

## **COUNCIL**

### **Financial performance report (twelve months to 31 March 2019)**

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**Meeting:** 15 May 2019

**Status:** for noting

**Lead responsibility and paper author:** Mark Webster (Director of Resources)

#### **Purpose**

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1. This paper provides a summary of the twelve months financial performance to 31 March 2019 (**annex one**).

#### **Recommendation**

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2. Council is asked to **consider** and **note** the contents of this report.

#### **Strategic Objective**

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3. This work forms part of the finance work programme in the 2018-19 business plan, specifically financial reporting – informing and advising on the financial position of the organisation; and supporting and advising on financial strategy.
4. Financial performance is reported alongside quarterly organisational performance, with cross references as appropriate. This is to ensure that sufficient attention is given to emerging issues as they arise and to provide an opportunity for corrective actions if required.

#### **Risks**

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5. Sustainable financial performance is key to ensuring the GOC continues to offer value for money and is able to avoid corrective fee hikes for registrants.
6. Financial risks are managed throughout the organisation, beginning with the Senior Management Team. Financial awareness is reflected in our values and behaviours and we are working to embed this at all levels.
7. The following risks, as identified in the corporate risk register are relevant:
  - the GOC fails to deliver value for money; and
  - the GOC is unable to deliver its strategic plans, programme of change, and business as usual either sufficiently quickly or effectively.

#### **Analysis**

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8. This cover paper provides a summary of what was provided to ARC, attached as annex 1. The financial report covers the actual performance for the twelve months to 31 March 2019. Key points are highlighted within the paper, with the bulk of the narrative and financials in the annex.

9. It should be noted that there is no requirement for a part year forecast. The 3-year projection will be extended to cover 2021-22 in the Q1 report.

### **Headlines**

#### **Twelve Month Financial Performance.**

10. The results before unrealised gains and losses for the twelve months to 31 March 2019 show a net deficit of £925k. This is against a budget deficit of £2,220k, a favourable variance of £1,295k.

#### **Income**

11. The total income of £9,192k is £8k higher than budget. Registration income has a £22k (0.02%) unfavourable variance. Dividend income is £29k favourable.

#### **Expenditure**

12. The total expenditure of £10,117k is £1,287k favourable to budget and £174k favourable to the latest forecast.
13. The main areas of saving against budget are staff costs (£608k) through recruitment taking longer than anticipated, with some posts remaining vacant and significant under-spend on professional fees covering external lawyer costs, research and consultations. There are also savings on the ESR project.
14. There have been continued savings against the forecast. Several forecasted university visits were either delayed due to the university being unprepared or changed due to reviews being undertaken via focused desktop review method. There have also been continued savings on professional fees, partially offset by additional provision for legal charges for some complex cases and some Interim orders requiring court extensions.
15. Analysis of the impact of the efficiency program initiated in Q3 are presented separately.

#### **Other comments**

16. In Q4 the global markets rebounded again, reversing the previous losses. This resulted in an overall unrealised gain of £392k being recorded for the year.
17. Including investment performance, the overall net deficit is £533k against a budgeted deficit of £1,920k; a positive variance of £1,387k. The Q3 forecast deficit was £1,215k.

#### **Impacts**

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18. There are no impacts on legislation, equality and diversity, human rights or sustainability. Impacts on reserves, budget and resources have been identified in the paper.

**Devolved Nations**

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19. There are no known implications or differences in relation to this area and the devolved nations.

**Attachments**

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**Annex one:** Twelve-month actual performance to 31 March 2019.

# Financial Performance Report for the 12 months ending 31 March 2019



# **General Optical Council**

## **Financial Performance Report for the 12 months ending 31 March 2019**

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# General Optical Council

## Financial Performance Report for the 12 months ending 31 March 2019

### G O C :- Summary P & L to 31 March 2019

	Actual £000's	Budget £000's	Variance £000's	Q3 Forecast £000's	Variance £000's
Registrant Income	8,852	8,874	(22)	8,935	(83)
Other Income	340	310	30	316	24
Total Expense	<u>(10,117)</u>	<u>(11,404)</u>	1,287	<u>(10,290)</u>	173
Surplus / (Deficit) before portfolio gains	<u>(925)</u>	<u>(2,220)</u>	1,295	<u>(1,039)</u>	114

### **Highlights**

The results before unrealised gains for the year ending 31 March 2019 show a net deficit of £925k. This is £1,295k favourable to the budgeted deficit of £2,220k and £114k favourable to the Q3 forecast deficit of £1,039k.

#### **Registrant Income**

The total registrant income of £8,852k is 0.2% less than the budget and 0.9% less than Q3 forecast. The forecast assumptions were slightly wrong for additional income in Q4 but this is not carried over to 2019-20 projections.

#### **Expenditure (including Projects)**

The total expenditure of £10,117k is £1,287k favourable to budget and £173k favourable to the latest forecast.

#### **The key drivers of the performance are:**

##### **Member fees and expenses**

Several forecasted university visits were either delayed due to the university being unprepared or changed due to reviews being undertaken via focused desktop review. This has resulted in a positive variance in visitor panel fees and expenses. Hearing panel expense claims were also lower than forecast due to expense levels being forecasted to maximum potential.

##### **Case Progression**

Costs for legal charges increased during Q4 due to extra fees requested by external solicitor firms for on-going complex cases. A provision of £30k was made on a high profile case, increasing the legal charge costs further. Interim order related costs increased as several cases with high court extensions were handled by external solicitors. Interim orders were forecasted to be carried out internally.

# **General Optical Council**

## **Financial Performance Report for the 12 months ending 31 March 2019**

### **Staff Costs**

There is an overall positive variance of £58k on staff costs, which includes central contingency costs. Central contingency forecast has a £29k unutilised balance at the year-end. Staff headcount is slightly less compared to forecast figures.. Several staff vacancies are currently filled by temporary staff which is categorised under “Other Staff Costs” below.

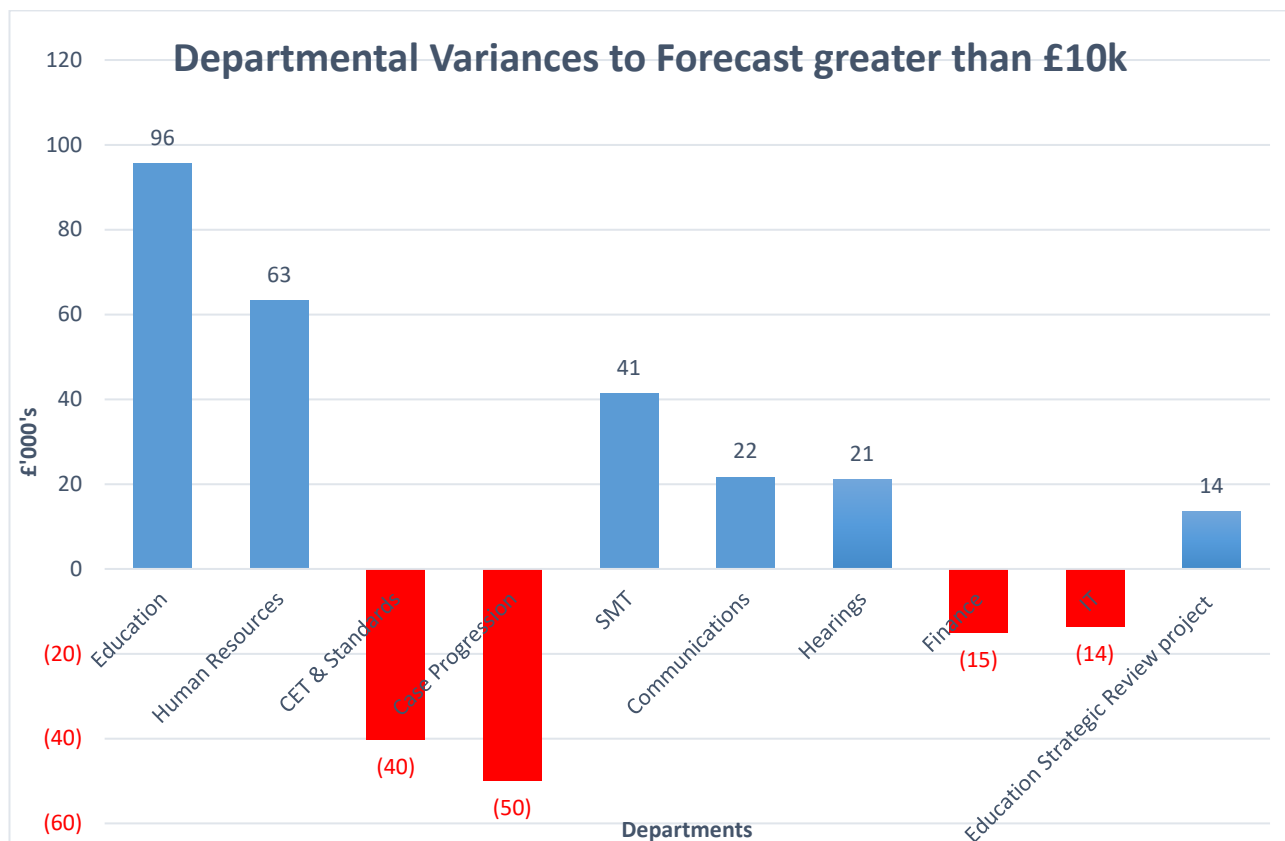
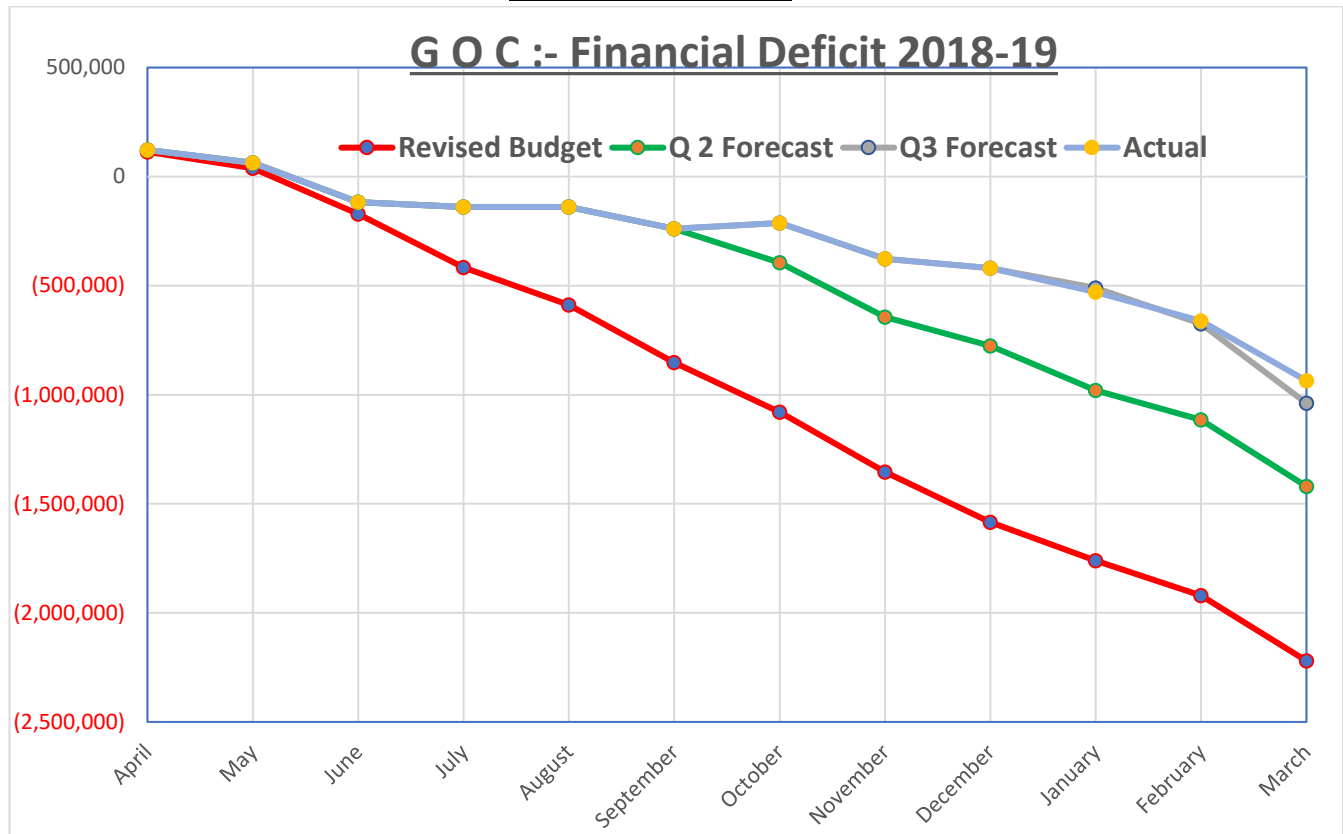
**Professional Costs** have a positive variance of £52k. Change in strategy of ESR project resulted in a £24k positive variance in consultancy costs.

**Other Staff Costs** consist of recruitment costs, HR related legal advice, temporary staff costs, training and other staff related expenses. Recruitment costs have a £34k positive variance due to better use of recruitment websites. Central staff training costs have a positive variance of £12k as some training programmes are deferred to next year.

**CET and Standards.** CET programme management costs have increased over the forecast figures. Whilst the new contract is effective from 1 January, substantial development work was undertaken in advance, but not captured in our forecasting process.

# General Optical Council Financial Performance Report for the 12 months ending 31 March 2019

## Graphical analysis





# General Optical Council

## Financial Performance Report for the 12 months ending 31 March 2019

### Cash and Cash Equivalent Summary

	Actual	Q3 Forecast	Variance
	£'000	£'000	£'000
Cash at Bank	1,999	578	1,421
Short term Investments*	5,100	6,200	(1,100)
Portfolio Investments	8,288	7,799	489
<b>TOTAL</b>	<b>15,387</b>	<b>14,577</b>	<b>810</b>

\* £1.5m was invested in fixed deposits shortly after the year-end.

### Headcount 2018-19 (F T E's)

	Actual Mar-19	Q3 Forecast Mar-19
Chief Executive Office	1.0	2.0
Strategy and Education	28.0	30.5
FTP	38.0	39.0
Resources	23.0	23.5
<b>Total Headcount</b>	<b>90.0</b>	<b>95.0</b>

### Risks to achieving the Budget / Forecast

Legal charges are accrued as per external solicitor information. There is a need to reconcile the information at Case Progression with the solicitor schedules as there can be disparities. Legal panels tend to show the minimum number of hearing days required in order to be seen as an attractive offer, but as the case progresses they request additional fees.

### Cost saving initiatives

Some of the initial cost saving initiatives were captured in Q3 forecast. Further analysis is currently underway in analysing the effectiveness of the efficiency programme. This will be presented as a separate report.

**General Optical Council**  
**Financial Performance Report for the 12 months ending 31 March 2019**

**Table A**  
**Income and Expenditure Accounts Including Project Expenditure**

	April - March			April - March		
	Actual £'000	Budget re visit £'000	Variance £'000	Actual £'000	Forecast £'000	Variance £'000
<b>Income</b>						
Registration	8,852	8,874	(22)	8,852	8,935	(83)
Dividend Income	300	275	25	300	285	16
Bank & Deposit Interest	13	25	(12)	13	14	(1)
Other Income	26	10	16	26	18	8
<b>Total Income</b>	<b>9,192</b>	<b>9,184</b>	<b>8</b>	<b>9,192</b>	<b>9,251</b>	<b>(59)</b>
<b>Expenditure</b>						
Staff Salaries Costs	4,120	4,728	608	4,120	4,178	58
Other Staff Costs	797	803	6	797	842	45
Staff Benefits	108	102	(6)	108	106	(3)
Members Costs	1,179	1,338	159	1,179	1,282	103
Case Examiners	137	157	20	137	164	27
Professional Fees	504	923	419	504	556	52
Finance Costs	258	173	(85)	258	258	(0)
Case Progression	875	876	0	875	798	(77)
Hearings	204	198	(6)	204	198	(7)
CET & Standards	318	359	41	318	283	(35)
Communication	66	65	(1)	66	71	5
Registration	48	12	(36)	48	44	(4)
IT Costs	386	427	41	386	373	(13)
Office Services	932	1,031	99	932	955	23
Depreciation & Amortisation	183	211	28	183	183	1
<b>Total Expenditure</b>	<b>10,117</b>	<b>11,404</b>	<b>1,287</b>	<b>10,117</b>	<b>10,290</b>	<b>174</b>
<b>Surplus / Deficit</b>	<b>(925)</b>	<b>(2,220)</b>	<b>1,295</b>	<b>(925)</b>	<b>(1,039)</b>	<b>114</b>
Unrealised Investment gains	392	300	92	392	(176)	568
<b>Surplus / (Deficit)</b>	<b>(533)</b>	<b>(1,920)</b>	<b>1,387</b>	<b>(533)</b>	<b>(1,215)</b>	<b>682</b>

**General Optical Council**  
**Financial Performance Report for the 12 months ending 31 March 2019**

**Table B**  
**Income and Expenditure Accounts**

	April - March			April - March		
	Actual £'000	Budget re visit £'000	Variance £'000	Actual £'000	Forecast £'000	Variance £'000
<b>Income</b>						
Registration	8,852	8,874	(22)	8,852	8,935	(83)
Dividend Income	300	275	25	300	285	16
Bank & Deposit Interest	13	25	(12)	13	14	(1)
Other Income	26	10	16	26	18	8
<b>Total Income</b>	<b>9,192</b>	<b>9,184</b>	<b>8</b>	<b>9,192</b>	<b>9,251</b>	<b>(59)</b>
<b>Expenditure</b>						
<b>CEO's Office</b>	<b>416</b>	<b>450</b>	<b>34</b>	<b>416</b>	<b>454</b>	<b>38</b>
<b>Strategy</b>						
Director of Strategy	151	167	16	151	156	5
Governance	700	805	105	700	705	5
Policy	185	293	108	185	184	(0)
Communications	224	319	95	224	246	22
CET & Standards	608	682	74	608	568	(41)
Education	553	709	156	553	649	96
<b>Total Strategy</b>	<b>2,422</b>	<b>2,974</b>	<b>553</b>	<b>2,422</b>	<b>2,508</b>	<b>86</b>
<b>FTP</b>						
Director of FTP	134	208	74	134	134	0
Case Progression	1,845	2,014	169	1,845	1,795	(50)
Legal	330	387	57	330	337	7
Hearings	1,166	1,209	43	1,166	1,187	21
<b>Total FTP</b>	<b>3,474</b>	<b>3,817</b>	<b>343</b>	<b>3,474</b>	<b>3,453</b>	<b>(21)</b>
<b>Resources</b>						
Director of Resources	221	219	(3)	221	219	(2)
Facilities	998	1,045	47	998	1,008	10
Human Resources	441	411	(30)	441	504	63
Finance	439	326	(114)	439	424	(15)
IT	530	565	35	530	517	(14)
Registration	562	616	54	562	572	10
<b>Total Resources</b>	<b>3,192</b>	<b>3,181</b>	<b>(11)</b>	<b>3,192</b>	<b>3,245</b>	<b>52</b>
<b>Depreciation</b>	<b>149</b>	<b>152</b>	<b>4</b>	<b>149</b>	<b>149</b>	<b>1</b>
<b>Total Expenditure</b>	<b>9,653</b>	<b>10,575</b>	<b>923</b>	<b>9,653</b>	<b>9,809</b>	<b>156</b>
<b>Surplus / (Deficit) before project expenditure</b>	<b>(461)</b>	<b>(1,391)</b>	<b>931</b>	<b>(461)</b>	<b>(558)</b>	<b>97</b>

**General Optical Council  
Financial Performance Report for the 12 months ending 31 March 2019**

**Table B (Contd.)**

	April - March			April - March		
	Actual £'000	Budget re visit £'000	Variance £'000	Actual £'000	Forecast £'000	Variance £'000
<b>Project Expenditure</b>						
Safe contact lens use project	7	6	(1)	7	7	(0)
CET Evaluation project	126	276	150	126	128	1
Education Strategic Review project	144	317	173	144	158	14
Assessment of non UK registration applications project	0	0	0	0	0	0
Standards project	55	81	27	55	58	3
Transformation project	97	89	(9)	97	97	0
Digital Communications	0	0	0	0	0	0
CRM Amortisation	34	59	24	34	34	0
<b>Total Project expenditure</b>	<b>464</b>	<b>829</b>	<b>365</b>	<b>464</b>	<b>482</b>	<b>17</b>
<b>Surplus / (Deficit) after project expenditure</b>	<b>(925)</b>	<b>(2,220)</b>	<b>1,295</b>	<b>(925)</b>	<b>(1,039)</b>	<b>114</b>
Unrealised Investment gains	392	300	92	392	(176)	568
<b>Surplus / Deficit</b>	<b>(533)</b>	<b>(1,920)</b>	<b>1,387</b>	<b>(533)</b>	<b>(1,215)</b>	<b>682</b>

**General Optical Council**  
**Financial Performance Report for the 12 months ending 31 March 2019**

**Balance Sheet as at 31 March 2019**

	2018-19 31 March 2019 £'000	2017-18 31 March 2018 £'000	Variance £'000
<b>Fixed Assets</b>			
Refurbishment	812	886	(74)
Furniture & Equipment	206	231	(25)
IT Equipment (Hardware)	64	51	13
IT software (Including CRM )	15	49	(34)
CRM project - working progress	(0)	0	(0)
<b>Total Tangible Fixed Assets</b>	<b>1,097</b>	<b>1,217</b>	<b>(120)</b>
Investment	8,288	9,746	(1,458)
<b>Total Fixed Assets</b>	<b>9,385</b>	<b>10,963</b>	<b>(1,578)</b>
<b>Current Assets</b>			
Debtors, Prepayments & Other Receivable	701	583	118
Short term deposits	5,100	5,000	100
Cash and monies at Bank	1,999	1,341	658
<b>Total Current assets</b>	<b>7,799</b>	<b>6,924</b>	<b>875</b>
<b>Current Liabilities</b>			
Creditors & Accruals	1,049	1,180	(131)
Income received in advance	8,528	8,297	231
Provision for rent	513	613	(100)
<b>Total Current Liabilities</b>	<b>10,090</b>	<b>10,090</b>	<b>0</b>
<b>Current Assets less Current Liabilities</b>	<b>(2,291)</b>	<b>(3,166)</b>	<b>875</b>
<b>Total Assets less Current Liabilities</b>	<b>7,094</b>	<b>7,797</b>	<b>(703)</b>
Long Term Liabilities	0	0	0
<b>Total Assets less Total Liabilities</b>	<b>7,094</b>	<b>7,797</b>	<b>(703)</b>
<b>Reserves</b>			
Legal Costs Reserve	1,624	1,624	0
Strategic Reserve	2,983	2,984	(1)
Income & Expenditure	2,487	3,189	(702)
<b>Total</b>	<b>7,094</b>	<b>7,797</b>	<b>(703)</b>