Meeting: Legal Services Board meeting

Date: 18 October 2022

Item: Paper (22) 64

Title: Finance Report to 31 October 2022

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Status: Official

Finance report to 31 October 2022

Purpose

1. This paper reports on the LSB's financial performance to 31 October 2022, the first 7 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 is the main reference point against which actual expenditure is 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 **note** the Finance report (Annex 1).

4. **Expenditure for the month to 31 October is £2.408m** against the forecasted expenditure of £2.464m for the same period. This means there is a 2.3% underspend against the Q1 forecast (£56k). The year to date underspend against budget continues to fall, a £65k underspend compared to a £71k budget underspend last month. At the same stage last year, October 2021, there was a £119k budget underspend.

5. The **YTD underspend variance against budget is 2.6%.** The rolling forecast model is now forecasting a very small underspend of £6k for this financial year. This provides evidence that we will be very close to budget by year end. We will look to update this estimate at the Q2 forecast in November with a thorough forecasting exercise.

6. **Colleague costs £1.567m (£24k 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 now have approval from the MoJ for our 2022 Pay Remit submission and will make the pay award, averaging 2%, to colleagues on the November payroll. This will be backdated to 1 July 2022, in line with pay remit year. The average FTE for the YTD is 34.9 so slightly underbudget.

7. **LSB Research costs £102k (£27k underspend to Forecast).** The procurement exercise for the Digital register proof of concept project failed to generate any tender responses so this project has been delayed, causing this timing underspend on research. We have now let £116k of LSB research contracts this financial year. This now leaves £110k of the LSB research budget remaining to be procured and completed in the remaining 5 months of the financial year.

8. **Office costs £89k (£17k overspend to Forecast)** This overspend in October is primarily due to the cost of the LSB conference coming in at £59k being over the budget of £51k including contingency. Given it was the inaugural conference, there was a degree of uncertainty around the costs involved at the budgeting and forecasting stage. The main reason for overspend was the sheer demand for in person attendance from the sector which exceeded the places we had budgeted for. SLT took a decision to extend the conference places from 150 to 175 attendees to meet this demand to ensure the success of the conference.

9. **Depreciation £104k (£8k overspent to Forecast) & Accommodation £47k (£12k 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 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.

10. All other P&L categories have a variance of £6k or less to the Q1 Forecast.

Value for money

11. The LSB conference did see some good examples of achieving value for money by leveraging our existing relationships to secure speakers and presentations. One example was using the existing relationship with the research supplier Solutions Research to provide a presentation on Counter inclusive practices free of cost.

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