

Meeting	OLC Board	Agenda Item No. Paper No.	8 120.6
Date of meeting	26 May 2022	Time required	15 mins

Title	Financial Report – March Month End and Year End
Sponsor	Michael Letters (Head of Finance)

Executive Summary

This paper shows the current full year financial outturn, along with key financial reporting for assurance.

Financial Outturn

The final expenditure is £13.757m vs a budget of £14.485m – an underspend of £728k (5.0%). This is a movement of £51k on the previous month's forecast

Staff costs are underspent by £648k (5.6%).

Non-Staff costs are also underspent by £80k (2.7%). Without the historic rent adjustment of £50k, and a service charge rebate of £35k this would have come in on budget.

Financial Reporting

The Income and Expenditure and Balance Sheets are provided for assurance.

Board should note the following:

Case Fee Debtors - The aged debt position is at a stable, and low, level.

Payment of Creditors - Average payment days are 31 days for the year, compared to 39 days last year.

Recommendation/action required

Board is asked to note this report

Financial Report

1. Income

Case Fee income is £265k under budget reflecting the vacancies and consequent performance challenges in operations, but also the fact that early interventions are not generating case fees.

Other Income is £41k higher than budget following the year end reconciliation of charges due to our sub tenant.

The final levy charge is £12.637m which is 3.8% below budget. This figure is £106k higher than invoiced in February, and will lead to an adjustment on the following year's levy invoice. This is the standard process for year end adjustments, and the current levy invoices benefited from a £95k reduction carried forward from 2020-21.

2. Staff Cost

Staff costs are **underspent by £672k (-5.8%)**.

This reflects the large level of vacancies and challenges in recruitment which have been reporting throughout the year.

There has been a movement in the month of £66k, the main changes being:

- Final holiday pay movement was £18k higher than forecast due to a greater number of staff at maximum levels and increases due to staff on long term sick leave
- Final celebrating success awards were £13k higher than forecast
- Cardiff Hub recruitment costs of £12k incurred
- Additional HR agency costs of £14k
- Additional operational overtime and pool ombudsman expenditure to aid closures £11k

The overall underspend by department is as follows:

Resolution Centre	-653	Challenges with recruiting investigators
Service Improvement	-127	Several vacancies due to recruitment challenges / not trying to recruit internally from Operational posts
Ops Transformation	-121	vacant Head of Transformation & ombudsman
Corporate	-45	vacant EA assistant and EA through most of year
Legal	-44	Paralegal vacancies in Q1 and Q2, then vacant legal manager for 4 months
GET	38	over-resourced as additional recruitment and GETi resource was possible here
Finance	39	temps - staff on suspension / policy support, less vacancy on FM post for Q1
Ops Management	43	underspend allowed administration support, overtime, and 4th OM from January
Recruitment Costs	90	Underspend allowed use of Recruitment Agency to support succesful national recruitment campaign
Ombudsman Team	101	Investigator underspend used on pool / overtime to aid case closures
<i>misc</i>	7	
	-672	

3. Non-Staff Costs

Non-Staff costs are **underspent by £80k**

There has been a reduction in the month of £15k, the main changes being:

- Reduction in annual report expenditure -£16k
- Increase in HR legal fees £9k
- Lower IT costs -7k

The overall underspend is largely made up of

- A historic rent calculation error was identified in 2021 and reviewed with the external auditors in late March after the budget was set. The result of this is that the budget is £50k higher than required due to on-going recognition of a rent holiday.
- Building service costs are also forecast to be underspent, due to a rebate of £35k for 2020 being received in July.
- IT costs are underspent by £90k. This reflects lower telephony costs as we used less support than budgeted (-£33k), and lower licencing costs (-£60k). The licence fees are lower as a result of less staff than budgeted for.
- £20k underspend on dilapidation cost budget; this is a technical adjustment carried out at year end, dependant on treasury interest rates.

Overspends:

- There is an overspend on HR legal costs of £55k. This includes a provision for legal support, and a potential settlement for a future Employment Tribunal.
- Executive authorised some of the underspend to be spent on community research (Priority 3), resulting in a £19k overspend on research
- Bad debt right offs have exceeded budget by £39k; given the low remaining level of aged debts, then this is unlikely to occur in 2022/23.

4. Capital

Capital came in under budget at £147k. Whilst the budget allocated by MoJ was £250k, we only had a requirement of £190k

As a result of losses of legal staff, then CMS upgrades around judicial work processes have not occurred.

We were also unable to install the additional meeting room Pods in Edward House in 2021/22. This work has been held up by global demand for building products, and in particular office pods as hybrid working solutions are adopted by many organisations.

5. Financial Reporting

a. Income & Expenditure to 31 March 2022

	Month			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Income - Levy	1,216	1,022	195	12,637	13,141	(504)
Income - Case fees	80	107	(27)	935	1,200	(265)
Income - Other	42	12	30	185	144	41
Total Income	1,338	1,141	197	13,757	14,485	(728)
Staff Costs	1,073	900	(173)	10,919	11,567	648
Travel & Subsistence	0	1	1	1	7	7
Fees & Consultancy	70	25	(45)	378	328	(50)
IT & Telecoms	91	115	24	1,289	1,380	90
Premises & Facilities	51	54	3	508	644	136
Other costs	8	4	(4)	101	54	(47)
Total Cash Expenditure	1,293	1,099	(194)	13,197	13,980	783
Interest & Charges	-2	0	3	1	5	4
Depreciation	47	42	(6)	559	500	(59)
Non Cash Expenditure	45	42	(3)	560	505	(55)
Total Revenue Expenditure before tax	1,338	1,141	(197)	13,757	14,485	728
Taxation	0	0	-	0	0	(0)
Total Revenue Expenditure	1,338	1,141	(197)	13,757	14,485	728
Surplus / Deficit	0	-	0	0	0	0
Capital Expenditure	17	40	23	147	104	(43)
Fixed Assets - IT	0	30	30	111	65	(46)
Fixed Assets - Premises	17	10	(7)	36	52	16
Fixed Assets - Lease (IFRS 16)	0	-	-	744	-	-

b. Balance Sheet as at 31 March 2022

Balance Sheet	As at 31 March 2022
	£'000
Premises	847
IT Hardware & Software	332
Total Non Current Assets	1,180
Cash & Bank	18,616
Debtors	17
Prepayments	135
Total Current Assets	18,768
Total Assets	19,947
Creditors	(448)
Accruals	(1,089)
Lease Commitments	(674)
Total Current Liabilities	(2,211)
Net Current Assets	16,557
Net Assets	17,737
Retained Earnings	
Grant in Aid PY / Levy/ Reserves	(17,737)
Reserves	(17,737)

c. Aged Debtors as at 31 March 2022

Current £'000	30 days £'000	60 days £'000	90 days + £'000	total £'000
35	17	2	11	65
54%	26%	4%	16%	

Provision for doubtful debts	-20
Net trade debtors	<u>45</u>

Aged debts (over 60 days) remain at a low level (£13k), reflecting the ongoing control and efforts of the Credit Controller.

This compares with £43k at 31 March 2021 and £276k at 31 March 2020.

d. Trade Creditors – Days to Pay

The challenges of remote working had a significant impact on the timeliness of paying purchase invoices in 2020-21.

During the year the average payment days reduced from 39 days in 2020/21 to 31 days in 2021/22, with the % of invoices paid on time increasing from 34% to 67%.

Improvements in internal processes around authorising of invoices are followed in a timely manner has contributed to this significant improvement.

In Q4 we introduced weekly payment runs to reduce the likelihood of invoices missing their due date by a few days, and we expect this to deliver further improvements in 2022/23.

days to pay	2020/21	2021/22
average payment days	39	31
% of invoices paid on time	34%	67%