

Financial Performance Report for the 3 months ending 30 June 2019



General Optical Council

Financial Performance Report for the 3 months ending 30 June 2019

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G O C :- Summary P & L to 30 June 2019

	Actual £000's	Budget £000's	Variance £000's	Budget re-visit £000's	Variance £000's
Registrant Income	2,341	2,430	(89)	2,380	(39)
Other Income	104	66	38	67	37
Total Expense	(2,453)	(2,637)	184	(2,577)	124
Surplus / (Deficit) before portfolio gains	(8)	(141)	133	(130)	122

Highlights

The results before unrealised gains for the quarter ending 30 June 2019 show a net deficit of £8k. This is £133k favourable to the budgeted deficit of £141k and £122k favourable to the budget re-visit deficit of £130k.

Registrant Income

The total registrant income of £2,341k is £89k less than the budget and £39k less than the budget re-visit. A combination of lower than expected new registrant numbers in Q1 and higher than expected refunds resulted in the negative variance in registrant income. The end of the three-year CET cycle contributed to the high refunds. Further analysis is currently underway to support improved forecasting of registrant numbers for the Q2 re-forecast.

Expenditure (including Projects)

The total expenditure of £2,453k is £184k favourable to budget and £124k favourable to the budget re-visit.

The key drivers of the improved performance are:

Professional Costs

Slippage and changes in phasing from the budget re-visit have resulted in low expenditure on professional costs in Q1. Communication consultancy related to GOC microsite for business standards of £10k is delayed to July. Positive variances for internal audit (+£6k), IT consultancy (+£5k), HR consultancy (+£4k) and HR legal advice cost (+£4k) are due to changes in phasing.

Staff Costs

There is an overall positive variance of £29k on staff costs. Staff headcount is slightly lower (2.5 Fte's at the end of June) compared to budget re-visit figures. New employees starting later than expected and statutory maternity pay recovery (not budgeted) have contributed to the positive variance. Several staff vacancies are currently filled by temporary staff which is categorised under the "Other Staff Costs" category which is £19k over budget.

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IT Costs

Additional expenditure, which was not originally budgeted was incurred to Celerity on the 3-month help-desk trial. This use of funds was agreed by SMT as a priority for use of any underspend in order to address a long-standing need to analyse help-desk queries in order that we can address the underlying causes of a high volume of queries.

Case Progression

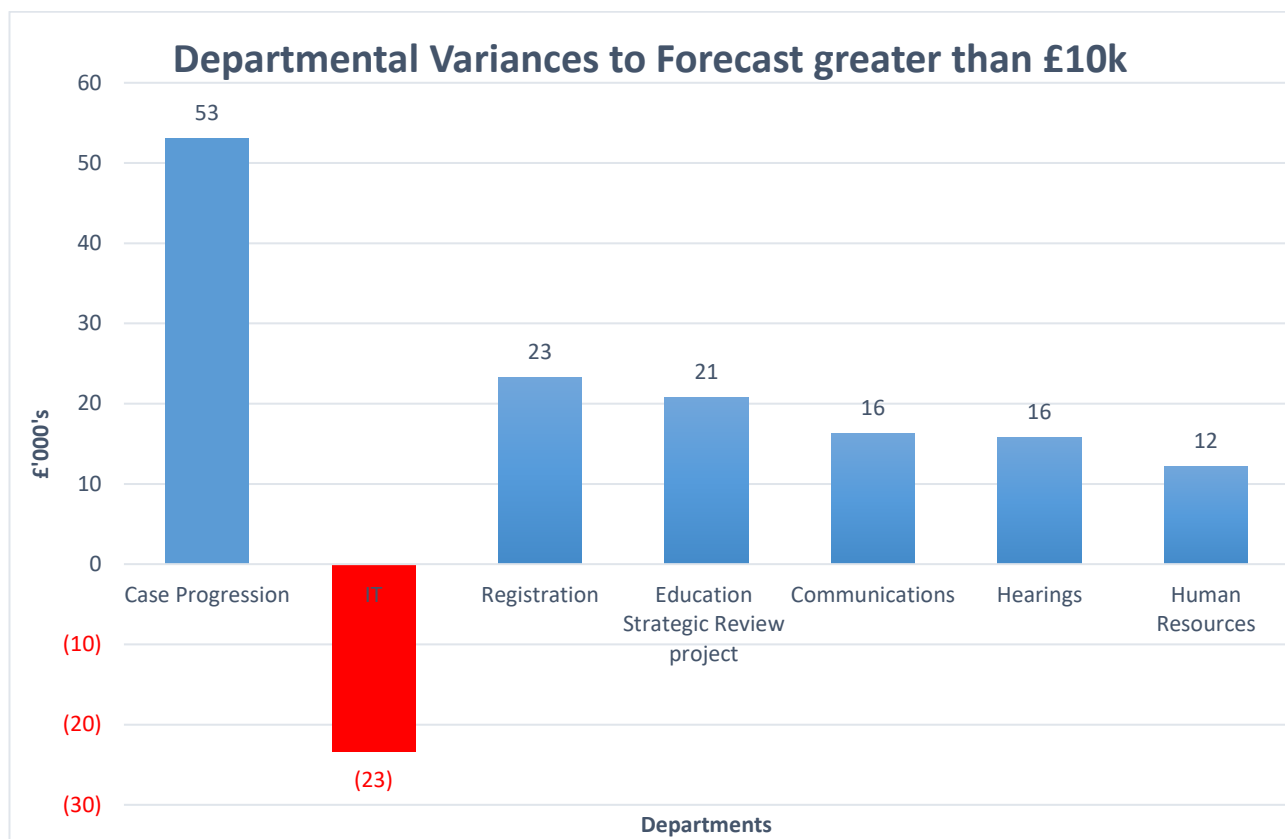
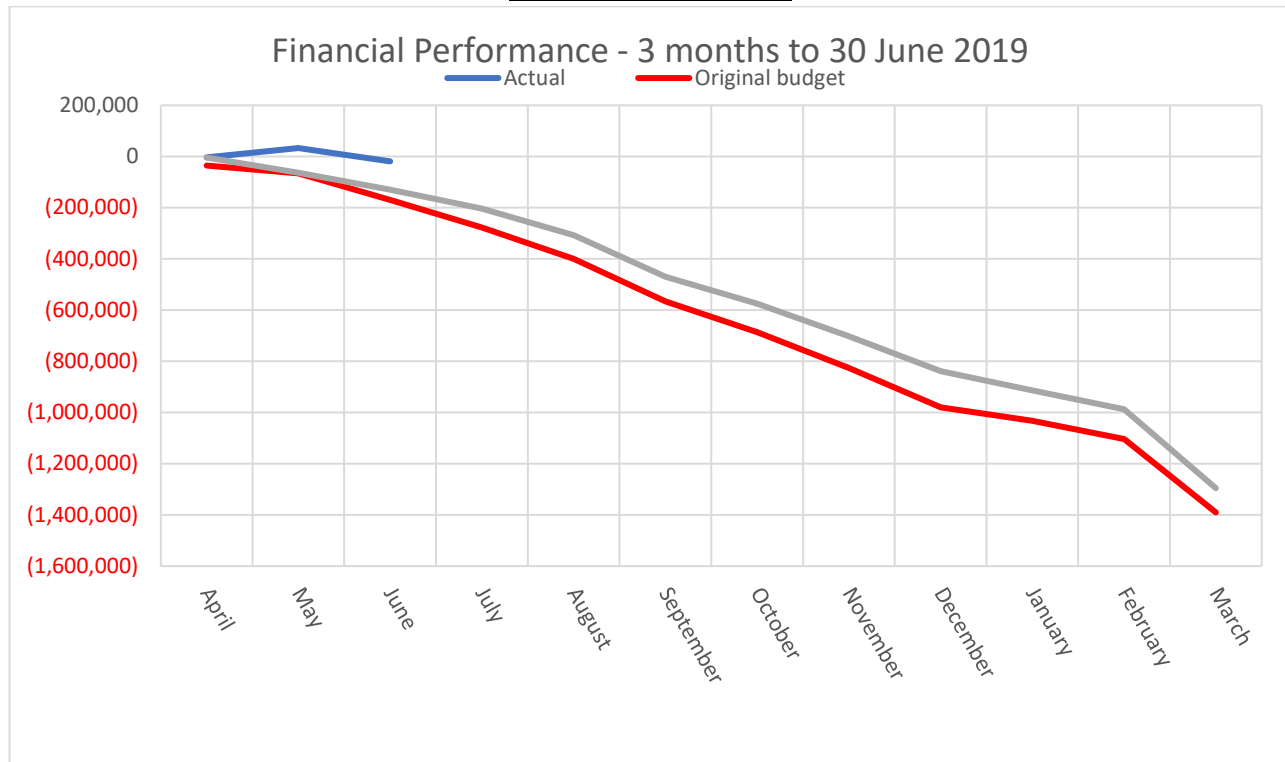
Although the legal charges are lower than the budget figures, this variance is purely timing and the budget is expected to be incurred in Q2 as a higher number of new cases and uplifts are committed in Q2.

Other Staff Costs

There is a positive variance in Q1 in both recruitment costs and training (staff and members). There are also delays training in Q1. Recruitment cost is contingent in nature and budget is phased evenly over the year. Recruitment is now largely carried out through web-based activity rather than recruitment agencies.

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Graphical analysis



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Cash and Cash Equivalent Summary

	Actual	Budget	Variance
	£'000	£'000	£'000
Cash at Bank	535	382	153
Short term Investments	4,500	4,500	0
Working Capital	5,035	4,882	153
Investments	8,583	7,857	726
Total	13,618	12,740	878

Headcount 2019-20 (F T E's)

	Actual	Budget re-visit
	Jun-19	Jun-19
Chief Executive Office	2.0	2.0
Strategy	13.0	15.5
Education	14.0	14.5
FTP	36.5	36.5
Resources	24.5	25.0
Total Headcount	90.0	93.5

Risks to achieving the Budget / Forecast

Although expenditure against budget is favourable, several activities were postponed and budget holders are still planning to carry out the postponed work during the year.

Uplifts and additional or more complicated cases may also increase legal charges and related case progression expenditure. Legal panels tend to show the minimum number of hearing days required, due to solicitors accounting rules, but as the case progresses they request additional fees. Changes in FTP due to triage needs to be quantified and captured accurately and timely. The risk is now largely qualified as a legacy issue as fee structures are clearly defined in the contracts for the newly-appointed solicitor firms.

At this stage however, notwithstanding these possibilities, the risk associated with the budget is considered low.

Cost saving initiatives

The budget re-visit captured the cost-saving initiatives planned after the approved original budget.

Over 15 separate strands within the efficiency programme have been identified, largely over and above that which has been captured within the budget re-visit. Further reductions in expenditure are therefore expected to be reflected in the Q2 forecast, though in some cases the savings will be long term.

Communications have been able to save additional cost though bringing the ESR consultation report in-house and savings in annual report designing.

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An administration project (sharing resource across the organisation rather than teams buying in support at peak times) is at an initial stage with a successful start. The long-term cost-saving is still to be analysed.

Dividend income and investment portfolio

Dividend income at £82k is £26k above forecast.

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
	<i>£'000</i>	<i>re-visit</i>	<i>£'000</i>
		<i>£'000</i>	
Dividend income received	82	56	26
Unrealised Investment Gains / (losses)	321	59	262
Total Income from Investment	403	115	288

Total Investment Portfolio	8,583	8,094	489
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The portfolio improved from £8.3m to £8.6m during Q1. This represents a return of 4.6% over the quarter and a return of 4.3% over the past 12 months. According to Brewin Dolphin, the moves in the investment markets over the Q1 have been driven by adjustments to expectations for growth, inflation and interest rates.

We plan to withdraw £1.2m during Q3 and early Q4 of the current year.

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Table A
Income and Expenditure Accounts Including Project Expenditure

	April - June			April - June Budget Re-		
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	visit £'000	Variance £'000
Income						
Registration	2,341	2,430	(89)	2,341	2,380	(39)
Dividend Income	82	56	26	82	56	26
Bank & Deposit Interest	12	6	6	12	6	7
Other Income	10	5	6	10	6	4
Total Income	2,445	2,496	(51)	2,445	2,447	(2)
Expenditure						
Staff Salaries Costs	1,145	1,256	111	1,145	1,174	29
Other Staff Costs	98	79	(19)	98	116	18
Staff Benefits	26	24	(3)	26	23	(4)
Members Costs	319	344	25	319	327	8
Case Examiners	35	50	15	35	44	9
Professional Fees	109	115	6	109	148	39
Finance Costs	25	24	(2)	25	26	1
Case Progression	186	208	22	186	220	34
Hearings	43	48	6	43	53	11
CET & Standards	48	68	20	48	54	6
Communication	11	13	2	11	14	3
Registration	0	2	2	0	2	2
IT Costs	138	113	(25)	138	103	(35)
Office Services	226	251	24	226	231	4
Depreciation & Amortisation	42	41	(1)	42	41	(1)
Total Expenditure	2,453	2,637	184	2,453	2,577	123
Surplus / Deficit	(8)	(141)	132	(8)	(130)	122
Unrealised Investment gains	321	59	263	321	59	263
Surplus / (Deficit)	313	(82)	395	313	(71)	384

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Table B
Income and Expenditure Accounts

	April - June			April - June		
	Actual £'000	Original Budget £'000	Variance £'000	Actual £'000	Budget Re-visit £'000	Variance £'000
Income						
Registration	2,341	2,430	(89)	2,341	2,380	(39)
Dividend Income	82	56	26	82	56	26
Bank & Deposit Interest	12	6	6	12	6	7
Other Income	10	5	6	10	6	4
Total Income	2,445	2,496	(51)	2,445	2,447	(2)
Expenditure						
CEO's Office	51	77	26	51	50	(0)
Strategy						
Director of Strategy	38	39	1	38	39	1
Governance	190	202	12	190	191	1
Policy	40	63	23	40	40	0
Standards	24	24	0	24	24	(0)
Communications	49	67	18	49	66	16
Total Strategy	341	396	54	341	360	18
Education						
Director of Education	36	36	0	36	35	(1)
CET	100	107	7	100	95	(5)
Education	158	203	45	158	165	7
Total Education and Standards	293	346	53	293	295	2
FTP						
Director of FTP	34	34	(0)	34	33	(1)
Case Progression	470	513	44	470	523	53
Legal	92	104	12	92	94	2
Hearings	267	278	11	267	282	16
Total FTP	862	929	67	862	932	70
Resources						
Director of Resources	57	57	(0)	57	57	(0)
Facilities	245	260	15	245	242	(3)
Human Resources	154	100	(54)	154	166	12
Finance	70	65	(6)	70	74	3
IT	157	113	(44)	157	134	(23)
Registration	105	143	37	105	129	23
Total Resources	788	738	(51)	788	800	12

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Table B (Contd.)

	April - June			April - June		
	Actual £'000	Original Budget £'000	Variance £'000	Actual £'000	Budget Re-visit £'000	Variance £'000
Depreciation	35	34	(1)	35	34	(1)
Total Expenditure	2,370	2,519	148	2,370	2,471	101
Surplus / (Deficit) before project expenditure	75	(22)	97	75	(25)	99
Project Expenditure						
Safe contact lens use project	1	0	(1)	1	0	(1)
CET Evaluation project	3	4	1	3	3	(0)
Education Strategic Review project	1	22	21	1	22	21
Standards project	7	22	15	7	7	(0)
IT Strategy Implementation	63	62	(1)	63	66	3
CRM Amortisation	8	8	0	8	8	0
Total Project expenditure	83	118	35	83	105	22
Surplus / (Deficit) after project expenditure	(8)	(141)	132	(8)	(130)	122
Unrealised Investment gains	321	59	263	321	59	263
Surplus / Deficit	313	(82)	395	313	(71)	384

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Balance Sheet as at 30 June 2019

	2019-20 30 June 2019 £'000	2018-19 31 March 2019 £'000	Variance £'000
Fixed Assets			
Refurbishment	793	813	(20)
Furniture & Equipment	200	206	(6)
IT Equipment (Hardware)	60	63	(3)
IT software (Including CRM)	8	15	(7)
Total Tangible Fixed Assets	1,061	1,097	(36)
Investment	8,583	8,288	295
Total Fixed Assets	9,644	9,385	259
Current Assets			
Debtors, Prepayments & Other Receivable	722	667	55
Short term deposits	4,500	5,100	(600)
Cash and monies at Bank	535	1,999	(1,464)
Total Current assets	5,757	7,766	(2,009)
Current Liabilities			
Creditors & Accruals	1,004	1,071	(67)
Income received in advance	6,572	8,528	(1,956)
Provision for rent	486	520	(34)
Total Current Liabilities	8,062	10,119	(2,057)
Current Assets less Current Liabilities	(2,304)	(2,353)	49
Total Assets less Current Liabilities	7,339	7,032	307
Long Term Liabilities	0	0	0
Total Assets less Total Liabilities	7,339	7,032	307
Reserves			
Legal Costs Reserve	1,624	1,624	0
Strategic Reserve	2,983	2,984	(1)
Income & Expenditure	2,732	2,424	308
Total	7,339	7,032	307