Meeting	Board	Agenda Item No. Paper No.	6 118.4
Date of meeting	26 January 2022	**Time required**	10 minutes

Title	Financial Report – November Month End
Sponsor	Michael Letters (Head of Finance)

Executive Summary
This paper shows the current full year financial forecast underspend against budget, along with key financial reporting for assurance. **Financial Forecast** Staff costs are currently forecast to be £**772**k underspent (6.7%). This is a £58k reduction from last month due to a number of changes. Recruitment and retention of staff in the Resolution Centre remains a significant challenge, and an underspend of **£671k** is forecast in Resolution Centre. Non-Staff costs are also forecast to be underspent by £103k resulting in an overall forecast underspend of **£815k.** **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 28 days year to date, compared to 39 days last year. There is continued focus on improving the number of supplier invoices paid on time; 64% of invoices were paid on time this quarter.
Recommendation/action required
Board is asked to note this report

Financial Report

1. Income Forecast

Case Fee income is forecast to be £227k under budget reflecting the vacancies and consequent performance challenges in operations.

Combined with the forecast underspend of £898k, this is leading to a forecast levy of £672k below budget. As a result the sector will receive lower invoices in February for the 2021/22 levy than anticipated.

2. Staff Cost Forecast

Staff costs are forecast to be **underspent by £772k (6.7%).**
This is a movement of £58k from the previous month.

The main reduction (£29k) is in the Resolution Centre where there has been a delay to the start date for the new cohort from 28th February to 7th and 14th March due to delays in the recruitment process.

The HR team forecast is reduced by £22k to reflect the loss of some temporary cover, and issues in recruiting in this team.

There are a further £7k of minor movements across other teams.

3. Non-Staff Costs

Non-Staff costs are forecast to be **underspent by £126k**, a movement of £25k.

The IT forecast has reduced by £33k. This reflects reduced support costs (£20k) and reduced HR system costs (£13k) and further investigations are taking place to understand this more fully.

Overall Forecast Underspend £898k (6.2%)

4. Financial Reporting

a. Income & Expenditure to 30 November 2021

	Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Income - Levy	1,110	1,124	(14)	9,150	9,847	(697)	12,470	13,141	(672)
Income - Case fees	62	104	(42)	703	882	(179)	973	1,200	(227)
Income - Other	13	12	1	117	108	9	144	144	-
Total Income	**1,185**	**1,240**	**(55)**	**9,970**	**10,837**	**(867)**	**13,587**	**14,485**	**(898)**
Staff Costs	952	1,000	47	7,907	8,668	761	10,795	11,567	772
Travel & Subsistence	0	1	0	0	5	5	1	7	6
Fees & Consultancy	22	25	2	226	226	0	341	328	(13)
IT & Telecoms	105	115	10	974	1,035	60	1,282	1,380	98
Premises & Facilities	38	54	15	364	483	119	507	644	137
Other costs	20	4	(15)	77	41	(36)	89	54	(35)
Total Cash Expenditure	**1,138**	**1,198**	**60**	**9,549**	**10,458**	**909**	**13,015**	**13,980**	**965**
Interest & Charges	0	0	(0)	4	4	(0)	5	5	-
Depreciation	47	42	(5)	417	375	(42)	567	500	(67)
Non Cash Expenditure	**47**	**42**	**(5)**	**421**	**379**	**(42)**	**572**	**505**	**(67)**
Total Revenue Expenditure before tax	**1,185**	**1,240**	**55**	**9,970**	**10,837**	**867**	**13,587**	**14,485**	**898**
Taxation	0	-	(0)	0	-	(0)	-	-	-
Total Revenue Expenditure	**1,186**	**1,240**	**55**	**9,970**	**10,837**	**867**	**13,587**	**14,485**	**898**
Surplus / Deficit	**(0)**	**-**	**(0)**	**(0)**	**0**	**(0)**	**-**	**0**	**-**
Capital Expenditure	6	40	34	94	104	10	250	250	-
Fixed Assets - IT	3	*30*	27	76	65	(11)	125	125	-
Fixed Assets - Premises	3	*10*	7	18	52	34	125	125	-
Fixed Assets - Lease (IFRS 16)	-	-	-	*744*	-	-	*744*		-

b. Balance Sheet as at 31 December 2021

Balance Sheet	**As at 31 December 2021**
	£'000
Premises	914
IT Hardware & Software	355
Total Non Current Assets	**1,269**
Cash & Bank	9,403
Debtors	9,081
Prepayments	219
Total Current Assets	**18,703**
Total Assets	**19,971**
Creditors	(511)
Accruals	(975)
Lease Commitments	(749)
Total Current Liabilities	**(2,235)**
Net Current Assets	**16,468**
Net Assets	**17,737**
Retained Earnings	
Grant in Aid PY / Levy/ Reserves	(17,737)
Reserves	**(17,737)**

c. Aged Debtors as at 31 December 2021

Trade debtors analysis

Current £'000	30 days £'000	60 days £'000	90 days + £'000	total £'000
30	10	7	16	64
47%	16%	11%	25%	

Provision for doubtful debts	-20
Net trade debtors	44

Aged debts (over 60 days) remain at a low level (£23k).

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. There is a commitment to reducing the average payment days and ensuring that the internal processes around authorising of invoices are followed in a timely manner.

This has significantly improved in 2021-22, and the finance team continue to review the process to drive this improvement.

days to pay	*2020/21*	Q1	Q2	Q3
average payment days	*39*	29	28	27
% of invoices paid on time	*34%*	46%	65%	64%

5. 2022/23 Budget Monitoring

The Executive are very focused on learning lessons from 2021/22 to avoid delivering an underspend in 2022/23.

As a result, we are planning to enter the year with additional investigators to not only start the year with the budgeted complement of staff, but to mitigate the estimated attrition in the year. This is in contrast to 2021/22 where the operational team did not start at the budgeted level, and had the additional challenge of growing the investigator team by 22%.

In addition, the vacancy factor in the 2022/23 budget has been increased to £456,000 from 2021/22 vacancy factor of £306,000 reflecting the experience of 2022/23, and a continued expectation of significant corporate staff turnover.

We have implemented more rigorous monitoring of budget assumptions and cost drivers and this will enable us to react more quickly to attrition and enable any underspends to be reacted to – for example recruiting more operational staff during the year, or bringing in temporary resources. Similarly, if there is lower attrition than forecast, proactive management will enable us to put in mitigating actions such as holding vacancies or restricting non staff spend.