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| Meeting | OLC Board Meeting | Agenda Item No. Paper No. | 5 122.4A |
| Date of meeting | 15 September 2022 | Time required | 10 minutes |

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| Title | Financial Report – Q1 2022/23 |
| Sponsor | Michael Letters (Head of Finance) |

Executive Summary

This paper shows the Q1 actuals against budget, along with key financial reporting for assurance.

Q1 Actual Expenditure

Staff costs are currently £111k underspent (3.7%) The reasons for this are well understood and mitigating actions have been taken such as successfully increasing the numbers of investigators recruited into the Cardiff hub. Additional underspends arising from investigator attrition, and increased maternity leave will be addressed in recruitment of investigators in Q3.

Non-Staff costs are broadly in line with forecast with a small **underspend of £31k (4.5%)** – principally driven by IT underspends which are forecast to increase in the year. There are no overall concerns on non-staff costs.

Full Year Forecast

Finance and Executive Teams are focused on delivering a balanced budget and have reacted to a small emerging underspend. This is resulting in a small forecast overspend (£73k) which will be regularly monitored and actions taken to mitigate this if necessary. There are some expected changes which could reduce this, and also some planned actions which will be taken if necessary to ensure we are not in an end-year overspend position.

Financial Reporting

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

Board members 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 37 days for Q1. This was caused by an error on the treatment of BCC rates; without this, the average days would have been 30 days

Recommendation/action required

Board is asked to note this report

Financial Report

1. Income

Case Fee income is £100k under budget reflecting the fact that the high closures achieved in Q1 have largely come from front end initiatives which do not attract a case fee. As the balance shifts back towards investigation closures the income should be recovered. Any short fall in case fee income will affect the levy income since this is how the scheme operates. This will be monitored monthly, and we will update Board on this through regular finance updates.

2. Actual Expenditure - Staff Costs

Staff costs are **underspent by £111k (3.6%) year to date**.

This is under control, with action being taken to resolve this which are detailed below, such as increasing the recruitment in Cardiff, and flexing the number of investigators to be recruited in Q3.

The underspend is mainly driven by the resolution centre team (£125k underspend) where the staff expenditure has been affected by the following;

- There are more employees on maternity leave than budgeted, many of whom are at the late stage of their maternity leave where they receive no pay.
- The investigator budget starts at a higher budget in Q1 (it reduces monthly) so any underspend is amplified in Q1, but means that it is easier to recover in the later quarters.

As a result of the regular monitoring of staff numbers, including monthly meetings between Finance, Operations, and Business Intelligence, the planned number of investigators being recruited for the Cardiff hub was increased at an early stage to proactively address the movement in investigator numbers and 13 investigators started in Cardiff on 27 June. Ongoing review and forecasting of staff numbers will inform future recruitment requirements.

The Ombudsman team budget does not include a budget for pool ombudsman and overtime expenditure, but by carrying a limited level of vacancies, this allows the spending on pool and overtime which is a helpful resource. Due to holidays and sickness in the pool resource the Ombudsman team was underspent in April and May, meeting budget in June to give a quarterly underspend of £23k. It is forecast to meet the budget for the year through increased use of the pool resource.

3. Actual Expenditure - Non-Staff Costs

Non-Staff costs are broadly in line with forecast with a small **underspend of £31k (4.5%)**. These are being reviewed with budget holders, but there are no overall concerns at this stage.

The principal underspend is in IT – driven by licence costs which will increase as the workforce increases.

4. Actual Expenditure - Capital

The capital expenditure in Q1 is £69k vs a budget of £63k. Capital expenditure tends to be uneven and will be managed to budget for the year.

The principal expenditure in the quarter is on premises with Cardiff Hub fit out, and office pods being recognised in Q1, along with air conditioning for the new IT room. IT expenditure includes £10k of CMS development – principally meeting requirements of the Legal team.

5. Forecast Expenditure

This is being carefully managed and following a forecast underspend at the end of June, the Executive Team put in place a number of mitigations including changes to the investigator recruitment – increasing the numbers to be recruited, and pulling forward the induction date. Use of a recruitment agency will help deliver this, but also increase expenditure and thus reduce any underspend. As we continue to manage this closely, attrition is being reviewed regularly, and the number of investigators appointed will reflect the latest possible staff numbers forecast.

As at 11 August, the forecast was for a £73k overspend, but with Executive clarity on how this may be reduced. This includes possible additional recovery of historic legal fees which is being driven by the Legal Manager. Another £10k - £20k seems possible.

A further reduction in underspend would also occur if there are any increases in the Bank of England base rate. As an example, a 0.5% increase in October would add an additional £15k of income (after corporation tax) in year.

6. Financial Reporting

a. Income & Expenditure to 30 June 2022

| | Month | | | Year to Date | | |
|---|--------------|--------------|-------------|--------------|--------------|--------------|
| | Actual | Budget | Variance | Actual | Budget | Variance |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income - Levy | 1,126 | 1,149 | (23) | 3,425 | 3,461 | (37) |
| Income - Case fees | 66 | 100 | (34) | 200 | 300 | (100) |
| Income - Other | 13 | 15 | (2) | 39 | 45 | (6) |
| Total Income | 1,206 | 1,264 | (58) | 3,664 | 3,806 | (142) |
| Staff Costs | 998 | 1,032 | 33 | 3,003 | 3,114 | 111 |
| Travel & Subsistence | 0 | 1 | 1 | 0 | 2 | 2 |
| Fees & Consultancy | 10 | 26 | 16 | 62 | 75 | 13 |
| IT & Telecoms | 103 | 118 | 15 | 323 | 354 | 31 |
| Premises & Facilities | 53 | 43 | (10) | 141 | 128 | (12) |
| Other costs | 4 | 5 | 1 | 17 | 14 | (4) |
| Total Cash Expenditure | 1,169 | 1,224 | 55 | 3,546 | 3,686 | 140 |
| Interest & Charges | -12 | -7 | 5 | -26 | -22 | 4 |
| Depreciation | 49 | 47 | (2) | 144 | 142 | (2) |
| Non Cash Expenditure | 37 | 40 | 3 | 118 | 120 | 2 |
| Total Revenue Expenditure before tax | 1,206 | 1,264 | 58 | 3,664 | 3,806 | 142 |
| Taxation | 0 | 0 | - | 0 | 0 | - |
| Total Revenue Expenditure | 1,206 | 1,264 | 58 | 3,664 | 3,806 | 142 |
| | | | | 661 | 693 | 31 |
| Surplus / Deficit | (0) | (0) | (0) | 0 | 0 | 0 |
| Capital Expenditure | 66 | 40 | (26) | 69 | 63 | (7) |
| Fixed Assets - IT | 13 | 30 | 17 | 16 | 41 | 25 |
| Fixed Assets - Premises | 53 | 10 | (43) | 53 | 22 | (32) |

b. Balance Sheet as at 30 June 2022

| Balance Sheet | As at 30 June 2022 £'000 |
|----------------------------------|--------------------------------|
| Premises | 813 |
| IT Hardware & Software | 292 |
| Total Non Current Assets | 1,105 |
| Cash & Bank | 14,842 |
| Debtors | 3,411 |
| Prepayments | 367 |
| Total Current Assets | 18,621 |
| Total Assets | 19,725 |
| Creditors | (662) |
| Accruals | (728) |
| Lease Commitments | (598) |
| Total Current Liabilities | (1,989) |
| Net Current Assets | 16,632 |
| Net Assets | 17,737 |
| Retained Earnings | |
| Grant in Aid PY / Levy/ Reserves | (17,737) |
| Reserves | (17,737) |

c. Aged Debtors as at 30 June 2022

Trade debtors analysis

| Current | 30 days | 60 days | 90 days + | total |
|---------|---------|---------|-----------|-------|
| £'000 | £'000 | £'000 | £'000 | £'000 |
| 35 | 10 | 4 | 10 | 59 |
| 60% | 16% | 7% | 17% | |

| | |
|------------------------------|-----------|
| Provision for doubtful debts | -17 |
| Net trade debtors | <u>42</u> |

Aged debts (over 60 days) remain low at £14k.

d. Trade Creditors – Days to Pay

| days to pay | 2020/21 | 2021/22 | 2022/23 Q1 | Adjusted * |
|----------------------------|---------|---------|------------|------------|
| average payment days | 39 | 31 | 37 | 30 |
| % of invoices paid on time | 34% | 67% | 54% | 62% |

In Q1, the percentage of invoices paid on time has reduced to 54%.

Two issues have caused this:

- Birmingham CC rates are paid by direct debit, so are removed from the payment run. Unfortunately 49 car park rates invoices were removed in error – without this the remaining invoices were paid on average after 30 days, with 62% paid on time. This issue is now resolved.
- A number of invoices were paid just a few days late; 12% of invoices were paid within 31-35 days – over half were HR invoices where approval has been largely driven by a lack of capacity within the HR team hampering their ability to request POs and authorise invoices on a timely basis. The finance team is assisting HR in resolving this issue.

As we start Q2, July shows an improved position with 90% of invoices paid on time, and average payment days reduced to 24 days.