LEGAL SERVICES BOARD

Meeting: Legal Services Board meeting

Date: 24 January 2023

Item: Paper (23) 08

Title: Finance Report to 31 December 2022

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Status: Official

Finance report to 31 December 2022

Purpose

1. This paper reports on the LSB's financial performance to 31 December 2022, the first 9 months of the financial year 2022/23. We are reporting against the revenue budgeted expenditure of £4.287m and capital budgeted expenditure of £74k for the full year.

Q2 Forecast

2. A reforecast exercise took place in November (Q2 Forecast). This supersedes the 2022/23 Q1 Forecast and is now 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 Q3 Forecast will be prepared in February to ensure we achieve our ambition to utilise our budget in full.

3. The Rolling forecast for the financial year, now including December actuals remains at £4.287m with a forecasted contingency underspend of £12k in Q4.

4. New items of forecasted expenditure for Q4 will include the recruitment cost of the new Regulation and Policy director. We are looking at the funding of this item utilising the forecasted contingency underspend and other potential underspends in the current financial year if possible.

Recommendation

5. Board is invited to **note** the Finance report (Annex 1).

6. **Expenditure for the year to 31 December is £3.073m** against the forecasted expenditure of £3.085m for the same period. This means there is a 0.4% underspend against the Q2 forecast (£12k). The year to date underspend against budget is now £116k. At the same stage last year, December 2021, there was a £121k budget underspend.

7. The **YTD underspend variance against budget is 3.6%.** This is outside the MOJ variance threshold of 1% (£43k) but the rolling forecast estimates a very small underspend of £12k for the full financial year. This provides evidence that we will be very close to budget by year end to meet the MOJ target. We will look to update this estimate at the Q3 forecast in February with a thorough forecasting exercise to minimise the risk of any overspend.

8. **Colleague costs £2.013m (£4k underspend to Forecast)** SLT made the decision as part of the Q2 Forecast exercise to approve some increases in hours for 3 colleagues and these will commence from 1 January 2023. The average FTE for the YTD is 35.2 and there are no vacancies as at December month end.

9. **LSB Research costs £134k (£10k overspend to Forecast).** The project on Consumer redress being carried out by Community Research is now underway. There remains £63k of the LSB research budget to be procured and completed in the remaining 3 months of the financial year which will be key to achieving the budgetary target. This includes £35k on PII and financial protections policy research, £21k on the Single Digital Register and £7k for the Rule of Law review.

10. **Outsourced services and IT costs £107k (£8k underspend to Forecast).** The underspend is due to a successful outcome in negotiations with the current and former IT managed service provider which is covered in detail in the Value for Money section below.

11. All other P&L categories have a variance of £3k or less to the Q2 Forecast.

Value for money

12. The change of outsourced IT provider in May 2022 resulted in a number of disputed invoices over the provision of our IT cloud infrastructure service from both the old and the new supplier. There have been negotiations with both suppliers over the past 6 months and LSB have now received credit notes to the value of £7k which have been credited to the Profit and Loss account in December.

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
Environmental:	N/A

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