Meeting: Legal Services Board meeting

Date: 22 March 2022

Item: Paper (22) 18

Title: Finance Report to 28 February 2022

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Status: Official

Finance report to 28 February 2022

Purpose

1. This paper reports on the LSB's financial performance to 28 February 2022 for the first 11 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 28 February is £3.578m against an approved budget of £3.715m for the same period. This £137k budget underspend in the year to date to February compares with a £165k budget underspend from the prior month (and a £19k budget underspend at the same stage last year, February 2021). The underspend variance is within the MoJ threshold of 5% and is reducing as a result of actions taken by SLT in the Q3 forecast exercise. The final year underspend is currently estimated to be between 1% and 2% of budgeted expenditure which is an optimal position at this stage.
4. The Q3 reforecast took place in January and used the 9 months of actual expenditure to reforecast the remaining 3 months' future expenditure in this financial year. The Q3 forecast supersedes the Q2 forecast as the final reforecast exercise to measure actual expenditure for the remainder of the financial year.
5. **Colleague costs £2.338m (£16k underspend to Q3 Forecast)** actual pay costs for the year to date are now £77k below budgeted pay costs. We look to be on course to utilise most of the 2021-22 contingency pay budget, having now spent £84k of this £121k budget. The performance award spend for this year is now £6.1k and there is remaining budget to make further performance awards. The average actual headcount of 33.7 FTE is now slightly above that budgeted (32.3

FTE) due to the additional changes to headcount as a result of changes for items such as parental leave cover.

6. **Accommodation costs £38k (£7k underspend to Q3 Forecast)** The underspend has been caused by lower than expected electricity billing for the Rookery for Q2/2021 from our landlords TUC and for a partial credit note from the venue for the November board meeting which did not take place in person.
7. **Legal costs £14k (£7k underspend to Q3 Forecast**) There have only been £15k of external legal costs in the financial year to date compared to £46k in 2020-21. However, there are now three new legal instructions to take place in March which will ensure the Q3 forecast allocation of £10k for legal costs will be used by year end.
8. **Research costs £221k (£18k overspend to the Q3 forecast).** The research budget was increased to £320k in the Q3 forecast, funded by the reallocation of funding from contingency. This now includes an additional research project to review the decisions of the Financial Ombudsman, due for completion in March. The Consumer Panel research budget has been increased to £46k. Both consumer panel projects (the tracker survey and qualitative research) are underway and the research overspend in February is purely a timing difference relating to these panel projects being ahead of schedule.
9. All other P&L categories have a variance of £5k or less to the Q3 Forecast.
10. **Income – 2021-22 LSB and OLC levy -** The LSB and OLC levy demands for 2021-22 were issued to approved regulators in February, totalling £4.080m, for payment by year end. This is an increase of 4.1% on the prior year levy (£3.923m). However, with the 3.3% increase in the numbers of Approved to Practise (ATP) individuals in 2021, the increase in LSB levy per ATP is only 0.8%. We will update Board on levy payment next month. A schedule of the 2021-22 levy demands can be seen in **Annex 2**.
11. **Budget 2022-23** – The consultation period to the 2022-23 provisional budget ended on 4 February. We will now start the process of finalising the 2022-23 budget with the 2022-23 business plan and budget paper being presented at this Board meeting followed by profiling of the budget in consultation with budget holders and liaising with the MoJ to ensure the necessary permissions to spend are in place for the new financial year.

Value for money

12. The CEO, Director of Enabling Services and Head of Finance and IT attended a meeting with the NAO and Deloitte to discuss the increase in external audit fee of £5k for 2021-22. The outcome of the meeting was a 50% reduction in this increase for 2021-22 so a saving of £2.5k for this financial year.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Annex 2: LSB and OLC levy for 2021-22

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