LEGAL SERVICES BOARD

Meeting: Legal Services Board meeting

Date: 18 October 2022

Item: Paper (22) 57

Title: Finance Report to 30 September 2022

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Status: Official

Finance report to 30 September 2022

Purpose

1. This paper reports on the LSB's financial performance to 30 September 2022, the first 6 months of the 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.

Q1 Forecast

2. A reforecast exercise took place in July (Q1 Forecast). This supersedes the 2022/23 Budget and will now be the main reference point against which actual expenditure will be measured in the Finance report being presented monthly to Board. High level, this forecast is aiming to utilise our approved budgeted revenue expenditure of £4.287m in 2022/23 in full. The Q2 Forecast will now be prepared in November to allow for the inaugural LSB conference costs to be finalised.

Recommendation

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

4. **Expenditure for the month to 30 September is £1.996m** against the forecasted expenditure of £2.002m for the same period. This means there is a negligible underspend against the Q1 forecast (£6k). The £71k year to date budget underspend continues to fall, comparing with a £98k budget underspend last month. At the same stage last year, September 2021, there was a £137k underspend.

5. The **YTD underspend variance against budget is 3.5%** However, the rolling forecast model is now forecasting a small overspend of £7k for this financial year. This potential overspend will be addressed at the Q2 forecast in November with a thorough forecasting exercise.
6. **Colleague costs £1.338m (£14k underspend to Forecast)** The Q1 Forecast estimated that the full year actual pay cost will be slightly over the full year budget of £2.738m due to upcoming maternity leaves. We await approval from the MoJ for our 2022 Pay Remit submission and so continue to accrue our proposed pay award of 2% from 1 July 2022 in line with budget. The average FTE for the YTD is 35.0.
7. **Research costs £85k (£20k overspend to Forecast).** Continued progress on the Counter inclusive practices research and the Technology and innovation survey mean we are ahead of forecast, causing a temporary overspend. We have now let £112k of LSB research contracts this financial year. This leaves £110k of the research budget remaining to be procured and completed in the remainder of the financial year.
8. **Depreciation £104k (£9k overspent to Forecast) & Accommodation £47k (£11k underspend to Forecast**) The 2022 external audit made a recommendation that the VAT included in the historic rent accrual should be stripped out from the new Right of Use (ROU) asset for the lease in the Balance Sheet. We have implemented this change in September and backdated the change to 1 April 2021, the introduction of IFRS16. This means Depreciation has increased by £8k and Accommodation costs have fallen by an equivalent £8k, causing the above variances. This update is net neutral to the Income and Expenditure account.
9. All other P&L categories have a variance of £6k or less to the Q1 Forecast.

Value for money

10. One contract which has been procured this year following a full procurement exercise is the office cleaning contract. The successful tender was received from the existing supplier, Clean for Good – a total of 18 tenders were received. The new contract has been negotiated at a cost of £13,750 per annum to the end of the lease, which compares to the previous contract signed in 2019 which cost £12,945 per annum. This increase of £805 or 6% compares favourably with CPI inflation of 13.3% over the same three year period and we have locked in this price until the end of the lease in September 2024 so protecting ourselves against the current volatility of the rate of inflation. Clean for Good's tender also scored highly on the social criterion, with their ethical approach ensuring employees all receiving the London living wage and they are accredited by the Living Wage Foundation.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Risks and mitigations	
Financial:	The LSB must demonstrate effective management of its funds. This monthly report facilitates regular Board scrutiny of LSB's financial management and decision-making in relation to allocation of resources.
Legal:	N/A
Communications and engagement:	N/A.
Equality and diversity:	N/A
Resource:	N/A

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