

March 2021

Finance report – Month 11

Meeting	OLC Board	Agenda Item No.	5
		Paper No.	113.4B
Date of meeting	31 March 2021	Time required	15 minutes

Title	Finance Report Month 11 2020/21
Sponsor	Michael Letters (Head of Finance)
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary
<ol style="list-style-type: none">1. This paper provides a report on the financial position at the end of Month 11 (February) and an overview of the key issues in the management accounts which are shown below.2. To the end of February 2021, a revenue under-spend of £54k is noted against the revised budget.3. The full year forecast is for expenditure to be £99k below the revised budget of £13.248m (revised to £119k after reporting)4. Case fee income is forecast to be £326k under budget reflecting operational performance through the year. This has increased the final levy invoiced in February.5. The capital budget is largely spent and is forecast to come in at £245k vs £250k budget.
Recommendation/action required
Board is asked to NOTE the report.

Introduction

This paper provides an overview of the OLC's financial position at the end of Month 11 and a commentary on the key issues in the management accounts.

1. Income & Expenditure, and Capital Expenditure

	Month				Year to Date				Full Year			
	Actual	Budget	Revised Budget	Variance	Actual	Budget	Revised Budget	Variance	Forecast	Budget	Revised Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income - Levy	967	936	999	(31)	11,120	10,607	10,986	135	12,211	11,545	11,984	227
Income - Case fees	82	93	93	(11)	722	1,025	1,025	(303)	792	1,118	1,118	(326)
Income - Other	13	12	12	1	143	133	133	10	145	145	145	(0)
Total Income	1,063	1,042	1,104	(41)	11,985	11,765	12,144	(159)	13,149	12,808	13,248	(99)
Staff Costs	835	823	967	132	9,526	9,325	9,674	147	10,444	10,141	10,647	203
Travel & Subsistence	(0)	1	0	0	0	7	1	1	-	7	1	1
Fees & Consultancy	26	24	26	0	259	290	268	9	299	314	313	14
IT & Telecoms	106	97	97	(9)	1,182	1,067	1,067	(115)	1,291	1,164	1,164	(127)
Premises & Facilities	64	64	64	0	699	708	708	9	767	772	772	5
Other costs	7	3	3	(4)	68	38	38	(30)	72	42	42	(30)
Total Cash Expenditure	1,038	1,011	1,158	120	11,734	11,434	11,756	22	12,873	12,440	12,939	66
Interest & Charges	(0)	(7)	(7)	(7)	(2)	(75)	(75)	(73)	(2)	(82)	(82)	(80)
Depreciation	25	37	32	7	253	407	352	99	278	443	383	105
Non Cash Expenditure	25	30	25	0	250	331	276	26	276	361	301	25
Total Revenue Expenditure before tax	1,063	1,042	1,183	120	11,985	11,765	12,032	47	13,149	12,801	13,241	92
Taxation	-	-	1	1	0	-	7	6	-	7	7	7
Total Revenue Expenditure	1,063	1,042	1,184	121	11,985	11,765	12,039	54	13,149	12,808	13,248	99
Surplus / Deficit	(0)	0	(80)	80	0	0	105	(105)	(0)	(0)	(0)	(0)
Capital Expenditure	58	59		1	204	149		(55)	240	250		10
Fixed Assets - IT	31	59		28	163	126		(38)	162	205		43
Fixed Assets - Premises	27	-		(27)	41	23		(18)	78	45		(33)

The main points in this table are highlighted in the following sections.

2. Period 11 Year to Date Gross Expenditure position

At the end of Month 11 LeO is reporting a year-to-date underspend of £54k against the revised revenue expenditure budget.

Individual variations to be noted reflect the areas of concern highlighted in the period 9 report.

- Staffing is £147k underspent – reflecting delays in recruiting to the new posts and the effect of attrition.
- £115k overspend on IT.
- £67k. Interest (after CT) is lower than budget as we are no longer getting any interest on our cash balances following the change to the base rates in March 2020.

- £99k depreciation underspend. The full year cost of depreciation has been reduced following the adjustment to the useful life of the CMS system from 3 years to 5 years.

3. Income

The year to date invoicing of Case Fee Income is £722,000 vs the budget of £1,025,000 – an under recovery of £303,000. Projected case fee income is £792,000 – a full year deficit of £326,000.

This reflects current business performance. As a result the final levy has increased accordingly as per the levy mechanism rules. These were invoiced in February.

4. Current Forecast

The forecast as at period 11 is for a final position of £99,000 revenue expenditure underspend. This reflects the full year position of the variances noted in section 2.

Since reporting, this is forecast to increase to £119k as per the underspend report.

5. Capital Programme

The Capital Programme Budget for 2020/21 is £250,000. By the end of February £204,000 has been spent. The final activities, including delivery of equipment, are progressing in March, and the forecast is for most of the budget to be spent by year end (£245k).

The spend by category is as follows:

CMS Small changes	4,600
CMS/System Enhancements	33,300
DSE and Home Working (COVID)	39,000
AI Implementation	30,700
BI Implementation	1,000
Infrastructure and Equipment Upgrade	93,000
Office and environment upgrade	43,500
	245,100

6. Balance Sheet

Balance Sheet	As at 28 February 2021
	£'000
Premises	398
IT Hardware & Software	437
Total Non Current Assets	835
Cash & Bank	7,170
Debtors	11,213
Prepayments	261
Total Current Assets	18,644
Total Assets	19,479
Creditors	(714)
Accruals	(685)
Lease Commitments	(340)
Total Current Liabilities	1,738
Net Current Assets	16,906
Net Assets	17,741
Retained Earnings	
Grant in Aid PY / Levy/ Reserves	(17,741)
Reserves	(17,741)

Bank balances are at their low point as we would expect at this point of the financial year. Levy income is invoiced in February, and is paid in March, thus restoring the bank balance.

The debtors balance largely reflects the accrued levy income (£11.1m) which will be collected in March.

7. Aged Debtors

Trade debtors analysis

Current	30 days	60 days	90 days +	total
£'000	£'000	£'000	£'000	£'000
43	21	7	55	127
34%	17%	6%	43%	

Provision for doubtful debts	-36
Net trade debtors	<u>91</u>

Aged debts (over 60 days) have fallen from £276k at the start of the year to £62k.

Whilst this includes £64k of bad debt write off (mainly companies in liquidation), this also reflects the hard work and persistence of the new credit controller.

Over £800k of income has been collected in the year and demonstrates a level of control which was missing a year ago – particularly in the investigation and collection of historic debts. There has also been an increased use of on-line claims (MCOL) that has helped with the recovery of some aged debts.