

September 2020

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## Finance report – Month 6

<b>Meeting</b>	OLC Board	<b>Agenda Item No.</b>	6
		<b>Paper No.</b>	109.5
<b>Date of meeting</b>	26 October 2020	<b>Time required</b>	10 minutes

<b>Title</b>	<b>Finance Report Month 6 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 6 (September) and an overview of the key issues in the management accounts which are shown below.</li><li>2. To the end of September 2020, a revenue over-spend of £139,000 is noted. This is in line with the previously noted position of a full year overspend.</li><li>3. 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.</li></ol>
<b>Recommendation/action required</b>
Board is asked to <b>NOTE</b> the report.

## 1. Introduction

This paper provides an overview of the OLC's financial position at the end of Month 6 and a commentary on the key issues in the management accounts.

Whilst a significant amount of focus has been on preparing next year's budget this is dealt with in a separate paper as so is not referenced here.

## 2. Period 6 Year to Date Gross Expenditure

At the end of Month 6 LeO is reporting a year-to-date overspend of £139,000 against the revenue budget.

The principal variations are as follows:

Staff costs are overspent by £118,000 year to date (this includes year to date accruals for pay remit and annual bonus – this is dependent on interim budget approval). As previously discussed, this is principally driven by budgetary errors. These issues are being addressed. It also reflects a £28k overspend on recruitment due to interim payments on the CO/COO recruitment costs.

IT spend is now showing a small overspend and the Head of IT is carefully managing the costs to ensure that this is delivered within budget.

Interest 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.

### 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	1,039	957	82	6,198	5,847	350	11,919	11,545	374
Income - Case fees	67	93	(26)	342	559	(217)	839	1,118	(279)
Income - Other	13	12	1	78	73	5	145	145	(0)
<b>Total Income</b>	<b>1,119</b>	<b>1,063</b>	<b>56</b>	<b>6,618</b>	<b>6,479</b>	<b>139</b>	<b>12,903</b>	<b>12,808</b>	<b>95</b>
Staff Costs	873	844	(30)	5,279	5,161	(118)	10,585	10,141	(444)
Travel & Subsistence	-	1	1	0	2	2	4	7	3
Fees & Consultancy	16	23	7	152	145	(7)	313	314	1
IT & Telecoms	117	97	(20)	608	582	(26)	1,159	1,164	5
Premises & Facilities	64	64	0	370	386	16	750	772	22
Other costs	14	3	(10)	11	22	11	38	42	4
<b>Total Cash Expenditure</b>	<b>1,085</b>	<b>1,033</b>	<b>(52)</b>	<b>6,420</b>	<b>6,298</b>	<b>(122)</b>	<b>12,849</b>	<b>12,440</b>	<b>(409)</b>
Interest & Charges	-	(7)	(7)	(2)	(41)	(39)	(2)	(82)	(80)
Depreciation	34	37	3	200	222	22	400	443	43
<b>Non Cash Expenditure</b>	<b>34</b>	<b>37</b>	<b>3</b>	<b>200</b>	<b>222</b>	<b>22</b>	<b>400</b>	<b>443</b>	<b>43</b>
<b>Total Revenue Expenditure before tax</b>	<b>1,119</b>	<b>1,063</b>	<b>(56)</b>	<b>6,618</b>	<b>6,479</b>	<b>(139)</b>	<b>13,247</b>	<b>12,801</b>	<b>(446)</b>
Taxation	-	-	-	-	-	-	-	7	7
<b>Total Revenue Expenditure</b>	<b>1,119</b>	<b>1,063</b>	<b>(56)</b>	<b>6,618</b>	<b>6,479</b>	<b>(139)</b>	<b>13,247</b>	<b>12,808</b>	<b>(439)</b>
<b>Surplus / Deficit</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>278</b>	<b>(344)</b>	<b>(0)</b>	<b>(344)</b>
Capital Expenditure	4	49	45	62	45	(17)	250	250	0
Fixed Assets - IT	-	42	42	50	18	(32)	205	205	(0)
Fixed Assets - Premises	4	7	3	12	27	15	45	45	0

## 4. Expenditure by Cost Centre

		Month			Year to date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Corporate & Executive	101	39	37	(2)	208	222	14
Ombudsman team	201	64	53	(11)	399	315	(84)
Legal	202	15	17	3	92	102	10
External Affairs	203	12	12	0	76	74	(2)
Insight	204	3	3	0	15	20	5
Operational Transformation	205	23	21	(2)	128	127	(1)
Operations Support	206	32	40	8	247	242	(5)
Operations Management	301	27	37	9	191	221	30
Resolution Centre	302	462	456	(6)	2,801	2,753	(48)
GET	305	72	74	2	424	443	20
Facilities	502	56	53	(4)	311	317	7
Finance	503	38	29	(8)	233	256	23
HR	504	45	39	(5)	289	236	(53)
IT & Telecoms	505	166	141	(25)	888	845	(43)
Corporate Overhead (Staff Bonus / Apprentice Levy)	507	11	11	0	66	63	(2)
Performance Management Office	510	8	9	1	48	52	4
<b>Total Cost excl. Reserves</b>		<b>1,072</b>	<b>1,031</b>	<b>(41)</b>	<b>6,416</b>	<b>6,290</b>	<b>(126)</b>
Contingency		-	-	-	-	-	-
Provision for Doubtful Debts	100	13	1	(11)	4	9	4
Holiday Accruals					-	-	-
		<b>1,085</b>	<b>1,033</b>	<b>(52)</b>	<b>6,420</b>	<b>6,298</b>	<b>(122)</b>
Interest & Charges	503	-	(7)	(7)	(2)	(41)	(39)
Depreciation	503	34	37	3	200	222	22
		<b>1,119</b>	<b>1,063</b>	<b>(56)</b>	<b>6,618</b>	<b>6,479</b>	<b>(139)</b>

## 5. Income

The year to date invoicing of Case Fee Income is £342,000 vs the budget of £559,000 – an under recovery of £217,000. This is reflecting the current business performance and will lead to an increased final levy. Whilst this continues to be of concern, it is pleasing to note that September's case fee income was £25,000 higher than August, and 21% higher than the August YTD average, reflecting the increased performance being seen in operations.

## 6. Current Forecast

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

The current forecast is for a £344k in line with last month's forecast. There have been some small changes in individual cost areas which mitigate each other.

As separately reported, we are asking LSB for an interim budget adjustment to cover this. Should this not be successful the Executive have already explained the options they will follow to balance the budget.

## 7. Capital Programme

The Capital Programme Budget for 2020/21 is £250,000. So far £62,000 has been spent, and the capital working group is working with the Head of IT to ensure the programme of work is delivered.

## 8. Balance Sheet

<b>Balance Sheet</b>	<b>As at 30 September 2020</b>
	£'000
Premises	408
IT Hardware & Software	339
<b>Total Non Current Assets</b>	<b>746</b>
Cash & Bank	12,635
Debtors	6,327
Prepayments	565
<b>Total Current Assets</b>	<b>19,527</b>
<b>Total Assets</b>	<b>20,273</b>
Creditors	(1,328)
Accruals	(906)
Lease Commitments	(298)
<b>Total Current Liabilities</b>	<b>(2,533)</b>
<b>Net Current Assets</b>	<b>16,964</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
39	12	12	100	163
24%	7%	7%	61%	
Provision for doubtful debts				<u>-32</u>
Net trade debtors				<u>132</u>

The total debt from case fees continues to decrease, and the new credit controller is demonstrating a good level of control on this.

The debt has decreased significantly from a balance of £319k reported at July month end to £163k (before provisions) – a reduction of £156k.

## 10. Financial Control

The external auditor's have issued a management letter concluding their observations from the year end audit. The Head of Finance is meeting them in October to discuss this and will issue a formal response to this. The issued raised, which largely mirror those raised in the audit completion report, are being considered and improvements implemented.

MOJ are funding an interim resource to provide some temporary capacity in finance which will assist in enabling these improvements to be embedded ahead of the start of the year end process.