Meeting: Legal Services Board meeting

Date: 24 March 2026

Item: Paper (26) 72

Title: Finance Report to 31 January 2026

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Status: Official

Purpose of the Paper

1. This paper reports on the LSB's financial performance for the period to 31 January 2026 i.e. period 10 of the financial year 2025/26.

2. This report shows the year-to-date and forecast spend against the LSB's budget of £5,715k for 2025/26.

3. It updates the Board with the latest information on legal costs.

4. A summary of the budget & forecast outturn is attached for reference at Annex A

Executive summary
Year to date overview:

5. Expenditure for the year to date to 31st January is £4.480m against a budget of £4.676m. This is a year-to-date underspend of £196k which equates to 4%.

6. The underspend is predominantly driven by additional savings we have secured in our office accommodation costs, and from external legal costs being lower than forecast at this point in the year.

Year End Forecast:

7. The full year projected forecast is an underspend of £61k (1%) i.e. £5,654k expenditure against £5,715k budget. This includes the additional projects which were funded from the underspend; these are currently forecast to be fully spent at year end.

Expenditure:

8. ***Colleague costs (Staffing – payroll, training etc):*** There is a small variance, £2k across these budget lines as at Period 10. This includes an overspend of £54k on recruitment costs, which is due to the need to run a CEO recruitment process, as well as the costs of recruiting 3 new panel members.

9. ***Legal costs £31k*** **underspend** – We are actively working to reduce the likelihood of litigation, and to consequently avoid some of our budgeted

external legal costs. The forecast reflects an assumption that this will not be fully spent as at year end, based on the current forecast relating to our participation in litigation before the court of appeal.

10. ***Accommodation*** – An underspend of £46k, mainly due to our success in reducing our accommodation costs. We expect the underspend in this area to extrapolate to year end, and result in a lower budget for 2026/27.
11. ***Research*** – The year-to-date underspend of £18k is likely to be eradicated as the team build up to additional work between now and year end. It is expected that this will be spent in the remaining months of 2025/26.
12. There are smaller variances across other budget headings.

Forecast

13. The forecast position as above assumes the additional projects will be fully spent by the end of 2025/26. They are reviewed monthly and are on track to be fully executed.
14. The forecast underspend position assumes that the external legal budget of £240k will not be exhausted at year end. This is due to the forecast we have on costs relating to the current litigation case which have been built into the forecast. This is being closely reviewed each month and will be updated as necessary.
15. As mentioned previously, any underspend at year end will be returned to the profession by way of a reduced levy next year.

Risks and Opportunities
Risks:

16. There is an inherent risk on the external legal budget. This relates to ongoing and emerging litigation. Should there be an underspend in this area, it will lead to an in-year underspend overall. This will be returned to the profession by a reduction in next year’s levy.

Opportunities:

17. We have acted on the opportunity presented by the underspend to fund some important areas of work, most of which were anticipated in the budget agreed by the Board in March 2025. A total of £200k has been allocated across the projects, the amounts and impact are shown in the following table:

Approved Projects – Projections and Impact

Approved Projects Impact and Outcomes		
	(£'000)	
Project Title	**Total**	**Impact**
Tech Efficiency Project	41	The tech efficiency project aims to review organisational processes and identify opportunities to improve efficiency through technology. Given time and budget constraints, the review is focused on four ares: statutory decisions, procurement, governance, HR/onboarding, with a potential fifth area relating to projects pipeline and policy development workflows.
Policy & Research		Increased policy resource – has enabled us to continue to deliver our key priorities at the same time as responding to reactive events e.g. PBR and issues arising from various instances of litigation.
		Monitoring and Evaluation – producing a future approach to M&E incl training for our teams that will allow us to improve the way we measure and demonstrate out impact.
		Voluntary Standards Landscape Review – producing a literature review of VS to inform our policy scope in terms of VS for unregulated legal services
	97	Small business needs survey – brought forward elements of the work that were initially due to take place in 2026/27, leading to lower spend and more capacity next year
PPM Efficiency	6	To increase the efficiency and effectiveness of our ability to forecast and allocate resource capacity and align it with our priority projects. To be considered in 2026/27 budget
Consumer Panel	17	
Communications		refreshing the LSB website to help make information more accessible to our audiences and support transparency
		creating videos to support the recruitment of Board Members for the LSB and OLC and Members of the Legal Services Consumer Panel. The videos are to help us reach a wider audience and support efforts to increase diversity.
	39	One-off items like banner stands and information leaflets to support our external engagement and presence at events. This will support professionalism and help us articulate who we are and what we do to stakeholders.

February update on Legal costs

18. Following January's management accounts, we have received an updated forecast for the external legal costs associated with the Mazur case. This forecast of £91.4k plus VAT (£110k) exceeds the original agreed budget for this of £65k plus VAT (£78k).
19. As this is more than originally planned, we have followed the agreed reporting process on this and have advised the Chair of Audit & Risk committee.

20. This increase was due to the actual work done in the final run up to and on the days of the hearing. There was a lot of last-minute dialogue between the parties, as well as further submissions, additional skeleton arguments, and reverting to us for final instructions, as is often the case for hearing preparation.

21. The additional cost remains within the legal budget of £240k, though it will reduce the expected underspend on this budget. The forecast was previously estimated as £35k underspend, and the revised forecast is now estimated at £10k underspend. While the overall expenditure on this litigation now exceeds the estimate that we were provided with, we consider that the decision to intervene in the appeal remains the right one, given the significant cross-sector impact of the issue being considered and the importance of having the opportunity to assist the court in reaching a decision that will provide clarity for the sector.

22. A further update will be included in the February reports.

Recommendation

23. The Board is invited to note the contents of this report and the annex.

Annex

Annex A: Year to date, January (period 10) Management Accounts Summary

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.

Freedom of Information Act 2000 (FoI)		
Para ref	**FoI exemption and summary**	**Expires**
N/A	None	N/A

Annex A: January Management Accounts Summary

	January YTD £'000				Full year (£'000)			
	Budget	Actual	Var	Var %	Budget	Forecast	Var	Var %
Staff Costs - Payroll	3,051	3,090	(39)	(1%)	3,690	3,707	(17)	0%
LSB Board - Payroll	180	153	28	15%	216	189	28	13%
OLC - Payroll	114	109	6	5%	137	131	6	4%
Consumer Panel - Payroll	232	224	8	3%	284	277	8	3%
Total Staff Costs	**3,578**	**3,576**	**2**	**0%**	**4,328**	**4,304**	**24**	**1%**
Property Rent & Rates	82	76	6	7%	95	92	3	4%
Fuel & Utilities	24	(7)	31	130%	29	(6)	35	122%
Maintenance	4	10	(6)	(171%)	4	13	(9)	-240%
Other Property Costs	27	11	16	59%	32	15	17	52%
Total Estate Costs	**136**	**90**	**46**	**34%**	**160**	**114**	**46**	**29%**
IT & Telecommunications	95	78	18	19%	114	114	0	0%
Interpreter/Translation Costs	1	0	1	100%	1	0	1	100%
Banking & Finance	1	1	(0)	(15%)	1	1	(0)	-15%
Other Contracted Out Services	39	50	(11)	(29%)	53	55	(2)	-4%
Staff Travel & Other	68	60	9	13%	78	83	(5)	-6%
Training	62	17	45	73%	74	27	47	63%
Recruitment Costs	74	129	(54)	(73%)	85	129	(44)	-52%
Printing, Postage & Office Expenditure	1	1	0	45%	1	1	1	62%
Stationery & Office Supplies	0	0	(0)	(0%)	0	0	0	0%
Research Costs	135	153	(18)	(13%)	214	214	0	0%
Conferences & Seminars	0	(0)	0	0%	0	0	0	0%
Publicity, Advertising & Communication	45	55	(10)	(22%)	53	55	(2)	-4%
Accounting & Audit Services	15	15	0	0%	58	58	0	0%
Other Expenditure	304	189	115	38%	352	229	113	32%
Total Other Costs	**842**	**747**	**95**	**11%**	**1,084**	**966**	**108**	**10%**
Depreciation	120	67	53	44%	143	70	73	51%
Total Non-Cash Costs	**120**	**67**	**53**	**44%**	**143**	**70**	**73**	**51%**
Additional Projects						**200**	**-200**	
Grand Total	**4,676**	**4,480**	**196**	**4%**	**5,715**	**5,654**	**-61**	**-1%**