Meeting:	Legal Services Board meeting
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Title:	Finance Report to 29 February 2024
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Status:	Official

Finance report to 29 February 2024

Purpose

1. This paper reports on the LSB's financial performance for the first 11 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.

Q3 Forecast

2. 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 was £60k (1.2%) below the revised budget amount of £4.729m.
3. The additional £50k of expenditure secured through the MoJ Budget Variation process means that the LSB has financial buffer funding for this financial year and has removed the risk of an overspend.
4. The Q3 Forecast process identified that there are material expenditure items for 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 degree of risk around this forecast and budget holders need to ensure that the work contained in this forecast takes place in this financial year.

Recommendation

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

[1] Circulated19 March 2024

6. **Expenditure for the year to date to 29 February is £4.034m** against the forecasted expenditure of £4.089m for the same period. This year-to-date underspend of £55k is an underspend of 1.3% against the Q3 Forecast carried out in January.

7. The **year-to-date underspend variance against budget is £128k (3.1%).** This is not within the MoJ variance threshold of 1% (£42k). However, it is a significant fall from the YTD variance in January of 5%. 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 £68k (1.4%) under budget and so we are forecasting to be reasonably close to the MoJ variance threshold. 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 that we achieve the LSB's broader objectives.

8. **Colleague costs £2.645m (£1k overspend to Q3 Forecast)** Pay costs are in line with the Q3 Forecast but the Budget included a YTD headcount of 36.1 FTE to February 2024 and did not include a vacancy factor. Actual YTD headcount is 35.0 FTE so this is the main reason for the budget underspend in this category. One of the new Heads in Regulatory and Policy has now started at the LSB with the other person starting in April. At year end, LSB will have 2 manager vacancies. The Accrued leave provision is currently forecast to increase by £9k in 2023/24 but with annual leave to be booked in March, we now expect this item to be a small increase for this financial year.

9. **Legal costs £51k (£2k overspend to Q2 Forecast).** Carson McDowell are undertaking their review of the Axiom Ince case with costs incurred of £23k in February bringing the total cost to date for this review to £33k. The Q3 Forecast process approved a budget of £60k for this work in 2023/24 and we will liaise closely with the supplier up to year end to monitor the spend on this item and feedback to SLT and Board on any material variances.

10. **LSB Conference** – The 2023/24 Budget included £60k for the 2024 event based on the costs from the inaugural event. The latest forecast from the Conference project team still shows the conference cost coming in on budget. We will provide an update on the final outturn in the March Finance report.

11. **Research costs £266k (£44k underspend to Q3 Forecast)** - Progress across the four live LSB research projects has fallen slightly behind that forecasted, hence the underspend in February. However, all four research projects are still scheduled to complete by financial year end in March and so this underspend is just a timing difference. The Legal Services Consumer Panel research contract on *Barriers and creative solutions to access to justice* being carried out by Nottingham Law School is ongoing and is now 70% complete while the Consumer Tracker Survey being carried out by MEL Research is now 50% complete, both projects to complete by year end.

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

Levy Income

13. We have confirmed with the Approved Regulators that the final number of Approved to Practice (ATP) individuals as at 1 April 2023 is 192,096. This is a 3.4% increase in the number of individuals regulated by the LSB from the prior year. The percentage increase over the last 5 years is 13%.

14. With the ATP figures confirmed, we have issued 8 Levy demands for 2023/24 to the Approved Regulators in February, totalling £4.647m. As at February month end, there have been cash receipts of £465k from four Approved Regulators. We will provide a further update in the Finance Report for March.

Other Income

15. The LSB raised invoices to the MoJ for the full amount of the Judicial Diversity research contract (£48k) in January following receipt of the purchase order number. However, as at the end of February the invoices remain unpaid. The MoJ have now advised that the initial purchase order issued was incorrect and have been unable to give any assurance about when these invoices will be paid so there is a risk that we will have an overdue debtor on the balance sheet at year end. The MoJ have set the LSB a Prompt Payment KPI of 5 working days for payment of supplier invoices which we are required to report on quarterly.

Value for money

16. During 2023/24, the LSB has been innovative in entering into partnerships with third parties such as The Law Society and the MoJ to jointly fund research. This demonstrates how we can work collaboratively with partners, avoid duplication of work and achieve economies of scale**.** The tangible benefit from these partnerships is that we have invoiced for non levy income in excess of £100k in 2023/24. We can now confirm that at least £100k of this income can be returned to the Approved Regulators in 2024/25 through a rebate on the levy so materially reducing the overall increase of the levy next year.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted 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