

<b>Meeting</b>	OLC Board	<b>Agenda Item No.</b>	8
		<b>Paper No.</b>	106.6
<b>Date of meeting</b>	27 July 2020	<b>Time required</b>	10 minutes

<b>Title</b>	<b>Finance Report Month 3 2020/21</b>
<b>Sponsor</b>	Michael Letters (Head of Finance)
<b>Status</b>	OFFICIAL
<b>To be communicated to:</b>	Members and those in attendance

<b>Executive summary</b>
<ol style="list-style-type: none"> <li>1. This paper provides a report on the financial position at the end of Month 3 (June) and an overview of the key issues in the management accounts which are shown below.</li> <li>2. To the end of June 2020, a revenue underspend of £50,000 is noted due to timing of expenditure. Monthly forecasting will seek to understand and minimise timing differences.</li> <li>3. There has been a significant impact on the performance of the organisation due to Covid19. This is not apparent from the accounts since this is not increasing our expenditure, but reducing what we deliver against our budget.  Identified lost days due to covid-19 absence for caring responsibilities has been tracked in the HR system and is showing an opportunity cost of £68,000 (+ on costs = c. £80,000). This is only where special leave for caring responsibilities has been granted, and does not cover where caring responsibilities are having an impact on staff efficiency and productivity.  Sickness absence costs as a result of confirmed cases of Covid-19 are zero. There does not appear to be a significant difference in sickness absence levels or compassionate leave compared to last year.</li> <li>4. LeO is currently forecast to overspend by £90,000 in 2020/21. A plan to mitigate this is being developed and a revised budget reflecting this will be reported to the next board meeting.</li> </ol>
<b>Recommendation/action required</b>
Board is asked to <b>NOTE</b> the report.

June 2020

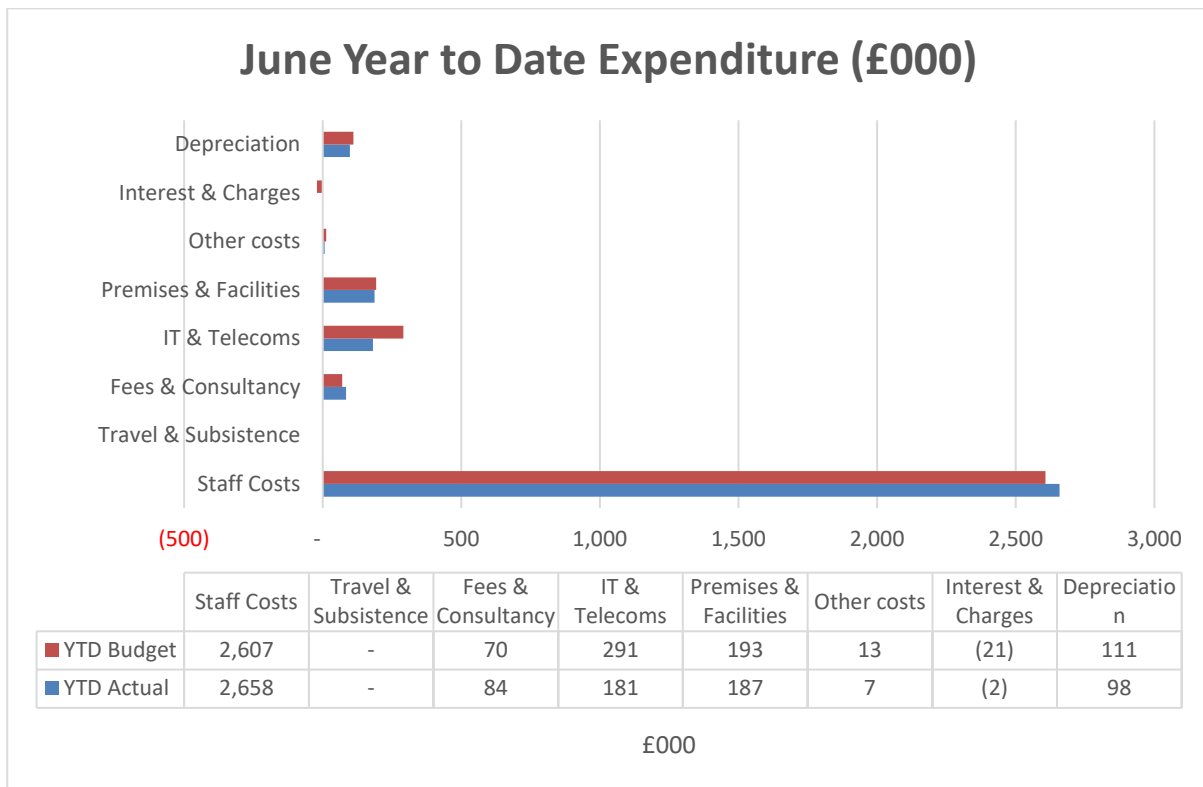
## Finance report – Month 3

### 1. Introduction

This paper provides an overview of the OLC’s financial position at the end of Month 3 and a commentary on the key issues in the management accounts.

### 2. Period 3 Year to Date Gross Expenditure

At the end of Month 3 LeO is reporting a year-to-date underspend of £50,000 against the revenue budget.



The principal variations are as follows:

Staff costs are overspent by £51,000 year to date. This is principally driven by the use of pool ombudsmen (£16,000) and FSR temporary staff (£14,000). These issues are being addressed. A budgetary error has resulted in the remaining £21,000 overspend.

There is a significant underspend in IT and Telecoms of £110,000. There are a number of delays caused to the commencement of IT projects such as CRM enhancements due to Covid19 related working issues. These projects are now underway, and so the overall IT expenditure is currently expected to increase nearer to budget, but a forensic look at IT expenditure has been instigated to forecast full year expenditure expectations.

### 3. Income & Expenditure, and Capital Expenditure

	Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income - Levy	1,001	983	18	2,986	2,948	(39)	11,545	11,640	95
Income - Case fees	71	93	(22)	174	280	106	1,118	1,118	-
Income - Other	30	12	18	54	36	(18)	145	145	-
<b>Total Income</b>	<b>1,101</b>	<b>1,088</b>	<b>14</b>	<b>3,214</b>	<b>3,263</b>	<b>50</b>	<b>12,808</b>	<b>12,903</b>	<b>95</b>
Staff Costs	887	867	(20)	2,658	2,607	(52)	10,141	10,582	(440)
Travel & Subsistence	-	-	-	-	-	-	7	5	2
Fees & Consultancy	50	23	(27)	84	70	(14)	314	314	-
IT & Telecoms	68	97	29	181	291	110	1,164	994	170
Premises & Facilities	58	64	7	187	193	6	772	758	15
Other costs	6	6	1	7	13	6	42	8	34
<b>Total Cash Expenditure</b>	<b>1,068</b>	<b>1,058</b>	<b>(10)</b>	<b>3,117</b>	<b>3,173</b>	<b>56</b>	<b>12,440</b>	<b>12,660</b>	<b>(220)</b>
Interest & Charges	-	(7)	(7)	(2)	(21)	(19)	(82)	(82)	-
Depreciation	33	37	4	98	111	12	443	408	35
<b>Non Cash Expenditure</b>	<b>33</b>	<b>37</b>	<b>4</b>	<b>98</b>	<b>111</b>	<b>12</b>	<b>443</b>	<b>408</b>	<b>35</b>
<b>Total Revenue Expenditure before tax</b>	<b>1,102</b>	<b>1,088</b>	<b>(14)</b>	<b>3,214</b>	<b>3,264</b>	<b>50</b>	<b>12,801</b>	<b>12,986</b>	<b>(185)</b>
Taxation	-	-	-	-	-	-	7	7	-
<b>Total Revenue Expenditure</b>	<b>1,102</b>	<b>1,088</b>	<b>(14)</b>	<b>3,214</b>	<b>3,264</b>	<b>50</b>	<b>12,808</b>	<b>12,993</b>	<b>(185)</b>
<b>Capital Expenditure</b>	<b>10</b>	<b>19</b>	<b>9</b>	<b>29</b>	<b>27</b>	<b>(2)</b>	<b>250</b>	<b>250</b>	<b>-</b>
Fixed Assets - IT	3	19	16	23	27	4	205	205	-
Fixed Assets - Premises	6	-	(6)	6	-	(6)	45	45	-

## 4. Expenditure by Cost Centre

		Month			Year to date		
		Actual	Budget	Variance	Actual	Budget	Variance
		£'000	£'000	£'000	£'000	£'000	£'000
CEO	101	32	37	5	98	111	13
Ombudsman team	201	59	53	(6)	198	158	(40)
Legal	202	15	17	3	45	51	6
External Affairs	203	11	15	3	41	38	(3)
Insight	204	3	3	(0)	8	8	0
Operational Transformation	205	17	21	4	48	64	15
Operations Hub	206	46	40	(5)	129	121	(7)
Operations Delivery	301	37	37	0	110	110	1
Resolution Centre	302	474	459	(15)	1,415	1,382	(33)
GET	305	69	74	4	211	222	11
Facilities	502	47	53	6	153	159	6
Finance	503	63	49	(13)	134	148	14
HR	504	61	39	(22)	158	118	(40)
IT & Telecoms	505	121	141	20	319	423	104
Corporate Overhead	507	6	11	4	27	32	4
PMO	510	8	9	1	24	26	2
		-	-	-	-	-	-
<b>Total Cost excl. Reserves</b>		<b>1,068</b>	<b>1,056</b>	<b>(12)</b>	<b>3,117</b>	<b>3,169</b>	<b>51</b>
Provision for Doubtful Debts	100	-	1	1	(0)	4	5
		<b>1,068</b>	<b>1,058</b>	<b>(11)</b>	<b>3,117</b>	<b>3,173</b>	<b>56</b>
Interest & Charges	503	-	(7)	(7)	(2)	(21)	(19)
Depreciation	503	33	37	4	98	111	12
		<b>1,102</b>	<b>1,088</b>	<b>(14)</b>	<b>3,214</b>	<b>3,264</b>	<b>50</b>

## 5. Income

The year to date invoicing of Case Fee Income is £174,000 vs the budget of £280,000 – an under recovery of £106,000. This is reflecting the current business performance.

## 6. Current Forecast

A comprehensive review of the full year forecast has commenced, and the impact of the management restructure has been considered.

There is currently an identified overspend of £90k which is reflecting the cost of the CO / COO recruitment costs (£60k), and also the need to implement an appropriate support infrastructure to support and enable organisational improvements – particularly supporting improvements in the operational areas to address performance issues. Required expenditure includes management team structural changes, strategic support, and the recruitment of a risk manager.

We will manage the costs carefully and ensure that only necessary expenditure is approved.

## 7. Capital Programme

The Capital Programme Budget for 2020/21 is £250,000. The programme is being delivered by a capital working group and the budget phasing established to ensure that the programme can be closely managed. So far £29,000 against a phased budget of £27,000. Several programmes have been instigated including finance system enhancements and AI implementation.

## 8. Balance Sheet

<b>Balance Sheet</b>		<b>As At 30 June 2020</b>
		£'000
Premises		425
IT Hardware & Software		390
<b>Total Non Current Assets</b>		<b>814</b>
Cash & Bank		15,342
Debtors		3,278
Prepayments		292
<b>Total Current Assets</b>		<b>18,912</b>
<b>Total Assets</b>		<b>19,727</b>
Creditors		(831)
Accruals		(791)
Lease Commitments		(364)
<b>Total Current Liabilities</b>		<b>(1,986)</b>
<b>Net Current Assets</b>		<b>16,926</b>
<b>Net Assets</b>		<b>17,741</b>
		-
Retained Earnings		
Grant in Aid PY / Levy/ Reserves		(17,741)
<b>Reserves</b>		<b>(17,741)</b>

## 9. Aged Debtors

### Trade debtors analysis

Current £'000	30 days £'000	60 days £'000	90 days + £'000	total £'000
38	8	21	252	319
12%	3%	7%	79%	

Provision for doubtful debts	-27
Net trade debtors	<u>292</u>

Aged Debt issues. Collections in June improved towards the end of the month to reflect the use of temporary resource to focus on historic debt collection. Issues around the complexity of sales invoice raising process have reduced time available to chase and collect debts. As a result, we are instigating a business process review to look at streamlining and improving the processes, and identify where system improvements can improve efficiency. The review will commence on 20<sup>th</sup> July.

The position as at the 20<sup>th</sup> July 2020 shows further inroads into collecting aged debts; with the over 60 days and over 90 days debts falling by £53k.