

Meeting: Legal Services Board
Date: 22 January 2020
Item: Paper (20) 08
Title: Finance Report to 31 December 2019
Author / Introduced by: Melanie Stewart, Head of Finance and IT
Status: Official

Introduction

1. This paper summarises the financial outturn for the nine months to 31 December 2019. Following the approved capital budget increase, the paper also provides an update on 2019/20 projected capital expenditure.

Recommendation

2. The Board is invited to **review** the Finance Report.

Performance to 31 December

1. Expenditure to the end of December is £2.750m against an original budget of £2.815m for the same period. A £65k budget underspend in 2019/20 compares with a £96k underspend for the same period in 2018/19.
2. At the end of quarter 2, we undertook a reforecast exercise which projected that expenditure for the year would be £3.750m compared with the £3.798m. As such, the underspend reduces to £33k compared with the last forecast at the end of Q2.
3. The bank balance at 31 December 2019 was £3.1m.
4. A commentary on the more significant variances to the Q2 forecast (reported in Appendix 1) is as follows:
 - a. *Colleague costs (£25k overspent):* The overspend, compared with forecast, is largely due to one-off costs relating to the SLT restructure that were incurred in December (£29k). This was partly offset by an underspend relating to an SLT pay award which will be backdated to

July. The provision for this was made in the forecast for December but will not now be paid until January (£4k).

- b. *IT costs (£21k underspent)*: Provision for the cost of project management and installation in relation to the office move was made in the operating cost forecast but will be capitalised.
- c. *Governance and support services costs (£14k underspent)*: The recruitment of the OLC chair is being led by The Whitehall & Industry group at lower cost than anticipated. Interim support to the Communications function was at lower cost than forecast.
- d. *Legal costs (£12k)*: a general provision for unanticipated expenditure on legal advice of £4.5k per month has only been partially utilised to date. No external legal advice was commissioned in November and December.
- e. *Research (£13k)*: Delays in papers from academics relating to the Technology project has meant that costs forecast in November and December will now be incurred in quarter 4, 2019/20.

Capital expenditure to 31 December

- 5. In September, the board was advised that that both the project to fit-out the new office and the IT transformation would overspend by year end.
- 6. Approval was sought from MoJ for an increase in the capital expenditure budget for the IT project from £100k to £125k and the office move project from £150k to £332k – a total increase from £250k to £457k. On the basis that there was a counterbalancing resource expenditure underspend that would more than offset the increase in depreciation costs in 2019/20 and in future years, MoJ approved the projected £207k capital budget overspend.
- 7. The board ratified the decision by the Chief Executive to incur unbudgeted capital expenditure. MoJ have since advised that, due to capital underspends elsewhere in the department this year, it is now possible to agree a £207k budget transfer rather than approval of a budget overspend being necessary.
- 8. Both projects are largely complete and analysis of billed and pending capital expenditure for the year is as follows:

2019/20	Projected	Budget	Variance
IT transformation	129,000	125,000	(4,000)
IT - additional requirements	2,000	-	(2,000)
Office move	287,000	332,000	45,000
Total	418,000	457,000	39,000

9. The underspend relating to the office move is largely due to a £28k provision for dilapidations (which will be built up over the life of the lease) being incorrectly included in the projections for 2019/20 capital expenditure, and legal & professional fees being lower than anticipated.
10. It is planned that £18k of the total £39k underspend will be deployed on capital items which are provided for in the 2020/21 budget but will now be brought forward to 2019/20 (for example replacement monitors, keyboards and mice, a soundproof curtain for office breakout area).

Annexes

Annex 1: Comparison of actual to forecast and budgeted 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 (Fol)		
Para ref	Fol exemption and summary	Expires
N/A	None	N/A