Meeting: Legal Services Board meeting

Date: 19 July 2022

Item: Paper (22) 44

Title: Finance Report to 30 June 2022

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Status: Official

Finance report to 30 June 2022

Purpose

1. This paper reports on the LSB's financial performance to 30 June 2022, the first quarter 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.

2. A reforecast exercise will now take place in July (Q1 Forecast) using the actuals for Q1 and then updating the forecast for the remaining 9 months with the changes which have taken place since the Budget was finalised in February.

Recommendation

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

4. **Expenditure for the month to 30 June is £963k** against an approved budget of £1,004k for the same period. This £40k year to date budget underspend compares with an £26k budget underspend last month and a £39k underspend at the same stage last year, June 2021. The YTD underspend variance remains at 4.0% and is within the MoJ threshold of 5%. The Q1 forecast exercise will establish whether this underspend can be reallocated to other workstreams or is merely a timing difference.

5. **Colleague costs £685k (£15k underspend to Budget)** actual pay costs for the year to date are £15k below budgeted pay costs. This is due to several factors including the new regulatory policy manager not starting until mid May and the vacancy created from the internal promotion to the Head, Policy and

Research post. This underspend means that the vacancy factor included in the budget of £13k has been met and will be removed at the Q1 forecast.

6. **Accommodation costs £28k (£9k underspend to Budget).** This underspend is due to the Service charge surplus for 2021 being received from the landlord (TUC) at the end of May for an amount of £3k and the business rates invoice for The Rookery office for 2022/23 being received for the same amount as 2021/22 - we had budgeted for an inflation increase.
7. **Legal costs £1k (£11k underspend to Budget**) There was minimal external legal spend in Q1. The budget has the 2022/23 legal costs budget of £48k spread equally across each month as legal spend is reactive and so cannot be forecasted in advance. This underspend will be reviewed at the Q1 forecast.
8. **Depreciation (£5k underspend to Budget)**. It was agreed in the 2022 external audit that several items of capital expenditure from 2019 should be expensed in the prior year 2021/22. The consequence of this decision is that the depreciation charge in this financial year 2022/23 will be lower. However, there were several unadjusted items from the external audit which we will need to review and this may result additional depreciation charges in 2022/23 (see Paragraph 11).
9. All other P&L categories have a variance of £2k or less to the budget. The actual costs of holding the June Board meeting in York have reached £4.1k, made up of catering, travel and subsistence but this was accurately forecasted in the Budget. VFM was achieved by using the premises of DLA Piper to host the meeting at zero cost to LSB.

Resource accounts 2021/22 update

10. Following the conclusion of the external audit and the sign off by the CEO (10 June) and C&AG (13 June), the final actual expenditure can be confirmed at £4.053m against a Budget of £4.098m for the financial year 2021/22 which equates to an underspend of 1%. This has meant there is a £51k surplus (deferred income) for 2021/22 when including the £6k of termination fee income received from the ACCA. This surplus will be included as a prior year rebate in the calculation of the LSB levy for 2022/23 (see Paragraph 12).
11. There were unadjusted items in the 2021/22 ARA. These include the intangible expenditure made in 2019 relating to consultancy for the IT transformation and office move projects which remain on the fixed asset register and the treatment of historic rental VAT and leasehold spend on legal costs and stamp duty.

2022-23 Levy estimates

12. Following the confirmation of the prior year rebate from the 2021/22 ARA and the receipt of the Approved to Practice (ATP) volumes from the Approved Regulators as at 1 April 2022, we have been able to issue the estimates of the

LSB Levy for year 2022/23, totalling £4.237m, a £157k (3.8%) increase on the prior year LSB levy of £4.080m.

13. The OLC have also been able to confirm their cases raised for 2021-22 and they have accrued income of £111k from their 2021/22 ARA which means this amount will be an additional cost to the sector rather than a rebate. This has meant the OLC levy estimate for 2022/23 has increased to £14.048m, an increase of £1.612m (11%) on the 2021/22 levy of £12.436m. This is a combination of an increase in budget for this financial year and the forecasted underspend against budget from last financial year (on which the prior year levy was based).

14. Both LSB and OLC levies will be finalised in February 2023 when we will update with the forecasted outturn for 2022/23 for both organisations. Any underspends will result in a lower levy amount.

Value for money

15. An LSB organogram from June 2010 outlined the pay bands for senior posts from 12 years ago. The remuneration of the CEO and 3 directors posts currently in complement can be directly compared against the equivalent posts from the 2010 organogram, using the Staff report in the 2021-22 ARA.

In nominal terms (unadjusted for inflation), the total pay for these 4 roles has decreased by £35k (7%) over the 12 years.
In real terms, so uplifting the 2010 pay bands for 12 years worth of CPI inflation (33.2%), the total pay for these 4 roles has decreased by £191k (31%).

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Annex 2: LSB Organogram June 2010

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