Meeting: Legal Services Board meeting

Date: 27 February 2024

Item: Paper (24) 08

Title: Finance Report to 31 January 2024

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Status: Official

Finance report to 31 January 2024

Purpose

1. This paper reports on the LSB's financial performance for the first 10 months of the current financial year to 31 March 2024. We are reporting against revised revenue budgeted income and expenditure of £4.729m and capital budgeted expenditure of £146k for the full year as agreed by the LSB and the Ministry of Justice (MoJ) in the Budget Variation process below.

Budget Variation process

2. The LSB submitted a Budget Variation form to MoJ at the start of December as part of the MoJ Budget Variation process (BV3). LSB received communication in January from the MoJ to confirm our budget applications for additional revenue and capital budget have been successful. This means our income and expenditure budgets have both increased by £50k to £4.729m and capital expenditure budget has increased by £72k to £146k for this financial year 2023/24. The reasons for these increases are that the LSB have entered into two additional research contracts (detailed in paragraph 12) and have now also signed a one-year lease extension in December 2023 to remain at the Rookery until September 2025. All additional costs from these research contracts 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.

Q3 Forecast

3. The Q3 Forecast was finalised at the SLT General Strategy meeting in January and supersedes the Q2 Forecast. It is the main reference point against which actual expenditure will be measured in the Finance Report being presented monthly to Board until the end of the financial year. **SLT approved the Q3 Forecast of £4.669m**. This is £60k (1.2%) below the revised budget amount of £4.729m with 3 months remaining in the financial year.

4. With the additional £50k of expenditure now secured through the MoJ Budget Variation process, LSB now has some financial buffer funding for this financial year and has removed the risk of an overspend.

5. The Q3 Forecast process identified that there are material expenditure items still to take place in Q4. These include the external review of the Axiom Ince case, the 2024 LSB conference, the CEO recruitment campaign and multiple research projects so there is a still a degree of risk around this forecast and budget holders which need to ensure that the work contained in this forecast takes place in 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 January is £3.571m** against the forecasted expenditure of £3.616m for the same period. This year-to-date underspend of £45k is an underspend of 1% against the Q3 Forecast carried out in January.

8. The **year-to-date underspend variance against budget is £192k (5%).** This is not within the MoJ variance threshold of 1% (£35k). The objective is to come within the MoJ variance threshold target of 1% by year end March 2024. The Q3 Forecast estimated the full year underspend at £60k (1.2%). The full year rolling forecast is now estimating we will be £55k (1.2%) under budget and so we are broadly on target to meet the MoJ variance threshold target. It is important to note, however, that while it is helpful to meet MoJ targets, our main motivation for close budget management is to ensure we achieve the LSB's broader objectives.

9. **Colleague costs £2.382m (£1k overspend to Q3 Forecast)** the Budget included a YTD headcount of 36.2 FTE to January 2024 and did not include a vacancy factor. Actual YTD headcount is 35.1 FTE so this is the main reason for the budget underspend. We have one manager vacancy which will be filled at the start of February. We have recruited to both Head roles in Regulatory and Policy and the appointees will both start in March. However, LSB will now have 2 further manager vacancies at year end. The Accrued leave provision is currently forecast to increase by £15k in 2023/24 but with annual leave to be booked in February and March, we expect this item to be cost neutral for this financial year.

10. **Legal costs £22k (£7k underspend to Q2 Forecast).** Carson McDowell have now commenced their review of the Axiom Ince case with £10k being spent in January. The Q3 Forecast process approved a budget of £60k for this work in 2023/24 and we will liaise closely with the supplier over the next 2 months to monitor the spend on this item and feedback to SLT on any material variances.

11. **LSB Conference** – The 2023/24 Budget included £60k for the event based on the costs from the inaugural event. The latest forecast from the Conference project team shows the conference costs coming in at a total of £58k. This is despite increasing the attendance capacity at the venue from 250 to 280 in person attendees (compared to 175 attendees in 2023). We have also managed

to secure Dame Clare Moriarty, Chief Executive Citizens Advice as an external speaker at no cost so making a budget saving.

12. **Research costs £200k (£29k underspend to Q3 Forecast)** the Legal Needs survey being carried out by You Gov did not progress as much as anticipated in January and this has caused the underspend this month. However, we have now received the full £61k contribution from The Law Society for this project. The Judicial diversity research being carried out by SQW is progressing and is now two thirds complete. LSB have invoiced the MoJ for the full amount of this contract (£48k) in January 2024 following receipt of the purchase order number and now await payment from the MoJ. We have now let the contract for research on Litigation funding to Queen Mary University of London for £26k. The LSB Research budget was reviewed at the Q3 Forecast and revised to full year total of £290k. This means there is now only £5k of research budget which has yet to be procured. The Legal Services Consumer Panel research contract on *Barriers and creative solutions to access to justice* being carried out by Nottingham Law School is progressing and is now 60% complete.

13. All other P&L categories have a variance of £4k or less to the Forecast.

Value for money

14. The LSB has three websites, LSB, Consumer Panel and Reshaping Legal Services. These were hosted by different external companies with different costs and different levels of service. In December we made the decision to move the website hosting to one of the existing suppliers, Etempa who have not only consistently delivered excellent service but have also been the cheapest provider. Making this change has brought efficiencies in terms of managing the websites with only one supplier to liaise with and has delivered cost savings of 46% on the annual hosting costs. In our bi-monthly meetings with the Government Centre for Cyber, they commented on how the new supplier has been far more effective implementing cyber security changes in a timely and accurate manner, making our websites and emails more secure.

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