LEGAL SERVICES BOARD

Meeting: Legal Services Board meeting

Date: 25 April 2023

Item: Paper (23) 29

Title: Finance Report to 31 March 2023

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Status: Official

Finance report to 31 March 2023

Purpose

1. This paper reports on the LSB's financial performance to 31 March 2023, the full financial year 2022/23 prior to the preparation of the Resource accounts and external audit. We are reporting against the revenue budgeted and forecasted expenditure of £4.287m and capital budgeted expenditure of £74k for the full year.

Recommendation

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

3. **Expenditure for the year to 31 March is £4.268m** against the forecasted expenditure of £4.287m for the same period. This underspend of £19k against budget for the full year means the underspend is only 0.4% against the Budget and the Q3 forecast. This is an optimal position to be in, landing between the risks of an overspend (0%) and the risk of exceeding the MOJ variance threshold (1%). This compares to a £45k budget underspend last year.

4. The **Full Year underspend variance against budget is 0.4%.** This is within the MoJ variance threshold of 1% (£43k). Despite being underspent by up to 7.5% against budget during the financial year, the quarterly forecasting and monthly rolling forecasting provided assurance that we would be very close to budget by year end to meet the MoJ target. This demonstrates the accuracy of our forecasting. This was achieved by liaising with budget holders to ensure planned expenditure took place in the latter half of the year to minimise the risk of any underspend outside the MoJ threshold.

5. **Colleague costs £2.730m (£18k underspend to Forecast)** this month, saw one permanent colleague leaving LSB. Accrued leave at year end saw a fall compared to the prior year, resulting in a cost saving of £5k contributing to the underspend. The average FTE for the full year is 35.2 and there were two vacancies as at March month end, generating further colleague cost savings from carrying these vacancies to year end.
6. **LSB Research costs £284k (£2k overspend to Forecast).** All the remaining LSB research projects were carried out and completed by the end of March, ensuring we achieved our budgetary target and ensuring no carry over into the new financial year. March saw the completion of both the PII and financial protections policy research (taking place in conjunction with the SRA) and the the Single Digital Register feasibility project carried out by PA Consulting. The Rule of Law review will be deferred into the 2023/24 financial year.
7. **Accommodation £121k (£6k overspend to Forecast).** There are 9 months of outstanding electricity billing for the Rookery office. The landlords (TUC) announced in March that they were changing the basis on which the LSB were billed for electricity; from estimates based on floor space to actual meter readings Their external utility consultants have estimated that these outstanding costs would be £16k based on usage for the 9 months, which have been accrued for in the March accounts.
8. All other P&L categories have a variance of £5k or less to the Q3 Forecast.
9. **Income – 2022/23 Levy** - In February, we issued the LSB levy demands for 2022/23, totalling £4.237m, for payment within 30 calendar days. At year end, we had received the full £4.236m in cash receipts with an average to pay of 18.5 days (21/22, 20.9 days). There was only one late payment for £13k, relating to the ICAEW, received 3 days later than the due date.
10. **Cash** - Cash at year end is £6.408m and Annex 2 shows how the LSB has generated and spent their funding over the financial year. Supplier and expenses payments have increased to £1.2m this year as a result of a number of factors including the first LSB conference, a fall in trade creditors and inflation. However, pay related costs are still the major area of cash expenditure for LSB (£3.2m)
11. **Capital expenditure** - Capex spend has been minimal this year, totalling £15k. This has been spent on replacing impaired laptops, new devices to ensure cyber essentials compliance and new chairs for home working. There has been no further capital expenditure on the Rookery, given the lease expiry date of September 2024 and not having confirmation that we can remain at the Rookery beyond this date.
12. **Budget 23/24** - We have received the interim letter of authority from the MoJ giving LSB permission to spend in the new financial year 2023/24 until the formal Budget Variation (BV1) letter is received from the MoJ by 30 June 2023 to confirm our 23/24 Revenue budget of £4.679m.

Value for money

13. LSB have obtained the Cyber Essential Plus certification for a second time following an audit carried out in March by the cyber auditor, Pure Cyber. The procurement exercise to appoint Pure Cyber was carried out alongside our outsourced IT MSP supplier, Rock IT. Involving Rock IT in the procurement process and utilising their IT expertise made the process more effective and the cost of the Cyber Essentials Plus audit contract this year was £2.4k, compared to £5.5k for the first cyber audit last financial year. This demonstrates cost economies generated from efficiency savings made from being the second year of the audit.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Annex 2: How LSB generated and spent their money

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