Meeting: Legal Services Board meeting

Date: 11 June 2024[1]

Item: Paper (24) 31

Title: Finance Report to 30 April 2024

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Status: Official

Finance report to 30 April 2024

Purpose

1. This paper reports on the LSB's financial performance for the first month of the new financial year 2024/25. We are reporting against the new revenue budgeted expenditure of £5.271m and capital budgeted expenditure of £724k for the full year as agreed by the Board and the Ministry of Justice (MoJ).

Budget

2. We have received the interim letter of authority from the MoJ giving the 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 await the formal Budget Variation (BV1) letter to be received from the MoJ by 30 June 2024 to confirm our 2024/25 Revenue budget of £5.271m and Capital budget of £724k.

Recommendation

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

4. **Expenditure for the year to date to 30 April is £350k** against the budgeted expenditure of £373k for the same period. This full year underspend of £23k is an underspend of 6% against the Budget.

5. The underspend of £23k (6%) is not within the MoJ variance threshold (1%). However, it is only month one of the financial year and the rolling forecast indicates there will be a full year underspend of £31k which is less than 1% thus indicating the current variance is a timing difference. This rolling forecast includes the £30k non pay contingency budget. 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.

[1] Circulated on 4 June 2024

6. The Q1 Forecast process is scheduled for July 2024. At that stage, we will revisit the budget and its assumptions in the light of the recruitment taking place in Q1, the 2024 Pay Remit and any developments in the plans for external legal and research spend.
7. **Colleague costs £242k (£21k underspend to Budget)** – The 2024/25 Budget includes an increased headcount of 42 FTE (from 36 FTE in 2023/24). The Budget included a vacancy factor saving for April 2024 of £30k, recognising that the recruitment of the additional headcount would likely take place in Q1 and so the majority of these roles would not be in post at this point. However, even with this vacancy factor saving, the actual headcount for the year to date is only 34.9 FTE so this is the main reason for the pay budget underspend of £21k in April. We have appointed a new Comms manager and a Regulatory policy associate, both starting in July and the new CEO who starts in August. We are now recruiting to the 4 new manager posts (all included in the 2024/25 Budget). The full year pay forecast will become clearer as these 4 posts are appointed but it is likely this underspend will continue through Q1.
8. **Legal costs £10k (£6k overspend to Budget) -** The review of the Axiom Ince case being carried out by Carson McDowell is ongoing into 2024/25. In April, SLT approved a budget extension of £18k for this review to take the overall budget to £98k (£25k in this financial year). There were costs incurred of £10k in April bringing the total cost to date for this review to £83k. The external Legal budget of £48k is profiled evenly across the year as legal spend is reactive and so difficult to forecast, hence there is an overspend for April. When the cost forecast for the SSB element of the review is available, this will be reviewed by SLT and included in the Q1 Forecast.
9. **Accommodation £114k (£1k underspent to Budget)** – The 2024/25 Business Rate demand has been received from London Borough of Camden and the cost of £47k is a 19% increase on the prior year cost. We had budgeted for an inflation increase so this will create an additional cost pressure of £7k for the full year, to be included in the Q1 Forecast.
10. All other P&L categories have a variance of £5k or less to the Forecast.

Resource accounts 2023/24 and External Audit

11. We are in the process of finalising the 2023/24 Resource accounts as part of the external audit being carried by Deloitte and the NAO. Currently, expenditure has increased slightly by £2k to £4.659m which means there is now a £129k surplus against the approved budget of £4.679m, including the £110k of additional non-levy income from our research partners. This surplus will be included in the 2024/25 levy as a rebate to the Approved Regulators.
12. The change in Expenditure is mainly due to the detailed work we have carried out since year end on the PAYE settlement agreement for 2023/24 to accurately calculate the liability owing to HMRC for expenses that are deemed to be

benefits in kind. In previous years, we only included an estimate at this stage, with the more detailed work taking place after the audit had concluded.

Value for money

13. We have recently signed a 2-year contract extension with our IT MSP providers Rock IT. We took the opportunity to revisit the contract provision in the light of changes to the IT services we have needed over the first two years of the contract to make the provision more effective. The LSB's flexible working arrangement has seen changes to working practices and the remote IT support model has now become the norm. As a result, we have reduced the expensive "on premises" support requirement and this has freed up resource to be able to increase the IT technical service provision to manage the increasing cyber security work needed. The contract extension has seen an overall increase to the price of 8% on the original contract over a 2-year period in which the increase in inflation was 16%.

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