LEGAL SERVICES BOARD

Meeting: Legal Services Board meeting

Date: 30 April 2024[1]

Item: Paper (24) 24

Title: Finance Report to 31 March 2024

Author: Stuart Hamill, Head of Finance and IT

Status: Official

Finance report to 31 March 2024

Purpose

1. This paper reports on the LSB's financial performance for the full financial year 2023/24 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 The Q3 Forecast was finalised at the SLT General Strategy meeting in January and superseded the Q2 Forecast.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 meant that the LSB had the financial buffer funding for this financial year and removed the risk of an overspend.
4. The Q3 Forecast process identified material expenditure items for Q4. These included the external review of the Axiom Ince case, the 2024 LSB Conference, the CEO recruitment campaign and multiple research projects so there was a degree of risk around this forecast and budget holders needed to ensure that the work contained in this forecast took place in this financial year.

Recommendation

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

[1] Circulated 23 April 2024

6. **Expenditure for the full year to 31 March is £4.657m** against the forecasted expenditure of £4.669m for the same period. This full year underspend of £12k is an underspend of 0.3% against the Q3 Forecast carried out in January.

7. The **full year underspend variance against the revised budget is £72k (1.5%).** However, against the original budget of £4.679m, the underspend is £22k (0.5%). This is an optimal position to be in, landing between the risks of an overspend (0%) and the risk of exceeding the MOJ variance threshold (1%). Despite being underspent by up to 9.5% against budget during the financial year, the quarterly forecasting and monthly rolling forecasting provided assurance that we would be very close to budget by year end to meet the MoJ target. This demonstrates the accuracy of our forecasting. This was achieved by liaising with budget holders to ensure planned and re-allocated expenditure took place in the latter half of the year to minimise the risk of any underspend outside the MoJ 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 £2.934m (£10k underspend to Q3 Forecast)** - Pay costs are broadly in line with the Q3 Forecast. However, the Budget included a headcount of 36.0 FTE for 2023/24 and did not include a vacancy factor. Actual headcount for the year is 35.1 FTE and the attrition rate is 26% so this is the main reason for the budget underspend of £86k in this category. At year end, LSB have 2 existing manager vacancies with 4 new manager posts to be recruited from 1 April 2024. The Accrued leave provision increased by only £2k in 2023/24.

9. **Legal costs £91k (£10k overspend to Q3 Forecast) -** The review of the Axiom Ince case is being undertaken by Carson McDowell. In January, the Q3 Forecast process approved a budget of £60k for this review and in March, SLT re-allocated a further £20k to take the budget to £80k in this financial year. There were costs incurred of £40k in March bringing the total cost to date for this review to £73k. We will liaise with the supplier to provide an updated forecast of spend on this review and report to SLT and Board.

10. **LSB Conference** – The 2023/24 Budget included £60k for the 2024 event based on the costs from the inaugural event. The Conference took place on 7 March and the total costs have come in at £58k to date so within the £60k budget.

11. **Research costs £359k (£2k underspend to Q3 Forecast) -** Four LSB research projects were completed with all deliverable outputs received by LSB by the end of March to justify earlier assertions that the variance in research spend was a timing difference. Similarly, the two Legal Services Consumer Panel research projects were also completed by the end of March to ensure that the actual research spend essentially matched the amount we forecasted in January.

12. **Office costs £138k (£8k underspent to Q3 Forecast)** – The underspend of £8k was due to underspends in various categories including Recruitment where some of the CEO recruitment spend will take place in 2024/25.

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

Levy Income

14. Levy demands for 2023/24 were issued to the Approved Regulators in February, totalling £4.647m. As at February month end, there were cash receipts of £465k and we received the final four payments from Approved Regulators totalling £4.182m by 12 March 2024 so all levy demands were paid on time.

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. We received the £48k payment from the MoJ in mid March so the payments were made on average 24 days after the LSB payment due date of 30 days.

Cash

16. The LSB cash balance at year end 2024 was £6.713m. This is an increase of over £300k on the 2023 LSB cash balance (£6.408m) and the movement can be seen in **Annex 2**. The large movement is explained by the additional £109k of non levy income received from our joint partnerships on research projects (which will be passed back to Approved regulators as a rebate on the 2024/25 levy) and an increase in accruals and unpaid invoices totalling £189k due the large amount of work completed in March on research and the external legal review.

Budget 2024/25

17. We have received the interim letter of authority from the MoJ giving LSB permission to spend in the new financial year 2024/25 and we have received email confirmation from the MoJ that the Lord Chancellor has approved the 2024/25 LSB budget. We now await the formal Budget Variation (BV1) letter is received from the MoJ by 30 June 2024 to confirm our 2024/25 Revenue budget of £5.271m and Capital budget of £724k.

Value for money

18. During 2023, the LSB went out to tender for our pension governance contract. We used this tender exercise to generate efficiencies from our pension governance provision for example, by reviewing the frequency that we require outputs such as member guidance and administration form reviews. From this tender exercise, we changed supplier to a new company Argyle Consulting Ltd. Argyle have now completed their first year as the pension governance provider. The feedback we have received is that their one to ones with colleagues were of exceptional quality with Argyle going the extra mile in terms of customer service. Despite high inflation over the period since the last contract was signed with the previous provider, LSB were still able to deliver economy savings on the new contract with the 2023/24 cost falling by 15% compared to the prior year, mainly driven by the efficiencies embedded in the new contract.

Annexes

Annex 1: Comparison of actual to budgeted and forecasted expenditure

Annex 2: How LSB generated and spent their money

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