
Organizational support	3,720	3,600	3,600	(120)	(120)
Scholarships	40,000	45,000	40,000	5,000	
	<u>43,720</u>	<u>48,600</u>	<u>43,600</u>	<u>4,880</u>	<u>(120)</u>
Net Income (loss) before other items	2,680	11,550	1,400	8,870	(1,280)
Other items:					
Unrealized gain (loss) on market value of investments		(30,000)		(30,000)	
Net Income (loss)	<u>\$ 2,680</u>	<u>\$ (18,450)</u>	<u>\$ 1,400</u>	<u>\$ (21,130)</u>	<u>\$ (1,280)</u>

* Actual results for November 1, 2009 to June 30, 2010 plus estimated results for July 1, 2010 to October 31, 2010

Target Fund Balances

General Fund

At the end of any given fiscal period, the balance in the General Fund represents the difference between the assets and liabilities in the fund. This amount is basically the accumulated sum of the fund's earnings in excess of expenses from the inception of the Law Society. Consequently, we often refer to this balance as the "accumulated surplus". By way of example, the balance in the fund at October 31, 2009 is broken down as follows:

Current assets (mostly cash)	\$3,328,000
Capital assets (furniture, computers and leasehold improvements)	\$1,625,000
Current liabilities (mostly trade payables)	(\$892,000)
Long-term liabilities	(\$968,000)
Fund balance (the net of the above amounts)	\$3,093,000

Essentially, the amount in the fund balance is the financial resources available to sustain the operations of the General Fund into the future. This amount will increase (or decrease) based on the net operating results of the General Fund (revenues less expenses).

For planning and budgeting purposes, it is important to get a sense of the target fund balance we need to keep in reserve. If the fund (or accumulated surplus) balance gets too low, we risk being unable to adequately fund our operations without raising lawyer fees too dramatically or being forced to borrow operating funds from external sources. Alternatively, if the fund balance accumulates to too high a level, we are likely charging lawyers unnecessarily excessive fees and/or we are not spending enough to get all of our regulatory work done.

We need to establish a target fund balance threshold or range in case of unusual circumstances or emergencies. If, for some reason, our sources of cash declined dramatically, how much would we need in our accumulated surplus to keep the organization going until such time that additional cash flow could be secured? Obviously, this is a very hypothetical and subjective exercise. However, the analysis below is an attempt to quantify a recommended (or target) balance for the General Fund.

The first issue to consider is what circumstances would cause our cash flow to decline to the point that we would need to rely on our accumulated surplus (or fund balance) to adequately fund our operations. While highly unlikely, the following hypothetical situations could occur:

- The Law Society suffers a significant employee theft in excess of our insured amount of \$500K.

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- We make a large unbudgeted expenditure without considering the impact on our cash flow.
 - The economy crashes, resulting in a severe decline in the collectability of lawyer fees.
 - We have an unusually large increase in our budgeted expenditures that require additional cash resources between the end of our fiscal year (October 31) and the beginning of the next fee billing cycle (March 15).

Under one or more of these scenarios, what amount should we have in the accumulated surplus balance to feel comfortable that the Law Society can continue operations until adequate cash flow is generated? In general, we would need financial resources for the following things:

- Operations;
- Significant planned special projects; and
- Contingencies (or unexpected expenditures).

Operations:

Operating expenses include recurring expenditures like wages, rent, contract services and supplies required for the normal and planned operation of General Fund activities. Our monthly operating cash flow requirements can be estimated by looking at our budgeted operating expenses for the coming year. If we were to run out of operating cash resources, the issue then becomes how long it would take us to get approval to issue a special levy on Alberta lawyers and then collect it. It would be this period of time for which we would need cash to fund our operations. In such an unusual situation, we estimate it would take about one to two months to generate sufficient cash flow from a special assessment. Consequently, we would need about 10% to 15% of our annual operating expenditure budget to see us through.

Special projects:

These are non-recurring activities outside the scope of our normal, recurring operations. The 2007 100th Anniversary project is a good example of this type of non-recurring activity/expenditure. Another example would be the amount we need to spend on the Safety of Trust Property project.

Contingencies:

Contingencies are significant expenditures that we can't plan for and are very difficult to predict both in terms of amount and probability of occurrence. Such contingencies could take the form of a civil matter that creates a large unplanned liability that needs to be settled. Another example would be a complicated and expensive conduct matter that needs to be dealt with during the current budget cycle. There can be situations where Assurance Fund claims need to be settled before the adjudicative process can be applied. Such claims would have to be paid through the General Fund as the Assurance Fund cannot issue settlement payments. It's very difficult to quantify the potential financial impact of such contingencies, but they could likely range between \$500K and \$1 million.

Target General Fund Balance

Based on the above analysis, the Law Society should maintain the General Fund (or the accumulated surplus) in the following range:

The amount invested in capital assets	\$1,700,000
Operating cash flow	\$1,500,000 to \$2,000,000
Special projects	\$200,000
Contingencies	\$500,000 to \$1,000,000
Target General Fund balance	\$3,900,000 to \$4,900,000

As illustrated in Appendix 3, the proposed General Fund budget places the anticipated fund balance just below the range indicated above. The Benchers may need to consider additional practice fee increases over the next few years to build the fund back toward the target amount.

Assurance Fund

The Assurance Fund finances a significant portion of our Trust Safety operations, as well as custodianships and the processing and paying of Assurance Fund claims. Trust Safety and custodianships are funded as programs, and are relatively stable.

Claims against the Assurance Fund are funded in a manner that is similar to the funding of an insurance program. We use a consulting actuary to provide advice about how much money to put aside to fund claims, and that advice is incorporated into the budget. The structure of the fund of money to pay claims is this:

First \$1.5 million	Law Society
\$1.5 - \$11.5 Million	bond
More than \$11.5 million	Law Society

The bond operates somewhat like insurance. We purchase the bond, and then make claims against it if claims are made against the Fund.

As indicated in Appendix 3 the projected Assurance Fund (or contingency reserve) balance at October 31, 2010 is \$7.7 million. This represents the financial resources available in the Assurance Fund for contingencies after taking into account our estimated liability for claims and costs (the net claims reserve).

The risk that we would need to utilize a significant portion of the Assurance Fund contingency reserve relates to the following circumstances:

- There is a catastrophic loss that puts us over the \$10 million insured level covered by our indemnity bond.
- We incur extraordinary investigation costs to deal with trust defalcations.
- There are additional major related claims that come to light after the year in which the initial claim was covered by our indemnity bond. Such subsequent claims may not be covered by our bond.

Appendix 1 - Capital Budget

**The Law Society of Alberta
Capital Budget
For the Year Ending October 31, 2011**

	<u>Budget 2011</u>	<u>Forecast 2010</u>	<u>Budget 2010</u>
Furniture and equipment			
Edmonton office	\$ 20,000	\$ -	\$ -
Calgary office	50,000	31,700	-
	<u>70,000</u>	<u>31,700</u>	<u>-</u>
Computer equipment			
Software	165,000	17,000	150,000
Computer workstations	115,000	51,000	100,000
Network servers	255,000	38,000	130,000
Printers	35,000	18,000	20,000
Telephone system	-	5,000	30,000
Website	-	200,000	250,000
Document management project	165,000	-	150,000
Video conference equipment	150,000	55,000	150,000
Member database upgrade project	75,000	-	-
	<u>960,000</u>	<u>384,000</u>	<u>980,000</u>
Leasehold improvements			
Edmonton office	560,000	280,000	-
Calgary office	510,000	18,500	-
	<u>1,070,000</u>	<u>298,500</u>	<u>-</u>
Total capital additions	<u>\$ 2,100,000</u>	<u>\$ 714,200</u>	<u>\$ 980,000</u>

Appendix 2 – Historical Fee Comparison

	COMBINED ANNUAL FEES & LEVIES						
	Proposed 2011	2010	2009	2008	2007	2006	2005
Practice fee (LSA)	1,700	1,475	1,270	1,160	1,095	1,040	1,020
Assurance levy (LSA)	<u>570</u>	<u>570</u>	<u>665</u>	<u>635</u>	<u>635</u>	<u>425</u>	<u>260</u>
Total LSA	<u>2,270</u>	<u>2,045</u>	<u>1,935</u>	<u>1,795</u>	<u>1,730</u>	<u>1,465</u>	<u>1,280</u>
Insurance levy (ALIA)	<u>2,900</u>	<u>2,600</u>	<u>1,800</u>	<u>1,900</u>	<u>2,241</u>	<u>2,770</u>	<u>2,583</u>
	<u>\$ 5,170</u>	<u>\$ 4,645</u>	<u>\$ 3,735</u>	<u>\$ 3,695</u>	<u>\$ 3,971</u>	<u>\$ 4,235</u>	<u>\$ 3,863</u>
Annual Increase (Decrease)	\$ 525	\$ 910	\$ 40	\$ (276)	\$ (264)	\$ 372	

Appendix 3 – Fund Balance Analysis

Law Society of Alberta Fund Balance Analysis

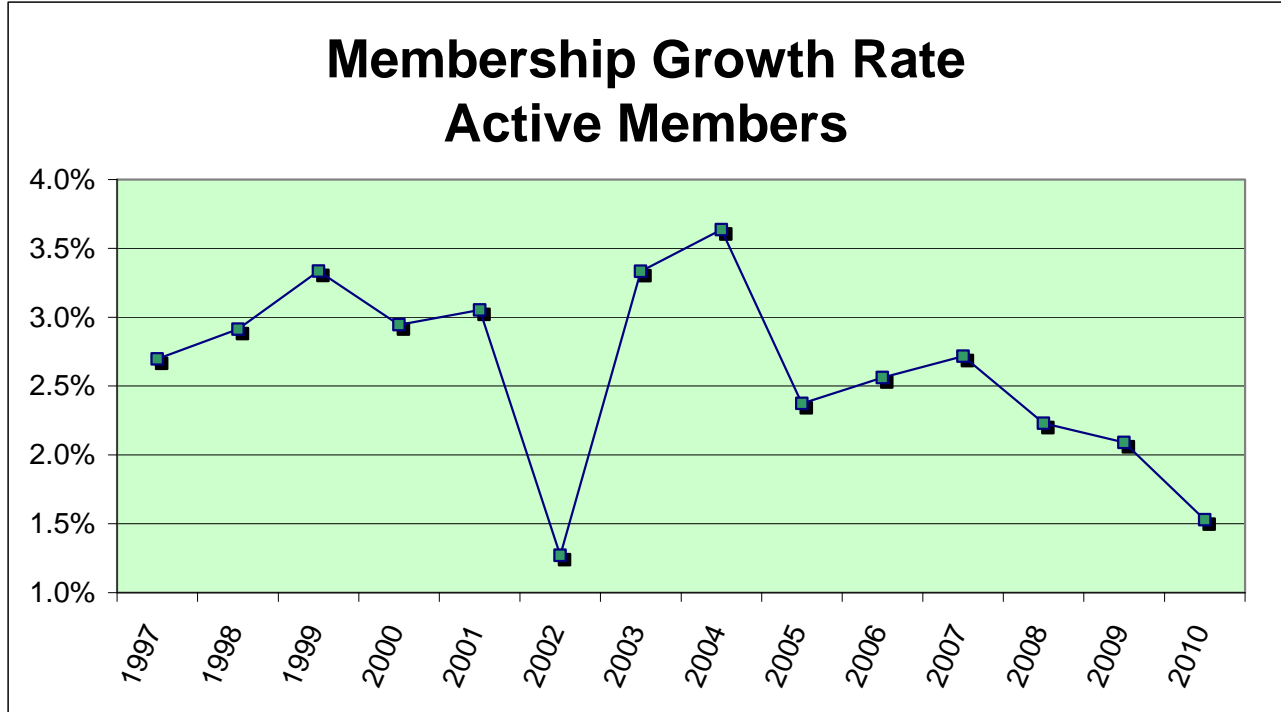
	General	Assurance	Viscount Bennett	Total
	<i>Unrestricted & Invested in Capital</i>	<i>Contingency reserve</i>	<i>Scholarship reserve</i>	
Balance October 31, 2009 (Audited F/S)	\$ 3,093,694	\$ 7,875,180	\$ 1,190,290	\$ 12,159,164
2010 net income (loss)	456,985	(231,731)	(18,450)	206,804
Balance October 31, 2010 (Forecast)	3,550,679	7,643,449	1,171,840	12,365,968
2011 net income	204,115	33,865	1,400	239,380
Balance October 31, 2011 (Budget)	\$ 3,754,794	\$ 7,677,314	\$ 1,173,240	\$ 12,605,348

Appendix 4 – Assurance Fund Reserve Summary

	2009	2008	2007	2006	2005	2004	2003
Net Reserve - Beginning of Year (000's)	\$ 2,760	\$ 3,292	\$ 2,975	\$ 3,335	\$ 2,937	\$ 2,216	\$ 683
Less: Claims Paid	(101)	(321)	(201)	(853)	(1,531)	(48)	-
Add: Current Provision	1,526	(211)	518	493	1,929	769	1,533
Net Reserve - End of Year	<u>\$ 4,185</u>	<u>\$ 2,760</u>	<u>\$ 3,292</u>	<u>\$ 2,975</u>	<u>\$ 3,335</u>	<u>\$ 2,937</u>	<u>\$ 2,216</u>

Appendix 5 – Active Membership Growth Analysis

The Law Society of Alberta
 Membership Growth Rate - Active Members
 Budget 2011



	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Nov	5,980	6,137	6,375	6,548	6,731	6,929	6,938	7,301	7,535	7,689	7,929	8,112	8,310	8,432
Dec	5,999	6,162	6,406	6,578	6,770	6,953	6,975	7,329	7,553	7,710	7,958	8,136	8,329	8,445
Jan	6,008	6,155	6,408	6,582	6,781	6,976	7,002	7,347	7,553	7,713	7,962	8,149	8,334	8,455
Feb	6,027	6,177	6,425	6,594	6,824	6,991	7,019	7,359	7,564	7,705	7,956	8,152	8,334	8,451
Mar	6,020	6,165	6,435	6,616	6,834	7,002	7,039	7,362	7,558	7,703	7,946	8,136	8,304	8,436
Apr	5,928	6,105	6,336	6,498	6,722	6,922	7,060	7,257	7,421	7,624	7,828	7,978	8,145	8,306
May	5,943	6,116	6,298	6,494	6,704	6,643	7,078	7,268	7,428	7,636	7,840	7,992	8,149	8,311
Jun	5,959		6,303	6,513	6,723	6,664	7,089	7,299	7,438	7,651	7,854	8,006	8,160	8,316
Jul	5,960	6,140	6,292	6,501	6,712	6,704	7,117	7,319	7,446	7,669	7,852	8,005	8,162	
Aug	6,018	6,197	6,404	6,604	6,751	6,783	7,199	7,370	7,500	7,712	7,882	8,051	8,226	
Sep	6,072	6,266	6,433	6,652	6,846	6,843	7,253	7,439	7,593	7,840	7,991	8,188	8,344	
Oct	6,123	6,338	6,494	6,685	6,874	6,894	7,279	7,491	7,644	7,893	8,062	8,275	8,414	
Average	<u>6,003</u>	<u>6,178</u>	<u>6,384</u>	<u>6,572</u>	<u>6,773</u>	<u>6,859</u>	<u>7,087</u>	<u>7,345</u>	<u>7,519</u>	<u>7,712</u>	<u>7,922</u>	<u>8,098</u>	<u>8,268</u>	<u>8,394</u>

Growth 2.7% 2.9% 3.3% 2.9% 3.1% 1.3% 3.3% 3.6% 2.4% 2.6% 2.7% 2.2% 2.1% 1.5%
 Average Growth Rate over last three years 1.9%

Projected Membership (Average 2010 x Average Growth Rate)	8,560	members
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Appendix 6 – Inactive Membership Growth Analysis

The Law Society of Alberta
 Membership Growth Rate - Inactive
 Budget 2011



	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Nov	1,429	1,504	1,526	1,592	1,655	1,477	1,482	1,673	1,656	1,698	1,695	1,778	1,778	1,952
Dec	1,430	1,506	1,518	1,580	1,657	1,478	1,492	1,663	1,654	1,695	1,698	1,777	1,783	1,950
Jan	1,432	1,512	1,519	1,581	1,660	1,488	1,499	1,670	1,661	1,699	1,711	1,784	1,795	1,956
Feb	1,424	1,497	1,519	1,584	1,644	1,484	1,505	1,668	1,663	1,712	1,718	1,786	1,809	1,957
Mar	1,426	1,507	1,500	1,569	1,644	1,482	1,513	1,680	1,674	1,725	1,744	1,806	1,845	1,970
Apr	1,515	1,554	1,594	1,694	1,754	1,564	1,638	1,729	1,762	1,678	1,732	1,723	1,922	1,862
May	1,487	1,529	1,593	1,652	1,463	1,412	1,646	1,649	1,665	1,680	1,733	1,731	1,927	1,864
Jun	1,484		1,592	1,650	1,458	1,414	1,655	1,639	1,664	1,677	1,738	1,733	1,923	1,871
Jul	1,493	1,540	1,602	1,661	1,487	1,433	1,672	1,651	1,686	1,689	1,744	1,750	1,935	
Aug	1,498	1,547	1,604	1,659	1,482	1,454	1,679	1,657	1,696	1,699	1,761	1,766	1,932	
Sep	1,510	1,542	1,602	1,659	1,486	1,464	1,679	1,661	1,700	1,697	1,767	1,778	1,944	
Oct	1,504	1,540	1,596	1,666	1,488	1,475	1,681	1,653	1,702	1,694	1,770	1,778	1,947	
Average	1,469	1,525	1,564	1,629	1,573	1,469	1,595	1,666	1,682	1,695	1,734	1,766	1,878	1,923

Growth	5.1%	3.8%	2.5%	4.2%	-3.4%	-6.6%	8.6%	4.5%	1.0%	0.8%	2.3%	1.8%	6.4%	2.4%
	Average Growth Rate 1994 - 2010													
	3.0%													

Projected Inactive members (Average 2010 x Average Growth Rate)	1,980	inactive members
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Appendix 7 – Detailed Fee Schedule

The Law Society of Alberta
Fee Schedule
November 1, 2010 to October 31, 2011

	Budget 2011	Budget 2010	Budget 2009	Budget 2008
Annual Fees				
Annual fee, active member (effective March 15, 2011)	\$ 1,700	\$ 1,475	\$ 1,270	\$ 1,160
Annual fee, active member practising in Lloydminster, AB and SK (effective March 15, 2011)	\$ 850	\$ 738	\$ 635	\$ 580
Annual fee, active member for pro bono services only (effective March 15, 2011)	\$ 180	\$ 180	\$ 180	\$ 170
Annual fee, inactive (effective March 15, 2011)	\$ 180	\$ 180	\$ 180	\$ 170
Assurance levy (effective March 15, 2011)	\$ 570	\$ 570	\$ 665	\$ 635
Professional Corporation Fees				
Professional Corporation application fee	\$ 360	\$ 360	\$ 350	\$ 335
Professional Corporation annual renewal fee	\$ 185	\$ 180	\$ 180	\$ 170
Limited Liability Partnership Fees				
Limited Liability Partnership (LLP) registration fee (per partner)	\$ 110	\$ 110	\$ 105	\$ 100
Limited Liability Partnership (LLP) renewal fee (per partner)	\$ 50	\$ 50	\$ 50	\$ 50
Student Fees				
Application fee, Student (Section 40)	\$ 160	\$ 160	\$ 160	\$ 150
Admission fee, Student (Section 40)	\$ 390	\$ 390	\$ 380	\$ 360
Filing Assignment of Articles fee	\$ 80	\$ 80	\$ 80	\$ 75
Transfer Fees				
Transfer exam fee	\$ 1,110	\$ 1,100	\$ 1,080	\$ 1,025
Application fee, Out of Province transfer	\$ 200	\$ 200	\$ 200	\$ 190
Enrolment as a member, Out of Province transfer	\$ 1,010	\$ 1,000	\$ 980	\$ 930
Reinstatement Fees				
Reinstatement, suspended member	\$ 720	\$ 710	\$ 700	\$ 670
Reinstatement, retired Judge	\$ 530	\$ 520	\$ 510	\$ 490
Reinstatement, inactive member with matters open ¹	\$ 720	\$ 710	\$ 700	\$ 670
Reinstatement, inactive member with no matters open ² (under 1 year inactive status)	\$ 190	\$ 190	\$ 190	\$ 185
Reinstatement, inactive member with no matters open ³ (under 3 years inactive status)	\$ 330	\$ 330	\$ 320	\$ 305
Reinstatement, inactive member with no matters open ⁴ (over 3 years inactive status)	\$ 530	\$ 520	\$ 510	\$ 490
Reinstatement, suspended for non-payment of fees - applies to inactive members who are suspended and are reinstating to inactive status within 6 months of suspension	\$ 190	\$ 190	\$ 190	\$ 185
Reinstatement, resigned member	\$ 1,450	\$ 1,440	\$ 1,410	\$ 1,345
Application for reinstatement, disbarred member	\$ 7,210	\$ 7,140	\$ 7,000	\$ 6,670
Reinstatement exam fee	\$ 690	\$ 680	\$ 670	\$ 635
Foreign Legal Consultant Fees				
Foreign Legal Consultants initial permit	\$ 720	\$ 710	\$ 700	\$ 670
Foreign Legal Consultants annual renewal	\$ 140	\$ 140	\$ 140	\$ 130
Document Fees				
Issuing a document	\$ 40	\$ 40	\$ 40	\$ 40
Certificate of Standing	\$ 110	\$ 110	\$ 110	\$ 100
Notarial Certificates (2 free certificates per year)	\$ 20	\$ 20	\$ 20	\$ 15

¹Inactive with any conduct, audit, practice review or insurance matters open at any time from the time they went inactive to the time of their reinstatement application

²Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have practised law in Canada within the previous 12 months

³Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have not practised law in Canada within the previous 12 months

⁴Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have not practised law in Canada for at least 12 of the past 48 months

Appendix 8 - Table of Abbreviations

ADLS	Alternate Delivery of Legal Services
ALIA	Alberta Lawyers Insurance Association
Assist	Alberta Lawyer Assist Program
BES	Business Enablement Services
CanLII	Canadian Legal Information Institute
CBA	Canadian Bar Association
CLIA	Canadian Lawyers Insurance Association
CPD	Continuing Professional Development
CPI	Consumer Price Index
CPLED	Canadian Centre for Professional Legal Education
FLSC	Federation of Law Societies of Canada
HR	Human Resources
LASA	Legal Archives Society of Alberta
LESA	Legal Education Society of Alberta
LSA	Law Society of Alberta
LLP	Limited Liability Partnership
PBLA	Pro Bono Law Alberta
PC	Professional Corporation

Appendix 9 – Three Year Plan to Implement Strategic Priorities

2011

2012

2013

STRATEGIC GOAL 1: Model Regulator

Be a model regulator by promoting and ensuring high ethical standards and competence on the part of all those seeking admission to and practicing law in Alberta.

National Standards Initiatives

Quebec Mobility, Assurance Fund Mobility, Common Law Degree, Admission Standards, Discipline Standards.

Participate and lead in developing national standards and bench-marking against them, in particular, national admission standards and discipline standards.

Conduct Process Task Force

Develop new conduct process, procedures and policies

Statutory amendments and rule changes

Implementation

Continuing Professional Development Program

Clarify regulatory policy, resolve IT issues, begin evaluation

Complete evaluation, amend or affirm program

Credentials and Education Reinstatement Exam Project

Threshold Competence regarding Stale-dated Degrees, Recruitment, Court Student Education Plans.

Complete reinstatement project

Use definitions of competency developed in the reinstatement project to further other policy projects related to credentials and education

2011

2012

2013

Lawyers at Risk

Obtain Bencher approval for particular policy projects developed and recommended by the Lawyers at Risk Task Force

Implementation of policy and programs

STRATEGIC GOAL 2: Public Confidence

Build public confidence in the profession and the LSA as a regulator by being effective, fair, timely, transparent and responsive.

Safety of Trust Task Force

Design and pilot program completed in 2010.

Implement revised trust forms and procedures.

Evaluate and modify.

Third Party Funding and Pro Bono Task Forces

Articulate funding goals and obtain Bencher approval to updated procedures in 2010.

Implementation

2011

2012

2013

STRATEGIC GOAL 3: Principles of Justice

Uphold and preserve the principles of justice fundamental to a free democratic society, particularly client-lawyer privilege, the rule of law, and the independence of courts and lawyers.

Solicitor-Client Privilege

Participate in the national initiative to create statutory standards and protocols for law office searches

STRATEGIC GOAL 4: Access to Justice

Promote access to high quality legal services.

Alternate Delivery of Legal Services

Complete research and issue development, Phases 2 and 3

Implement programs which arise (i.e. Potential regulation of paralegals)

Retention and Re-engagement Task Force

See also: Pro Bono Task Force (above)

Develop programs that are implementable, achievable and affordable: the process will begin with an environmental scan and definition of principals and goals

Identification of particular programs to meet goals

Implementation and evaluation

2011

2012

2013

STRATEGIC GOAL 5: Organizational Capacity

Ensure the LSA has the required organizational infrastructure and business supports in place to achieve the LSA’s mission and strategic goals.

Business planning and fiscal cycle consolidation

Recommendation for change and Bencher approval in 2010

Implement consolidated processes

Electronic document management project

Develop proposal

Implement

Comprehensive governance review

Includes Bencher succession planning, Bencher evaluations, Bencher orientation, LSA/ALIA governance integration, number of committees and task forces, work processes, non-Bencher volunteer involvement, the number of adjudications. Plan to be developed in 2010.

Carry out review according to plan, begin implementation

Human resources strategy

In 2010 develop a comprehensive human resources management strategy that includes recruitment, retention, compensation, employee training/development, performance management and succession planning.

Implementation

2011

2012

2013

Staff recruitment priorities required to support strategic goals

- Conduct
- Information Technology
- BES
- Human Resources
- Professionalism and Competence
- Administrative support
- New trust audit program

Incremental cost of new hires relative to 2010 budget is \$1.165M

eBusiness – web-based self service transactions

Review/update/document all relevant business processes.

Define requirements to implement eBusiness transactions in areas such as Certificate of Standing requests, the reinstatement process and student admission applications

Implement eBusiness facilities

Enhanced collaborative tools

Includes the development and implementation of facilities for electronic distribution and sharing of information for Benchers, committees and task forces.

Design and implement

2011

2012

2013

Enhanced management information systems

Includes a comprehensive review of our existing membership database system (with a view to overhaul vs. replacement) and the development of improved reporting systems.

Design

Implement

Enhanced remote access tools

In particular, updated video conference equipment and meeting rooms

Video conference rooms and equipment will be updated in conjunction with new and expanded premises in both Edmonton and Calgary

Office location and utilization

Premises search, lease negotiations and tenant improvements completed in 2010.

New space in Edmonton, expanded space in Calgary Q1 2011.

Incremental cost relative to the 2010 budget is \$673K