Meeting: Legal Services Board meeting

Date: 17 October 2023

Item: Paper (23) 59

Title: Finance Report to 30 September 2023

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Status: Official

Finance report to 30 September 2023

Purpose

1. This paper reports on the LSB's financial performance for the first 6 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 and the MoJ.

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 The Q1 Forecast superseded the Budget and is the main reference point against which actual expenditure will be measured in the Finance report being presented monthly to Board. SLT made the decision to keep the Q1 Forecast at the Budgeted amount of £4.679m with 9 months remaining in the financial year.
4. The Q2 Forecast will now be prepared in October. LSB have entered into 2 Research contracts in September which were not included in the Budget. The consequence of these contracts is that LSB will now exceed our Expenditure (and our Income) budget for the financial year. However, the additional costs will be recovered from third parties (MoJ and The Law Society) and so there is no adverse impact on this year's levy. These changes will be included in the Q2 Forecast.
5. This means LSB will need to go to the MoJ in January as part of the Budget Variation process (BV3) to request authorisation for the additional income and expenditure for this financial year.

Recommendation

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

7. **Expenditure for the year to date to 30 September is £2.010m** against the forecasted expenditure of £2.081m for the same period. This year-to-date underspend of £71k is an underspend of 3% against the Q1 Forecast carried out in July.

8. However, the **year-to-date underspend variance against budget is £211k (10%).** This is not within the MoJ variance threshold of 1% (£22k). The long-term objective is to come within the MoJ variance threshold target of 1% by year end March 2024. However, the development which will see LSB make a request to MoJ to vary our budget in January 2024 will give LSB the opportunity to re-set our budget, taking in account actual spend in the year to date,

9. **Colleague costs £1.400m (£9k underspend to Forecast)** the Budget included a YTD headcount of 36.7 FTE to September 2023 and did not include a vacancy factor. Actual YTD headcount is 35.2 FTE. We are at full complement as at the end of September and have already recruited to 2 of the 3 upcoming regulatory policy manager vacancies. We are now implementing the budget plan to increase employee pension contributions from 10% to 12%, backdated to 1 July 2023 following approval from RNC.

10. **Pay Remit** – following our response to clarifications requested by the MOJ on our 2023 Pay remit business case, we received approval from the MOJ to proceed in September. This meant we were able to make the 2023 pay award for non SLT colleagues on the September payroll (backdated to 1 July 2023).

11. **Legal costs £4k (£11k underspend to Forecast).** There has been minimal external legal spend in the year to date with the only external legal advice being received concerning the LSB lease extension. 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.

12. **Research costs £19k (£34k underspend to Forecast)** the contract for the Legal needs survey with You Gov has been signed, with LSB paying the full cost of £152k with a separate contractual arrangement to invoice TLS for £61k of these costs. We are also procuring for research on Judicial diversity for which we will invoice the MoJ for £50k. These contracts will require LSB to increase our budgetary limits as previously mentioned. The Consumer Panel are finalising their ITT for their research on Unmet legal need for £40k. The Research budget will be revised at the Q2 Forecast in light of the above developments.

13. **Governance and Support services £29k (£6k underspend to Forecast)** there is a £6k underspend in this category due to timing difference in the costs being incurred for the external recruitment of OLC board and Consumer Panel members.

14. All other P&L categories have a variance of £5k or less to the Forecast.

Value for money

15. Outsourcing can offer exceptional value for money for a small organisation. However, once in an outsourcing arrangement, there is a risk that additional services required do not offer value for money given there can be a captive market situation. We have outsourced the support on our accounting system to a third party (Bam Boom Cloud). The quote we received from Bam Boom Cloud for the integration of the accounting system and the new expenses software was felt to be excessive. As a result, we requested administrator access to the accounting system and we carried out the work in house in a very short period of time at no additional cost to LSB. This change in access will give LSB the option in future to outsource or carry out work in house, depending on the value for money situation.

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. There is a risk that the MoJ may not authorise the LSB request to increase to expenditure and income budgets for 2023/24. This is mitigated by the fact that one of the contracts is with the MOJ themselves and that the MoJ recommended this arrangement.
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