Meeting: Legal Services Board meeting

Date: 07 June 2022

Item: Paper (22) 35

Title: Finance Report to 30 April 2022

Author: Stuart Hamill, Head of Finance and IT

Status: Official

Finance report to 30 April 2022

Purpose

1. This paper reports on the LSB's financial performance to 30 April 2022 for the first month of the new financial year 2022/23, We are reporting against the new revenue budgeted expenditure of £4.287m and capital budgeted expenditure of £74k for the full year.

Recommendation

2. Board is invited to **review** the Finance report (Annex 1).

3. **Expenditure for the month to 30 April is £326k** against an approved budget of £340k for the same period. This £15k budget underspend for the first month compares with an £8k budget underspend at the same stage last year, April 2021. The underspend variance of 4.3% and is within the MoJ threshold of 5%.

4. **Colleague costs £230k (£10k underspend to Budget)** actual pay costs for the year to date are £10k below budgeted pay costs. This is due to several factors including the new regulatory policy manager not starting until May and no instant awards made in April. The average actual headcount of 35.2 FTE is now slightly below that budgeted (35.4 FTE) with some changes of hours since the budget also contributing to the underspend. We are awaiting the final calculation of the first PAYE settlement agreement (PSA) for 2021/22 from Grant Thornton to be paid to HMRC.

5. **Accommodation costs £10k (£4k underspend to Budget).** This underspend is mainly due to the Business Rates invoice for the Rookery for 2022/23 being received for the same amount as 2021/22 whereas we had budgeted for an inflation increase.

6. **Legal costs £0k (£4k underspend to Budget**) There was no external legal spend in April. The budget has the 2021/22 legal costs budget of £48k spread

equally across each month as legal spend is reactive and so cannot be forecasted in advance.

7. All other P&L categories have a variance of £3k or less to the budget.
8. **Income – 2021/22 LSB levy** – There was one overdue levy demand at financial year end for £3k relating to the ACCA. This was received at the start of April.
9. **Budget 2022/23** – We have now received the formal Budget Variation (BV1) letter from the MoJ giving LSB permission to spend the revenue budget of £4.287m and capital budget of £74m in the new financial year 2022/23.

Resource accounts 2021/22 update

10. For the financial year 2021/22, following the addition of year-end adjustments and findings to date from the 2021/22 external audit, expenditure has slightly increased by £14k to £4.053m. This leaves a £51k surplus against the approved budget of £4.098m when including the £6k of termination fee income received from the ACCA. The audit is ongoing and so these figures are subject to change.
11. Following the successful conclusion of the legacy PAYE case with HMRC in 2021/22, the excess of the HMRC provision (£74k) over and above the HMRC settlement amount agreed (£53k) has created a net surplus of £21k for 2021/22 which has been written back to LSB reserves.
12. There was expenditure made in 2019 relating to consultancy for the IT transformation and office move projects which was deemed capital expenditure under IAS38 in the 2019/20 accounts. With changes to interpretation of this accounting standard, £50k of this spend has now been adjudged not to be capital expenditure and so the remaining book value has been expensed in 2021/22 (I&E impact of £20.3k).
13. IFRS16 was introduced from 1 April 2021 so this financial year is the first full year of adoption. The introduction has created a Right of use (ROU) asset of £343k and a Lease liability of £423k as at 1 April 2021. As the ROU asset has depreciated during 2021/22 and the lease liability has reduced with rental payments to the landlord TUC, the value of the ROU asset has now reduced to £243k and the Lease liability to £290k as at 31 March 2022.

Value for money

14. Following an internal audit, the Procurement Policy has been updated. It now includes a de minimis amount of £500, which gives budget holder discretions in how to achieve VFM when procuring goods and services under this amount. This removes the previous prescriptive requirement which was inefficient - the previous process often cost the LSB more than the value of the goods/services being procured.

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