Meeting: Legal Services Board meeting

Date: 6 June 2023

Item: Paper (23) 37

Title: Finance Report to 30 April 2023

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Status: Official

Finance report to 30 April 2023

Purpose

1. This paper reports on the LSB's financial performance for the first month of the new financial year to 31 March 2024. We are reporting against the revenue budgeted income and expenditure of £4.679m and capital budgeted expenditure of £74k for the full year as agreed by the LSB Board.

Recommendation

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

3. **Expenditure for the year to date to 30 April is £296k** against the budgeted expenditure of £323k for the same period. This year-to-date underspend of £28k against budget for April is an underspend is 8% against the Budget and is mainly due to Pay underspends which are covered in paragraph 5.

4. The **year to date underspend variance against budget is 8%.** This is not within the MoJ variance threshold of 1% (£3k). However, this is only for one month and the long term aim is to come within the MoJ variance threshold target of 1% by year end March 2024 is still achievable using rolling forecasting with quarterly reviews at SLT to reallocate budget where required. This compares to a £15k budget underspend at the same point last year (April 2022).

5. **Colleague costs £207k (£20k underspend to Budget)** the Budget included a headcount of 37.6 FTE for April 2023 and did not include a vacancy factor amount. We had three vacancies in April including the Director, Regulation and Policy, a Regulatory Policy Associate and a Regulatory Policy Manager post which was new for 2023/24. This has generated an underspend of £20k for April.

The Regulatory Policy Associate started in May, we have a Regulatory Policy Manager returning from parental leave in May and the Director, Regulation and Policy starts in mid-June. The 2023 Pay Remit for non SCS colleagues has been published by the Cabinet Office, allowing departments to make average pay awards up to 4.5%. The LSB will now look to put together a business case for the LSB pay award for 2023.

6. **Legal costs £0k (£4k overspend to Budget).** There was no external legal spend in April 2023. The budget for 2023/24 has an external legal costs budget of £46k spread equally across each month as legal spend is reactive and cannot be forecasted in advance.

7. All other P&L categories have a variance of £2k or less to the Budget.

8. **Budget 2023/24 – MoJ update** – The LSB Board approved an income and expenditure budget of £4.679m for 2023/24. However due to financial control process errors at the MoJ, we have been awarded an expenditure budget of £4.694m which has created a deficit of £15k against our income budget of £4.679m. This will need to be corrected at the BV2 reforecasting stage in the summer. We have received the interim letter of authority from the MoJ giving LSB permission to spend in the new financial year 2023/24 but await the formal Budget Variation (BV1) letter to be received from the MoJ by 30 June 2023.

9. **Office Move -** the lease for our current premises ends in September 2024. While we have an offer from the landlord to sign a new lease on very favourable terms, initial indications from Government are that we will not be permitted to do so for reasons related to satisfying its policies on the location of Arm's Length Bodies. Any option other than remaining at our current location will incur material costs to the LSB, both one-off and recurring, although the scale of those costs will vary depending on the outcome. How those costs will be funded remains currently unclear. There is a question as to whether it is appropriate to use the statutory levy provided for by the Legal Services Act 2007 to fund such costs. The only realistic alternatives are Grant-in-Aid funding, for which there is currently no provision, or the utilisation of reserves, which can only be done with the MoJ's permission.

Resource accounts 2022/23 and external audit

10. We are in the process of finalising the 2022/23 resource accounts following the external audit by Deloitte and the NAO. Expenditure has reduced by £8k to £4.260m which means there is now a £32k surplus against the approved budget of £4.287m, including the £5k of legal costs recovered in the Clarke case. This surplus will be included in the 23/24 levy as a rebate to the Approved regulators.

11. Expenditure has reduced by £8k following the decision to release the historic VAT rent accrual to the P&L immediately rather than spread the benefit across the remaining life of the lease to September 2024. The consequence of this change will be a budgetary pressure in financial years 2023/24 and 2024/25.

Value for money

12. The LSB had numerous contracts with the online survey company, Survey Monkey operating independently of each other through the organisation. In 2022/23 we streamlined and consolidated our contractual arrangement with Survey Monkey, utilising their free software where possible. This achieved a reduction in costs of 77% in 2022/23 compared to 2021/22 costs.

Annexes

Annex 1: Comparison of actual to budgeted 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