

Meeting	Board	Agenda Item No.	5
		Paper No.	117.4
Date of meeting	14 December 2021	Time required	10 minutes

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

Executive Summary
<p>This paper shows the current full year financial forecast underspend against budget, along with key financial reporting for assurance.</p> <p>Financial Forecast Staff costs are currently forecast to be £714k underspent (6.2%). This is a £173k reduction from last month (£541k) due to a number of changes.</p> <p>Recruitment and retention of staff in the Resolution Centre remains a significant challenge, and an underspend of £642k is forecast in Resolution Centre.</p> <p>Recruitment to replace Service Improvement team vacancies was delayed to minimise the likely impact on Operations teams and the impact on case closures. Some appointments have now been made, but there are still vacancies for a Quality Manager and auditor resulting in a forecast £113k underspend.</p> <p>The Executive team have prioritised interim resource requirements in key areas which will be funded by the underspends from a number of Executive and Corporate vacancies. The proposals total around £148k.</p> <p>Non-Staff costs are also forecast to be underspent by £103k resulting in an overall forecast underspend of £815k.</p> <p>Financial Reporting The Income and Expenditure and Balance Sheets are provided for assurance.</p> <p>Board should note the following:</p> <p>Case Fee Debtors - The aged debt position is at a stable, and low, level.</p> <p>Payment of Creditors - Average payment days are 29 days year to date, compared to 39 days last year.</p> <p>There is continued focus on improving the number of supplier invoices paid on time; 64% of invoices were paid on time this quarter.</p>
Recommendation/action required
Board is asked to note this report

Financial Report

1. Income Forecast

Case Fee income is forecast to be £199k under budget reflecting the vacancies and consequent performance challenges in operations.

Combined with the forecast underspend of £815k, this is leading to a forecast levy of £616k 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 £714k (6.2%)**. This is a movement of £173k from the previous month.

There have been some a number of significant movements in the forecast this month:

- Resolution Centre forecast has reduced by **£50k** reflecting a number of changes;
- Additional attrition and additional sickness than forecast last month.
- The new investigation cohort is now forecast to start 5 weeks later (£57k reduction), although we are now forecasting that we will a higher number than planned based on the success we are seeing from the recruitment process (£29k addition). If the recruitment is successful we will aim to recruit additional investigators to mitigate future backlog. This is being modelled based on average attrition rates and taking into account the vacancy factory that is applied to operations.
- Attrition and recruitment challenges are affecting a number of posts with vacancy gaps or changed forecast start dates for a range of posts (Quality Manager, BI Analyst, Legal Manager, Risk Manager, Project Manager, External Affairs Manager, Executive Assistant and Executive Team vacancy). This has reduced our forecast by **£91k**.
- GET forecast has reduced by **£18k** due to a leaver in November.
- HR staff forecast has decreased by **£14k** to reflect delays in start dates of some temporary resources.

3. Non-Staff Costs

Non-Staff costs are forecast to be **underspent by £101k**

The IT forecast has reduced to a £62k forecast underspend. This reflects reduced monthly licences from attrition / late recruitment, and lower expenditure on CMS enhancements. There are also reduced third party support on Finance and HR systems as we understand the new and updated systems better.

There is also a £51k underspend as a result of a historic rent adjustment.

Overall Forecast Underspend £815k (5.6%)

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	£'000
Income - Levy	1,041	1,123	(81)	8,040	8,722	(682)	12,525	13,141	(616)
Income - Case fees	80	105	(25)	641	779	(138)	1,001	1,200	(199)
Income - Other	13	12	1	104	96	8	144	144	-
Total Income	1,134	1,240	(106)	8,785	9,597	(812)	13,670	14,485	(815)
Staff Costs	904	1,000	96	6,955	7,669	713	10,853	11,567	714
Travel & Subsistence	0	1	0	0	4	4	1	7	6
Fees & Consultancy	23	25	2	204	201	(2)	338	328	(10)
IT & Telecoms	103	115	12	869	920	50	1,315	1,380	65
Premises & Facilities	45	54	8	326	429	104	517	644	127
Other costs	12	4	(7)	57	37	(20)	71	54	(17)
Total Cash Expenditure	1,087	1,198	111	8,411	9,260	849	13,095	13,980	885
Interest & Charges	0	0	0	4	3	(0)	5	5	-
Depreciation	47	42	(6)	370	334	(37)	570	500	(70)
Non Cash Expenditure	48	42	(6)	374	337	(37)	575	505	(70)
Total Revenue Expenditure before tax	1,134	1,240	106	8,785	9,597	812	13,670	14,485	815
Taxation	-	-	-	-	-	-	-	-	-
Total Revenue Expenditure	1,134	1,240	106	8,785	9,597	812	13,670	14,485	815
Surplus / Deficit	(0)	-	(0)	-	0	(0)	-	0	-
Capital Expenditure	4	40	36	88	104	16	250	250	-
Fixed Assets - IT	3	30	27	73	65	(8)	125	125	-
Fixed Assets - Premises	1	10	9	15	52	37	125	125	-
Fixed Assets - Lease (IFRS 16)	-	-	-	744	-	-	744	-	-

b. Aged Debtors as at 30 November 2021

Trade debtors analysis

Current £'000	30 days £'000	60 days £'000	90 days + £'000	total £'000
34	12	6	19	71
48%	17%	8%	27%	

Provision for doubtful debts	-9
Net trade debtors	<u>62</u>

Aged debts (over 60 days) remain at a low level (£25k).

c. Balance Sheet as at 31 October 2021

Balance Sheet	As at 30 November 2021 £'000
Premises	940
IT Hardware & Software	370
Total Non Current Assets	1,310
Cash & Bank	10,512
Debtors	8,039
Prepayments	269
Total Current Assets	18,819
Total Assets	20,129
Creditors	(682)
Accruals	(965)
Lease Commitments	(746)
Total Current Liabilities	(2,392)
Net Current Assets	16,427
Net Assets	17,737
Retained Earnings	
Grant in Aid PY / Levy/ Reserves	(17,737)
Reserves	(17,737)

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. Of the 36% of invoices which were paid late, 10% of these were within 4 days of their due date, and we are reviewing the frequency and timeliness of the payment runs to mitigate this in future.

days to pay	<i>2020/21</i>	Q1	Q2	Q3 to Nov
average payment days	39	29	28	30
% of invoices paid on time	34%	46%	65%	64%