Meeting	OLC Board	**Agenda Item No.** **Paper No.**	5 91.4
Date of meeting	17 October 2018	**Time required**	15 Minutes

Title	**Finance Report**
Sponsor	Rob Powell, Chief Executive
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary

This paper provides a report on the financial position at the end of month 6. The paper provides a commentary on the key issues in the management accounts which are available in **Appendix 1**.

The paper provides an update on various procurement and contract issues. It clarifies figures from the September Board paper on IT procurement and asks Board to confirm its approval of clarified figures that include VAT and a flexible contingency included in the four year contractual expenditure cap. These were not covered by the figures provided in the September paper and so we need to clarify the financial approval.

A separate paper on today's agenda covers 2019-20 budget principles for presentation to the LSB in November.

Recommendation/action required

Board is asked to:

1. **NOTE** the report; and
2. **APPROVE** expenditure on the IT infrastructure contract of up to [redacted] including VAT. **FoI Exempt s.43 (2)**

17 October 2018

Finance report – month 6

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 usual management accounts (**Appendix 1**). The figures reflects the reforecast prepared by departments in July 2018.

MoJ work to the Treasury performance measure that public bodies should deliver an outturn position within 1% of the budget. Budgeted expenditure after MoJ uplift is estimated to be £14.81m therefore a target expenditure is £14.6 - £15m.

2. YTD performance

At the end of month 6, across both legal and CMC we are reporting an underspend for the year to date of £195k (3%), which reflects the following areas:

- 2% (£89k) underspend on salary costs:
  - a £13k overspend on ombudsman as a result of pool ombudsmen case closures being higher than planned; a revised profiling is being prepared;
  - a £32k underspend on operational staffing arising from the timing of salary grading timing assumptions;
  - a £6k underspend on the General Enquiries Team as a result of availability of agency staff;
  - 2% (£20k) underspend on corporate staffing costs due to timing of staff arrivals and departure and grading changes; and
  - 3% (£14k) overspend on staffing costs CMC as a result of the timing of transfer of staff to legal;
- 6% (£34k) underspend on IT as a result of changes in the timing of work compared with the original profile, which may be compounded by the change freeze associated with the mandatory Version 9 upgrade to MS Dynamics; and
- 26% (£34k) underspend on fees.

Apportionment to both legal and CMC is lower as a result of lower corporate costs than budgeted in IT and staffing, as set out above.

3. Budget against forecast

The forecast has been updated after the end of Q1. The OLC has experienced a number of organisation changes which have changed the timing and allocation of costs between departments. The next reforecast is taking place at the end of P6 and will be reported in P7 numbers in line with MoJ requirements.

The current reforecast has focussed on moving current delegated budget between business areas to reflect changes in business process and ways of working, particularly at the front end of the business process and to support the introduction of the supervision model. We are currently exploring short-term options to invest in increased ombudsman support to improve operational performance.

The year-end forecast outturn currently shows a 4% underspend (£614k) across both jurisdictions. This comprises £540k underspend in CMC as a result of the reforecast in that jurisdiction, and a 15% underspend (£74k) on depreciation, a ring-fenced non-cash budget from which we cannot vire budget to other budget lines.

Budget is being redirected to operational resource in order to address the business priorities to drive improved performance and create a high performance culture.

The key financial risks for the remainder of 2018-19 remain:

- **under-spend on staffing** – the key issues are turnover and the need for better forecasting of staff moving from junior to substantive grades, which is material as a result of the high proportion of staff new in role and so on the junior grade; and
- **controlling unit cost** – with output lower than forecast in the delivery plan, achieving unit cost KPIs requires either cost reductions and/or increased output; we continue to pursue both and will need an ongoing dialogue with Board about the relative priority of each given the investment we still require to build our capability to sustain improved performance in the long-term.

4. Capital budget

The original 2018-19 capital budget was £250k. Capital spend is now being forecast as £163k, and in September the OLC approved the return of £87k of capital budget to the MoJ which we will effect through the P6 reforecast.

5. Procurement

The procurement of a new print supplier was delayed to allow time to consider potential options to combine the separate print and scanning contracts and services, and provide a virtual mailroom. Our scoping work has established that government procurement frameworks and their associated rules prevent this. The print tender will therefore go out in September for printed matter only.

We are finalising plans to exercise our right to extend the scanning contract and if this requires OLC approval, will seek this separately.

Preparations for the transfer of our payroll provision to a third party continue; we are due to go live in their next window for new clients on 1st November 2018 having concluded that the first available window to transfer (August 2018) was slightly too soon for us to complete the necessary preparations.

6. Update on IT infrastructure contract

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]. **FoI Exempt s. 43 (2)**

7. Next steps

The key focus in Q3 will be work to develop the 2019-20 budget proposals, and initial budget principles to present to the LSB, which are a separate item on today's agenda.

An exercise is ongoing to analyse forecast and actual staff costs in each month of 2018-19, to allow us to better understand likely slippage on staffing costs. This will inform budget decisions during the remainder of 2018-19 and budget proposals for 2019-20.