

To:	Legal Services Board	
Date of Meeting:	27 April 2016	Item: Paper (16) 31

Title:	Finance Report to 31 March 2016	
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Status:	Official	

Summary:
This paper summarises the financial position as at the end of March 2016.

Recommendation(s):
The Board is invited to note and to comment on the Finance Report.

Risks and mitigations	
Financial:	There are no financial risks – this is a factual report
Legal:	There are no legal risks - this is a factual report
Reputational:	The LSB needs to be seen as effective in managing funds at its disposal. The Board needs to satisfy itself that this is the case. The Executive also consider how it is has used it funds on a monthly basis and will take any necessary action as a result of this review.
Resource:	There are no resource risks - this is a factual report

Consultation	Yes	No	Who / why?
Board Members:		✓	N/A - routine update and commentary
Consumer Panel:		✓	
Others:	N/A		

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

LEGAL SERVICES BOARD

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Finance report for March 2016

Purpose

1. This paper provides a brief commentary about the period ending 31 March 2016. A financial report is attached (**Appendix 1**).

Recommendation

2. The Board is invited to note and to comment on the Finance report.

Points to note

3. This report covers the twelve months of the year and spending is largely in line with expectations and forecasted variances.
4. *Overall position* – spending to the end of March is £3,587,351 against a budget of £4,298,000 resulting in an underspend of £710,650 (£377,082 in 2015).
5. *Cash position* - following supplier, legal, HMRC and salary payments in March and the receipt of the levy, the funds held in the bank have increased from £3.8m to £7.08m.
6. The executive continue to manage their costs carefully, seeking opportunities for reduction where possible and to drive ongoing efficiency.
7. In year underspends are as a result of careful management particularly of running costs and also:
 - The adverse consequences of having fewer Board members than the required minimum according to the Legal Services Act 2007 (the Act).
 - Earlier on in the year the LSB carried a number of vacancies and there was a time-lag in new colleagues taking up their posts. The LSB is subject to MoJ emergency spend controls, which means it has to provide a detailed business case for all recruitment, which inevitably will mean a delay to future recruitment.
 - The executive are mindful that it needs to have sufficient staff resource to be able to fulfil its statutory responsibilities and also to respond to requests from the front line regulators in a timely manner.
8. An analysis of the main spending headings reveals:
 - a) **Board Costs** – The Board is still operating with two members less than before the end of September as the MoJ had been unable to appoint replacements. Senior staff at the MoJ were aware that the Lord Chancellor is required by statute to appoint Members and that the Act requires the Board to consist of ‘at least seven’ Members

in addition to the Chairman and Chief Executive. Two new non-lay members have now been appointed and are due to take up their roles from 18 April 2016. The costs of their induction training will be shown in the early months of 2016/17.

- b) Staff Costs** – In 2014/15 we experienced a relatively high turnover of executive colleagues. This was as expected as many colleagues who had been with us for several years, had gained valuable insight and experience and were then ready to progress to other organisations. The workforce was fairly stable in turnover terms in 2015/16 apart from a change of Chief Executive. The MoJ's emergency spend controls, over and above those implemented previously by the Cabinet Office mean that the LSB currently has to apply to the MoJ to recruit to any vacant roles by way of a *business case*. This inevitably adds to the time it takes to recruit replacement colleagues and for them to start making a contribution to the LSB's work plan. We are hoping these controls may be relaxed during the course of the coming year for bodies like the LSB, who are independent of government and cannot contribute to government savings.
- c) Accommodation** – Our costs increased slightly this year mainly due to a backdated licence fee for our single office accommodation at One Kemble Street.
- d) Outsourced Services** – We continue to reap the benefits of having outsourced or shared services where, to some extent, we can control demand and costs accordingly. Our arrangements with relatively small providers provide flexibility and agility in meeting our needs, which are not usually a feature of arrangements with the 'big' providers.
- e) OLC costs** – We are responsible for paying the salaries and the expenses of OLC Board members, who also have to comply with our expenses policies. We had recruited a number of new OLC members at the start of the financial year and their travel requirements have been lower than their predecessors.
- f) Legal and Associated Costs** - Now that the outcome of the appeal to the Supreme Court on QASA has been published, upholding our original decision, we sought to recover costs up to the maximum available under the Protective Costs Orders, issued by the various courts. We have now received this refund direct to our bank account and it has reduced the levy charge for 2015/16.