

To:	Board
Date of Meeting:	28 March 2011
Item:	Paper (11) 26

Title:	Finance report: February 2011
Workstream(s):	All
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Status:	Unclassified

Summary:
The paper summaries the financial position as at the end of February 2011.

Risks and mitigations	
Financial:	N/A
FoIA:	N/A
Legal:	N/A
Reputational:	N/A
Resource:	N/A

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

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

LEGAL SERVICES BOARD

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Finance report: February 2011

Recommendation

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

Introduction

1. This paper provides a brief commentary about the period ending 28 February 2011. A financial report is attached (**Appendix 1**).

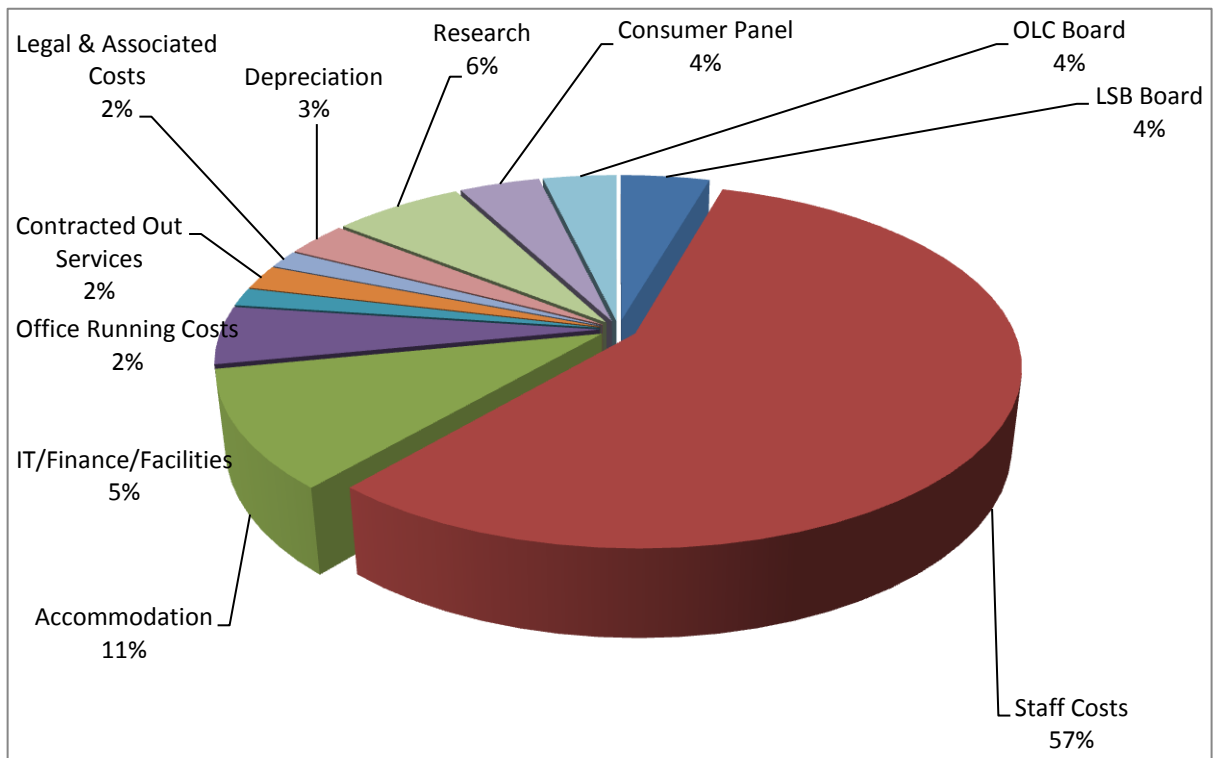
Points to note

2. An analysis of the cumulative variances reveals:
 - a) **LSB Board costs** – Edward Nally was appointed as a new Board Member with effect from 14 February 2011.
 - b) **Staff Costs** – we remain one post below our approved establishment level. We have implemented both the recruitment freeze and pay freeze that apply to civil servants; although we are not civil servants, we are complying with the ‘spirit’ of the Government’s spending restrictions as announced at the end of May 2010. As a consequence, we have under-spent on this budget. This will reduce the levy costs on Approved Regulators in subsequent years.
 - c) **Accommodation Costs** – the under-spend reflects the rent free period that LSB negotiated with the Competition Commission and is shown equally throughout the year. We continue to derive good value for money from our relationship and contractual arrangements with the Commission. The Government’s decision to review the rationale for having two separate bodies – the Commission and Office of Fair Trading – might impact LSB in future years, but most likely not until after 2013. We have already raised this as a potential risk to our operations and have begun high-level contingency planning if the Commission was unable to fulfil its Service Level Agreement with LSB.
 - d) **Office Costs** – since its inception, LSB has taken advantage of the contract negotiated for the Ministry of Defence (**MoD**) for all of its general office costs. This means we can enjoy the same low prices for our relatively modest needs as commanded by the huge volumes procured by the MoD. We are constantly looking at ways to ensure that we operate in the most efficient manner that we can and in so doing reduce our routine costs. Colleagues have been successful at securing best value travel costs by ensuring that planned travel is booked sufficiently far in advance to secure discounted fares.
 - e) **Research Costs** – we have been pursuing a full agenda of research projects throughout the year. We have deliberately not reported a variance during the course of the year, as research spending cannot be profiled in the same way as other regular expenditure (e.g. staff and accommodation costs). During the course of the year, we re-focused some of our discretionary spend on

research projects. We have rigorous procurement processes in place (validated by our internal auditors), and this has meant that not all of the projects will be completed this financial year. This will result in an increase to our overall predicted underspend.

- f) **Contracted Out costs** – these comprise an accrual for the costs of both internal and external audit as well as professional advice received by our pension advisers. One of the additional impacts of the spending restrictions is that we are unable to engage consultants to undertake work with a contract value of over £20k as consultancy work is one of the items that has been frozen by the Government. We have no plans to engage any consultants.
- g) **Depreciation costs** – we have now fully implemented our electronic document and record management system. This will enable us to structure our document files more appropriately and help us to respond to freedom of information requests and Parliamentary Questions more efficiently. The system will also avoid multiple copies of the same files and so reduce data storage requirements.
- h) **Consumer Panel** – the under-spend reflects the lower than expected costs for the annual ‘Tracker Survey’ following a robust procurement process.

Chart showing the composition of LSB expenditure for the nine-month period to 28 February 2011



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