LSB
LEGAL SERVICES
BOARD

Meeting: Legal Services Board meeting

Date: 30 November 2021

Item: Paper (21) 64

Title: Finance Report to 31 October 2021

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Status: Official

Finance report to 31 October 2021

Purpose

1. This paper reports on the LSB's financial performance to 31 October 2021 for the first 7 months of the financial year 2021-22 and reports against the revenue budget and revenue forecasted expenditure of £4.098m for the full year.

Recommendation

2. Board is invited to **review** the Finance report.

3. Expenditure for the year to date to 31 October is £2.242m against an approved budget of £2.361m for the same period. This £119k budget underspend in the year to date to September compares with a £137k budget underspend from the prior month (and a £46k budget underspend at the same stage last year, October 2020). This underspend variance to budget is now 5% so back in line with the MoJ variance threshold of 5%. This underspend was addressed at the Q1 forecast in July but will need to be revisited at the Q2 forecast.
4. The Q2 reforecast will take place in November and will use 7 months of actual expenditure and reforecast the remaining 5 months future expenditure in this financial year. The 2022-23 provisional budget has now been prepared ahead of ARAC and Board, so the Q2 forecast will follow now. The Q2 forecast will supersede the Q1 forecast as the target to measure actual expenditure for the remainder of the financial year. The Q2 forecast is likely to result in a similar exercise to the Q1 forecast whereby underspend is reallocated to ensure expenditure is brought back in line with budgeted expenditure of £4.098m.
5. **Colleague costs £1.461m (£29k underspend to Q1 Forecast)** actual pay costs for the year to date are now £65k below budgeted pay costs, mainly due to the fact that we have only utilised £17k from the 2021-22 contingency pay budget of £121k. With the research intern and the policy manager to curate the strategy

now in post and 2 upcoming maternity leaves, the contingency budget should be utilised in the remainder of 2021-22. The average actual headcount of 32.8 FTE is now slightly above that budgeted (32.3 FTE) due to these additional changes.

6. **Accommodation costs £52k (£13k underspend to Q1 Forecast)** The material item for Accommodation in 2021-22 is the Business rates and negotiations are ongoing with LB Camden and the VOA to finalise our demands which backdate to the start of the lease in 2019. We are aiming for conclusion on this item by Christmas.
7. **Legal costs £12k (£13k underspend to Q1 Forecast**) There have only been £12k of legal costs in the financial year to date. With a budgeted amount of £50k for the year, we will consider returning some of this budget to Contingency at the Q2 forecast but will bear in mind legal spend is often reactive and so cannot be forecasted in advance.
8. **Outsourced services and IT costs £70k (£11k underspend to the Q1 forecast).** This underspend has been mainly due to the savings made from the thorough scrutiny of our monthly software and licence invoices, a process put in place as a result of the IT internal audit. This is time consuming work but does generate material savings to LSB.
9. All other P&L categories have a variance of £6k or less to the Q1 Forecast.
10. **Income** - In October we received £6k from ACCA in relation to the prescribed fee due from their resignation as an approved regulator. This is the first time LSB have received income of this nature. The planned treatment of this income is that it will be used to offset the 21-22 Levy to reduce the levy for other regulators. We await advice on what if any levy we will charge ACCA, if any, for the 2021-22 financial year.
11. **HMRC PAYE legacy liability** - We have received a letter from HMRC via Grant Thornton on 2 November to finalise our historic PAYE liabilities arising from our voluntary disclosure made in January 2021. The total liability has been finalised at £53.2k including interest and with no penalties or fines included in this amount. We provided for a total liability of £74.1k in the 20-21 ARA and so this is an exceptional result from a financial and reputational perspective.

Value for money

12. In July, our existing payroll provider Esos, advised that they were increasing their cost charged per payslip to £5 per payslip per month, otherwise notice would be served on our contract. We have undergone a tender process which has selected a new supplier MHR, whose payslip charge of £3.50 per month is a 30% saving on the proposed increase from Esos. The new contract is now in place and we are scheduled to go live for the November payroll.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Risks and mitigations	
Financial:	There are no financial risks – this is a factual report
Legal:	There are no legal risks - this is a factual report
Reputational:	The LSB must demonstrate effective management of its funds. This report facilitates Board scrutiny of LSB's financial management and decision-making in relation to allocation of resources.
Resource:	There are no resource risks - this is a factual report

Freedom of Information Act 2000 (FoI)		
Para ref	**FoI exemption and summary**	**Expires**
N/A	None	N/A