

August 2020

Finance report – Month 5

Meeting	OLC Board	Agenda Item No.	8
		Paper No.	107.5
Date of meeting	28 September 2020	Time required	10 minutes

Title	Finance Report Month 5 2020/21
Sponsor	Michael Letters (Head of Finance)
Status	OFFICIAL
To be communicated to:	Members and those in attendance

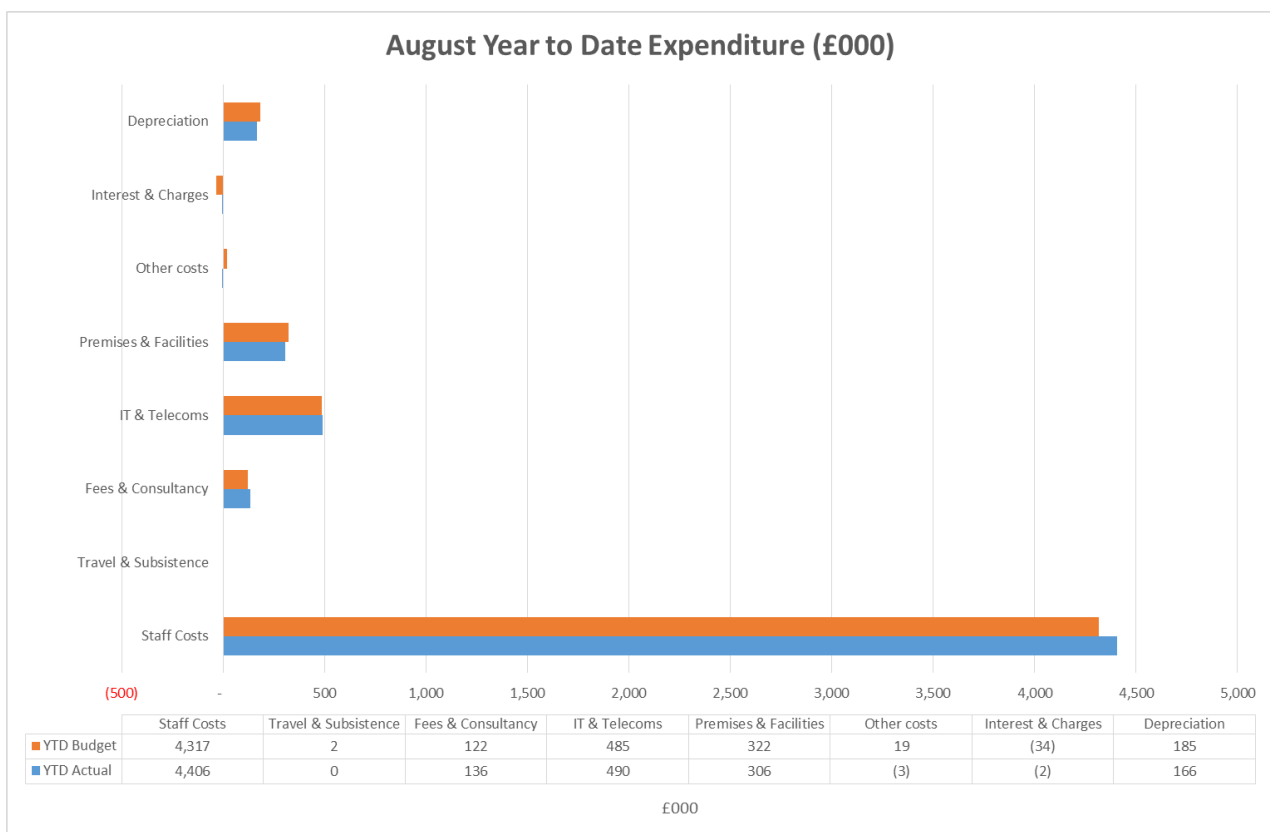
Executive summary
<ol style="list-style-type: none">1. This paper provides a report on the financial position at the end of Month 5 (August) and an overview of the key issues in the management accounts which are shown below.2. To the end of August 2020, a revenue overspend of £83,000 is noted.3. There 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.4. LeO is currently forecast to overspend by £344,000 in 2020/21. Options to mitigate this have been developed; the ideal being an interim budget increase being agreed by the LSB.
Recommendation/action required
Board is asked to NOTE the report.

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 5 Year to Date Gross Expenditure

At the end of Month 5 LeO is reporting a year-to-date overspend of £83,000 against the revenue budget.



The principal variations are as follows:

Staff costs are overspent by £89,000 year to date. This is principally driven by the use of pool ombudsmen and FSR temporary staff, along with budgetary errors. These issues are being addressed.

IT spend has now caught up with budget, and the Head of IT is finalising the full year forecast for IT expenditure.

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	1,180	957	223	5,159	4,890	(269)	11,919	11,545	374
Income - Case fees	42	93	(52)	276	466	190	839	1,118	(279)
Income - Other	13	12	1	65	61	(4)	145	145	-
Total Income	1,234	1,062	172	5,499	5,416	(83)	12,903	12,808	95
Staff Costs	894	844	(50)	4,406	4,317	(89)	10,647	10,141	(506)
Travel & Subsistence	-	1	1	0	2	2	4	7	3
Fees & Consultancy	23	23	1	136	122	(14)	313	314	1
IT & Telecoms	234	97	(137)	490	485	(5)	1,104	1,164	60
Premises & Facilities	59	64	5	306	322	16	769	772	3
Other costs	(9)	3	12	(3)	19	21	42	42	-
Total Cash Expenditure	1,200	1,032	(168)	5,335	5,266	(69)	12,879	12,440	(439)
Interest & Charges	-	(7)	(7)	(2)	(34)	(32)	(82)	(82)	-
Depreciation	34	37	3	166	185	19	443	443	-
Non Cash Expenditure	34	37	3	166	185	19	443	443	-
Total Revenue Expenditure before tax	1,234	1,062	(172)	5,499	5,416	(83)	13,240	12,801	(439)
Taxation	-	-	-	-	-	-	7	7	-
Total Revenue Expenditure	1,234	1,062	(172)	5,499	5,416	(83)	13,247	12,808	(439)
Surplus / Deficit	(0)	(0)	0	(0)	0	(0)	(344)	(0)	(344)
Capital Expenditure	27	49	22	59	45	(13)	250	250	-
Fixed Assets - IT	27	42	15	50	18	(32)	205	205	-
Fixed Assets - Premises	-	7	7	8	27	19	45	45	-

4. Expenditure by Cost Centre

		Month			Year to date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
CEO	101	36	37	1	169	185	16
Ombudsman team	201	68	53	(16)	335	263	(73)
Legal	202	8	17	9	77	85	8
External Affairs	203	12	12	(1)	64	62	(3)
Insight	204	3	3	0	13	18	5
Operational Transformation	205	24	21	(2)	106	106	0
Operations Hub	206	47	40	(7)	215	202	(13)
Operations Delivery	301	25	37	12	163	184	21
Resolution Centre	302	474	456	(18)	2,339	2,297	(42)
GET	305	71	74	3	352	370	18
Facilities	502	52	53	1	254	264	10
Finance	503	29	29	0	196	227	31
HR	504	50	39	(11)	244	197	(48)
IT & Telecoms	505	281	141	(140)	722	704	(17)
Corporate Overhead	507	23	11	(12)	55	53	(2)
PMO	510	8	9	1	40	43	3
		-	-	-	-	-	-
Total Cost excl. Reserves		1,210	1,031	(179)	5,344	5,259	(85)
Provision for Doubtful Debts	100	(10)	1	11	(9)	(7)	1
		1,200	1,032	(168)	5,335	5,252	(84)
Interest & Charges	503	-	(7)	(7)	(2)	(34)	(33)
Depreciation	503	34	37	3	166	185	19
		1,234	1,062	(172)	5,499	5,402	(97)

5. Income

The year to date invoicing of Case Fee Income is £276,000 vs the budget of £466,000 – an under recovery of £190,000. This is reflecting the current business performance, and will lead to an increased final levy.

6. Current Forecast

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

The previously identified overspend of £90k has grown to £344k reflecting the following changes:

- **£52k** - increased restructure costs following the implementation of further measures.
- A further **£10k** for CO/ COO recruitment costs to cover psychometric testing.
- **£100k** provision for holiday accruals due to Covid19 pandemic.
- **£44k** increase in IT expenditure forecast (still under budget)
- **£20k** Independent productivity survey
- **£17k** Diversity & Inclusion Manager (from December)
- **£13k** Policy Officer (from December)

7. Capital Programme

The Capital Programme Budget for 2020/21 is £250,000. So far £59,000 has been spent, and the capital working group is working with the Head of IT to ensure the programme of work is delivered.

8. Cash Reserves

The question of whether the Legal Ombudsman can use any of their reserves has been raised with MOJ (through the Arms Length Body Finance Business Partner) and this is being discussed between MOJ and the treasury.

a. Reserve Requirement

The reserves are intended to cover the cost of closing the Legal Ombudsman.

The main costs of closures that I have identified would be as follows;

- 3 months consultation (arguably not a closure cost since this is providing on-going operations) £2.6m
- Redundancy calculation £1.4m
- Lease commitment £1.4m (4 years max @ £295k + vat)
- Estimated Legal costs £0.1m

Total £5.5m

As a result, it seems clear that, apart from providing cash flow benefits, the reserves are significantly in excess of that required.

b. Repurposing the Reserve

The authorisation to use our reserves would resolve the current budgetary challenges, and seems to be consistent with what has happened elsewhere in the public sector – for example many local government authorities have reduced reserves since the austerity agenda (2010 onwards) in order to maintain services / reduce increases in council tax.

The current reserves (as at 31st March 2020) are £17.7m which is approximately 1.5 years' operating costs. This has grown from £16.1m in the 2015/16 accounts.

9. Balance Sheet

Balance Sheet	As At 31 August 2020 £'000
Premises	411
IT Hardware & Software	365
Total Non Current Assets	777
Cash & Bank	13,607
Debtors	5,318
Prepayments	622
Total Current Assets	19,546
Total Assets	20,323
Creditors	(1,451)
Accruals	(859)
Lease Commitments	(272)
Total Current Liabilities	(2,582)
Net Current Assets	16,964
Net Assets	17,741
Retained Earnings	-
Grant in Aid PY / Levy/ Reserves	(17,741)
Reserves	(17,741)

10. Aged Debtors

Trade debtors analysis

Current	30 days	60 days	90 days	total
£'000	£'000	£'000		£'000
26	18	14	121	179

Provision for doubtful debts	-19
Net trade debtors	<u>160</u>

The total debt from case fees has decreased significantly from a balance of £319k reported at July month end to £179k (before provisions) – a reduction of £140k.

The historic aged debts (debts over 60 days) was £276k at year end. £168k of this has now been recovered.