Meeting: Legal Services Board meeting

Date: 12 September 2023

Item: Paper (23) 52

Title: Finance Report to 31 August 2023

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Status: Official

Finance report to 31 August 2023

Purpose

1. This paper reports on the LSB's financial performance for the first 5 months of the current 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.

Q1 Forecast

2. A reforecast exercise took place in July 2023 (Q1 Forecast) using the actuals for Q1 and then updating the forecast for the remaining 9 months with the changes which have taken place since the 2023/24 Budget was finalised in February 2023.
3. The Q1 Forecast supersedes the 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 (until the Q2 Forecast is prepared in October). SLT made the decision to keep the Q1 Forecast at the Budgeted amount of £4.679m with 9 months remaining in the financial year.

Recommendation

4. The Board is invited to note the Finance report (Annex 1).
5. **Expenditure for the year to date to 31 August is £1.659m** against the forecasted expenditure of £1.696m for the same period. This year-to-date underspend of £37k is an underspend of 2% against the Q1 Forecast carried out in July.

6. However, the **year-to-date underspend variance against budget is £163k (9%).** This is not within the MoJ variance threshold of 1% (£18k). The long-term objective is to come within the MoJ variance threshold target of 1% by year end March 2024. We will manage the position in year using rolling forecasting with quarterly reviews at SLT to reallocate budget where required. The real time rolling forecast is now showing a full year underspend of £28k so this should provide some assurance that we will be returning to near the budgeted figure. However, this does assume that our Research budget of £303k is spent in full.
7. **Colleague costs £1.160m (£4k underspend to Forecast)** the Budget included a YTD headcount of 36.9 FTE to August 2023 and did not include a vacancy factor. Actual YTD headcount is 34.5 FTE which has generated vacancy savings to fund the non consolidated payments made to non SCS colleagues in July. There are now 3 regulatory policy manager roles to be recruited and the timing of the start dates and the starting salaries for these roles will have a material impact on whether there is an underspend in this area for this financial year.
8. **Pay Remit** – the 2023 pay award for SLT colleagues was made on the August payroll (backdated to 1 July 2023). The MoJ came back in August with some clarifications on our submitted Pay remit business case for non SLT colleagues. We have responded to clarify our business case with the request that the business case is now submitted to senior colleagues at the MoJ to expedite these pay awards.
9. **Legal costs £2k (£8k underspend to Forecast).** There has been minimal external legal spend in the year to date. The Q1 forecast for 2023/24 reduced the external legal costs budget from £52k to £42k to reflect the negligible spend in the year to date and this will be revisited at the Q2 Forecast.
10. **Research costs £11k (£18k underspend to Forecast)** The literature review by the University of Exeter is nearing completion and the contract for the Legal needs survey with You Gov is being finalised. We await an update on the final decision on the choices of research from the Consumer Panel. The Research budget of £303k has been retained at this amount at the Q1 Forecast with assurances from the relevant teams that the budget will be spent by year end.
11. **Consumer Panel £79k (£6k underspend to Forecast)** The Budget included £10k for an Unmet legal needs seminar in June. This has now been scheduled for October and this change has been reflected in the Q1 Forecast. The actual additional tax and NI liabilities due for the Consumer Panel, calculated in the PSA, were lower than estimated in 2022/23 accounts.
12. All other P&L categories have a variance of £2k or less to the Forecast.

Value for money

13. LSB’s intention is to sign a one year lease extension contract to remain at the Rookery for a sixth year to September 2025. One of the benefits to this lease extension is that all of the capital expenditure from the 2019 office move will be fully depreciated by September 2024. The depreciation cost from this capital expenditure was £52k per year so there is a material saving in depreciation by sweating these fully depreciated assets for one further year. This will enable LSB to fund the increase in the annual cost of the yearly rent for the additional year 2024/25.

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