Meeting:	Legal Services Board meeting
Date:	28 November 2023
Item:	Paper (23) 69
Title:	Finance Report to 31 October 2023
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Status:	Official

Finance report to 31 October 2023

Purpose

1. This paper reports on the LSB's financial performance for the first 7 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.

Q2 Forecast

2. A reforecast exercise took place in October 2023 (Q2 Forecast) using the actuals for the first 6 months of the financial year and then updating the forecast for the remaining 6 months with the changes which have taken place since the Q1 Forecast was finalised in July 2023.
3. The Q2 Forecast superseded the Q1 Forecast and is the main reference point against which actual expenditure will be measured in the Finance report being presented monthly to Board.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 increase the Q2 Forecast to £4.733m (for both income and expenditure), £54k above the Budgeted amount of £4.679m with 6 months remaining in the financial year.
4. The reason for this increase is that LSB have entered into 2 new research contracts in September which were not included in our original Budget or the Q1 Forecast. The consequence of these contracts is that LSB will now exceed our current delegated expenditure and income limits for the financial year 2023/24. However, these 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 or the net position on expenditure and income. These changes have been included in the Q2 Forecast.
5. This means LSB will need to go to the MoJ at the start of December 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 31 October is £2.411m** against the forecasted expenditure of £2.431m for the same period. This year-to-date underspend of £20k is an underspend of 0.8% against the Q2 Forecast carried out in October.

8. However, the **year-to-date underspend variance against budget is £214k (8%).** This is not within the MoJ variance threshold of 1% (£26k). 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 December 2023 will give LSB the opportunity to re-set our budget, taking in account actual spend in the year to date. The full year forecast is estimating we will be £46k over budget and we will base our BV3 request on the latest full year forecast figure.

9. **Colleague costs £1.6m (£6k underspend to Q2 Forecast)** the Budget included a YTD headcount of 36.5 FTE to October 2023 and did not include a vacancy factor. Actual YTD headcount is 35.2 FTE. We have one associate vacancy at end of October. We are recruiting for a further manager in November to fill an upcoming vacancy in the Regulatory and Policy team.

10. **Employer pension contributions** – we budgeted for a 2% increase in our employer pension contributions in 2023/24 following the Rowntree Foundation's recommendations. This was approved by RNC in July 2023. In October, we made the change to payroll and increased the employer pension contribution for colleagues from 10% to 12%, backdated to 1 July 2023. This will have an estimated cost of £33k in this financial year (9 months of additional contributions).

11. **Legal costs £7k (£1k underspend to Q2 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, supplier contracts and on s167 of the LSA. The Q2 Forecast for 2023/24 reduced the external legal costs budget from £42k to £30k to reflect the small spend in the year to date and this will be revisited at the Q3 Forecast.

12. **Research costs £42k (£2k underspend to Q2 Forecast)** the Legal needs survey being carried out by You Gov is underway. LSB are to pay the full cost of £152k and we have raised an invoice for £50k to The Law Society in October for the first instalment of their contribution. We expect to award the contract for research on Judicial diversity imminently, for which we intend to invoice the MoJ for £50k. These contracts will require LSB to increase our budgetary limits as previously mentioned. We have also gone out to tender on the Consumer Panel research on Unmet legal need. The Research budget has been increased from £303k to £411k at the Q2 Forecast in light of the above changes.

13. **Governance and Support services £31k (£7k underspend to Forecast)** there is a £7k underspend in this category due to timing difference in the costs being incurred for the external recruitment of OLC board and Consumer Panel members. We are awaiting updates from the relevant suppliers.
14. All other P&L categories have a variance of £5k or less to the Forecast.

Value for money

15. We have established strong relationships with various teams within our sponsor department the MoJ. These include MoJ Finance, MoJ Digital and MoJ Commercial. This has enabled LSB to leverage these relationships to access expertise and services that we would otherwise not have access to or would have to pay a commercial price for. An example of this is where LSB have put in place a process with MOJ Commercial so we can request Equifax credit reports on third party suppliers free of charge when required. This aids our decision making during the procurement process for new suppliers and any due diligence processes on new and existing suppliers.

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. There is a risk that MOJ will be slow to authorise the LSB request to increase to expenditure and income budgets for 2023/24 and this may impact our ability to incur expenditure and recover income in Quarter 4.
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