

<b>To:</b>	Legal Services Board		
<b>Date of Meeting:</b>	16 July 2019	<b>Item:</b>	Paper (19) 37

<b>Title:</b>	Finance Report to 31 May 2019		
<b>Author / Introduced by:</b>	Melanie Stewart, Head of Finance		
<b>Status:</b>	Official		

<b>Summary:</b>
This paper summarises the financial outturn as at the end of May 2019, and the forecast position for the full year.

<b>Recommendation:</b>
The Board is invited to <b>review</b> the Finance Report.

<b>Risks and mitigations</b>	
<b>Financial:</b>	There are no financial risks – this is a factual report
<b>Legal:</b>	There are no legal risks - this is a factual report
<b>Reputational:</b>	The LSB must demonstrate effective management of its funds. This report facilitates Board scrutiny of LSB's financial management and decision-making in relation to allocation of resources.
<b>Resource:</b>	There are no resource risks - this is a factual report

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

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

## LEGAL SERVICES BOARD

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### Finance report to 31 May 2019

#### Purpose

1. This paper provides a commentary on the LSB's financial performance for the two months ended 31 May 2019. Variance analysis is attached (**Appendix 1**).

#### Recommendation

2. The Board is invited to **review** the Finance report.

#### Points to note

3. Expenditure to the end of May is £596k (May 2018 - £622k) against a budget of £578k (May 2018 - £634k). The £18k overspend compares with a £12k underspend for the same period in 2018/19. The bank balance at 31 May 2019 is £6.0m.
4. A commentary on the more significant variances (reported in Appendix 1) and the potential implications for the year-end projection is as follows:
  - a) *Colleague costs*: At the end of April a favourable variance of £4k was reported. The budget to the end of May is now overspent by £18k for the following reasons:

	£'000 fav / (unfav)
- Payments to leavers in lieu of accrued annual leave not taken	(9)
- Maternity leavers returned to work earlier than anticipated	
- New Research Manager available to join earlier than anticipated	
Provision for training, not utilised	8
External recruitment agency spend higher than anticipated	(17)
<b>Total</b>	<b>(18)</b>

A change in the recruitment strategy for staff has led to less reliance on more costly, external recruitment agencies which is projected to lead to lower expenditure on recruitment in 2019/20, compared to 2018/19. HR will continue to challenge recruiting managers to make the case for the use of agencies, and to ensure they are used only exceptionally.

- b) *LSB Board*: The £3k variance relates to a payroll error which has been rectified and will see the adverse variance reversed in the second quarter of 2019/20.

- c) *Outsourced Services and IT costs*: The £4k variance is due to a budget timing difference. The BMG employee engagement survey has been brought forward and costs have been incurred earlier than budgeted.
  - d) *Legal costs*: The provision for expenditure on external legal advice has not been fully utilised in April and May.
5. At the last Board meeting, it was reported that projections indicated that as at May 2019, LSB's 2019/20 expenditure would be £3.717m - £81,000 lower than the budget – and compared with £3.726m spent in 2018/19.
  6. While additional costs will be incurred as a result of the relocation to the new office premises completing prior to the expiry of the existing lease for One Kemble Street, it was anticipated that those costs would be more than offset by savings from efficiencies in 2019/20.
  7. However, it has been necessary to recalculate the impact of total project expenditure on the LSB's projected 2019/20 accommodation costs in light of HM Treasury's decision to defer implementation of IFRS 16 to years beginning on or after 1 April 2020 (not 1 April 2019, as anticipated).
  8. IFRS 16 will change the way the LSB recognises leases that it holds. However, the deferral of implementation of this new accounting standard means that current accounting standards will continue to apply to project costs incurred in 2019/20 and more cost will need to be charged to the Statement of Comprehensive Next Expenditure in full in 2019/20, than capitalised over the life of the new lease.
  9. The impact of this, as at July 2019, is to increase total projected LSB expenditure from £3.717m (as at May 2019) to £3.783m (as at July 2019) - £15,000 lower than budget – and compared with £3.726m spent in 2018/19.