

## **COUNCIL**

### **Financial performance report: financial outturn for 2015/16**

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**Meeting:** 11 May 2016

**Status:** for noting

**Lead responsibility:** Josie Lloyd  
(Director of Resources)

**Paper Author:** Josie Lloyd

#### **Purpose**

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1. This paper provides the Q4 financial report for 2015/16, which is the provisional outturn for the year ended 31 March 2016.

#### **Recommendation**

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2. Council is asked to:
  - 2.1 **consider and note** the contents of this report;
  - 2.2 **consider and note** the actions that are still required to finalise financial performance for the year ended 31 March 2016 as set out in paragraph 24 below; and
  - 2.3 **consider and note** the plans for utilisation of reserves in 2016/17 as set out in paragraph 25 below.

#### **Strategic Objective**

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3. This work forms part of the Finance work programme in the 2015/16 business plan, specifically financial reporting – informing and advising on the financial position of the organisation; supporting and advising on financial strategy. The work falls into the strategic aim of organisational change – building a sustainable and modern organisation. The Director of Resources is responsible for this area of work.
4. Financial performance is reported separately from the remainder of quarterly performance. 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 a key element in demonstrating the organisation's ability to continue in operation for the foreseeable future.

6. Council is rightly concerned to ensure that the Executive applies sufficient challenge and oversight to ensure that the budget set for 2015/16 is delivered and that satisfactory financial performance is delivered within its constraints.
7. The longer term financial risk still exists and ongoing attention to financial management and planning will be required to ensure the organisation remains financially viable in the longer term.

### Headlines

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8. Financial performance is reported quarterly to Council. The financial performance reported in this paper is the provisional outturn for the last quarter of 2015/16, the year ended 31 March 2016.
9. This information is presented at **annex one** and shows a surplus of **£402k** compared to the budget of **£38k** surplus which is a positive variance of **£364k**.
10. The Executive is fully committed, focussed and engaged with the management of the finances of the organisation, and we are ensuring that financial awareness is embedded in the organisation and is reflected in our values and behaviours.
11. Q3 forecast data is presented for comparison in annex one which showed an estimated year end position of **£550k** surplus which is **£400k** better than the original budget. This is made up of **£116k** reduced income and **£516k** reduced expenses where we identified savings in a number of areas.
12. The provisional outturn for the year ended 31 March 2016 is **£36k** lower than the Q3 forecast. This is made up of **£94k** less income than the Q3 forecast and **£58k** less expenditure. This supports the executive's view that our ability to forecast income and expenditure is improving as a result of the development of our budget holders.
13. **Annex two** details the performance indicators for finance for the period. The income indicator is green meaning that actual income is very close to budget, differing by 2.7%. The expenditure indicator is red because actual expenditure is 7.5% below budget for the period ended 31 March 2016 (compared to our target of 5%) at the end of the year.

### Analysis

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14. Financial performance for the year ended 31 March 2016 is presented at annex one. Actual performance for the year to date shows a surplus of **£402k** compared to budget **£38k** surplus. This is an overall positive variance of **£364k**.

**Income**

15. Income for the year ended 31 March 2016 totalled **£7.5m** compared to the budget of **£7.7m** which is a negative variance of **£210k** (or 2.7 per cent). The reasons for the variance in income are:

15.1 the delay in relocation resulted in the delayed investment of sale proceeds so investment income was not accrued in the period August to November 2015. This resulted in a negative variance of £214k;

15.2 we received £53k additional proceeds from the sale of 41 Harley Street as a result of inflation between the contract exchange and completion dates. This resulted in a positive variance of £53k; and

15.3 registration income was lower than budget by £62k as a result of differences between the expected and actual pattern of new applications.

**Expenditure**

16. Total expenditure for the year ended 31 March 2016 amounts to **£7.1m** compared to a budget of **£7.7m**, which is a positive variance of **£574k**.

Table one

ITEM	AMOUNT £000	CATEGORY
<b>BUDGET OUTTURN YEAR ENDED 31 MARCH 2016</b>	<b>38</b>	
<b>Income variation</b>	<b>(210)</b>	
<b>Cost Savings</b>		
New FTP panel firms	126	1
Hearings costs	25	1
Depreciation (due to policy change)	14	1
Corporation tax on sale of property	100	1
Consultancy related to move	41	1
<b>Normal fluctuations</b>		
Contingency and legal budgets not yet committed	101	2
Recruitment	15	2
Other	61	2
<b>Differences between plans and delivery</b>		
External venue costs ( due to delayed move)	(17)	3
Strategy directorate staffing changes	44	3

Deferred research	62	3
Consultancy and events	18	3
FTP	(12)	3
ICT	76	3
<b>Issues with the way budgets were set</b>		
Bank charges	33	4
Moving related costs	(84)	4
PSA Levy	46	4
Dispute mediation costs	13	4
Committee and panel fees and expenses	34	4
<b>DRAFT OUTTURN YEAR ENDED 31 MARCH 2016</b>	<b>402</b>	

17. We have analysed the differences between actual performance and the budget using five categories as detailed in Table One above.

### Underspends

18. Council is asked to note that the reasons for the underspend so far this year have been analysed into the following categories:

18.1 cost/efficiency savings or improvements in procurement. These are detailed in table One above, category one and amount to £306k or 4% of the budgeted expenditure;

18.2 normal work fluctuations or areas where contingency budgets have not yet been expended are detailed in table one above category two and amount to £187k or 2.4% of budgeted expenditure;

18.3 activities planned but where delivery has been different than expected due to changes in timing, priorities or deferred activities. These are detailed in table one above, category three and amount to £171k or 2.2% of budgeted expenditure; and

18.4 areas where we have recognised that budgets were set with unrealistic expectations of what could be delivered. This is detailed in table one above, category four and amounts to £42k or 0.5% of budgeted costs and includes:

18.4.1 hearing panel expenses which were budgeted at higher average cost rates than are required;

18.4.2 council and committee expenses which were budgeted at higher average costs than required; and

18.4.3 PSA levy which was budgeted for the whole year with VAT added but only charged for 8 months without VAT.

### Overspends

19. All overspends are included in the variances described in paragraph 17 above and are more than offset by any underspends in other areas.

### Council's required reporting

20. There are a number of budget lines for which Council has requested a specific report every quarter. These are reported here.
21. **None** of the contingency budget of **£50k** held by the Chief Executive and Registrar has been spent this year.
22. **£92k** has been spent on external venues compared to the budget of **£75k** this year. This overspend is a result of delays in relocating to the new premises. It is included in table one above in category four.
23. **£7.5k** of the legal expenditure on FTP incurred has been identified as probably fitting one of the criteria for use of the legal contingency reserve. A reserve top-up is not necessary for such a small amount. The executive recommends that the level of this reserve is reviewed in the longer term as it may no longer be necessary.

### Further work to finalise outturn

24. Council is advised that there are a number of areas where further work or actions are required before finalising the financial performance for the year. These include (but are not limited to):
  - 24.1 finalisation of investment income for the year
  - 24.2 evaluation of any provisions required;
  - 24.3 finalisation of accruals including particularly legal expenses, consultancy and members' expenses;
  - 24.4 finalisation of prepayments;
  - 24.5 finalisation of the treatment of leases;
  - 24.6 finalisation of the treatment of CRM expenditure;
  - 24.7 adjustments required for compliance with the new charity Statement of Recommended Accounting Practice (SORP); and
  - 24.8 calculation of tax on members' expenses.
25. It is proposed that transfers of £150k and £250k respectively are made to the strategic and special reserves in accordance with the proposals in the budget approved by Council in February 2016. These amounts may need to be adjusted depending on the impact of the additional work on the overall results for the year.

## Projects

26. Project expenditure which is charged to the Strategic Reserve amounts to **£245k** for the year ended 31 March 2016 which is **the same as** the budget.

## Impacts

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27. Identify any implications decisions by Council may have on:
- 27.1 GOC's reserves – the provisional outturn would increase reserves by **£402k** excluding any transfer from the investment reserve.
  - 27.2 GOC budget – as detailed in the paper
  - 27.3 Legislation - none
  - 27.4 Resources – as detailed in the paper
  - 27.5 Equality and Diversity - none
  - 27.6 Human Rights Act – none

## Summary of forecast outturn

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28. Financial performance for the year ended 31 March 2016 shows a positive variance against budget of **£364k**. This is made up of income **£210k** lower than budget and costs **£574k** lower than budget.

## Devolved Nations

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29. There are no known implications or differences in relation to this area and the devolved nations. There is no need to publish this report in Welsh.

## Communications

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30. Council receives a separate report on financial performance to ensure sufficient attention is paid to this key area. This report is the final one for 2015/16.

## Timeline for future work

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31. Work will continue to finalise financial performance and reporting for 2015/16.
- 31.1 The external audit is due to commence on 10 June 2016;
  - 31.2 The draft annual report will be presented to ARC on 14 July 2016; and
  - 31.3 The annual report will be presented for sign off at Council on 27 July 2016.
32. The executive acknowledge that these timelines for completing the annual report are likely to be challenging. However every effort will be made to meet them.

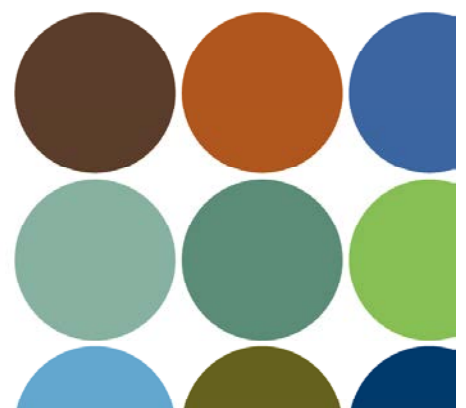
## Attachments

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- Annex 1: Draft outturn for the year ended 31 March 2016  
Annex 2: Financial Performance Indicators for the year ended 31 March 2016

# Management Accounts Report for the Year ended 31 March 2016

6 May 2016



## Income and Expenditure Accounts including Project Expenditure

	April - March			2015-16	2015-16	2015-16	2015-16
	Actual £'000	Budget £'000	Variance £'000	Budget £'000	Q1 Forecast £'000	Q2 Forecast £'000	Q3 Forecast £'000
<b>Income</b>							
Registration	7,403	7,465	(62)	7,465	7,440	7,441	7,441
Investment Income	13	226	(214)	226	176	110	75
Bank & Deposit Interest	25	28	(3)	28	24	21	22
Database Sales	0	3	(3)	3	3	2	0
Other Income	72	0	72	0	0	3	68
<b>Total Income</b>	<b>7,513</b>	<b>7,723</b>	<b>(210)</b>	<b>7,723</b>	<b>7,643</b>	<b>7,576</b>	<b>7,607</b>
<b>Expenditure</b>							
<b>CEO's Office</b>	165	221	57	221	221	217	217
<b>Strategy</b>							
Director of Strategy	177	171	(6)	171	171	171	204
Governance	578	596	19	596	596	625	575
Policy	230	304	74	304	304	297	288
Communications	138	156	18	156	156	161	156
Education & Standards	858	877	20	877	843	837	806
<b>Total Strategy</b>	<b>1,980</b>	<b>2,104</b>	<b>124</b>	<b>2,104</b>	<b>2,070</b>	<b>2,090</b>	<b>2,029</b>
<b>FTP</b>							
Director of FTP	152	145	(8)	145	145	141	140
Fitness to Practise	1,372	1,514	142	1,514	1,405	1,291	1,286
Legal Compliance	100	87	(13)	87	87	77	104
Hearings	599	641	42	641	606	608	566
<b>Total FTP</b>	<b>2,223</b>	<b>2,387</b>	<b>164</b>	<b>2,387</b>	<b>2,243</b>	<b>2,117</b>	<b>2,096</b>
<b>Resources</b>							
Director of Resources	300	420	120	420	420	388	334
Facilities	1,024	905	(119)	905	905	909	844
Human Resources	460	432	(28)	432	432	464	499
Finance	79	244	165	244	242	245	242
IT	415	474	59	474	474	473	429
Registration	402	402	1	402	402	413	381
<b>Total Resources</b>	<b>2,679</b>	<b>2,877</b>	<b>198</b>	<b>2,877</b>	<b>2,875</b>	<b>2,892</b>	<b>2,730</b>
<b>Depreciation &amp; Amortisation</b>	64	95	31	95	81	109	97
<b>Total Expenditure</b>	<b>7,111</b>	<b>7,685</b>	<b>574</b>	<b>7,685</b>	<b>7,491</b>	<b>7,425</b>	<b>7,169</b>
<b>Net (Deficit) /Surplus before Transfer from / (to) Investment Reserve</b>	<b>402</b>	<b>38</b>	<b>364</b>	<b>38</b>	<b>152</b>	<b>151</b>	<b>438</b>
<b>Transfer from / (to) Investment Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>
<b>Net (Deficit) /Surplus after Transfer from / (to) Investment Reserve</b>	<b>402</b>	<b>38</b>	<b>364</b>	<b>150</b>	<b>264</b>	<b>263</b>	<b>550</b>
<b>Project Expenditure</b>							
Not included in the above							
CET Amortisation	44	44	(0)	44	44	44	44
CRM Amortisation	201	201	(0)	201	201	201	201
	<b>245</b>	<b>245</b>	<b>(0)</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>



**Balance Sheet as at 31 December 2015**

	<b>£'000</b>
<b>Fixed Assets</b>	
Refurbishment	1,033
Furniture & Equipment	258
IT Equipment (Hardware)	78
IT software (Including CRM Phase 1)	285
CRM project - working progress	126
<b>Total Fixed Assets</b>	<b>1,781</b>
<b>Current Assets</b>	
Cash and monies at Bank	1,393
Short term deposits	5,675
Investment	8,630
Debtors & Prepayments	543
<b>Total Current assets</b>	<b>16,241</b>
<b>Current Liabilities</b>	
Creditors & Accruals	8,954
<b>Total Current Liabilities</b>	<b>8,954</b>
<b>Current Assets less Current Liabilities</b>	<b>7,287</b>
<b>Total Assets less Current Liabilities</b>	<b>9,068</b>
Long Term Liabilities	0
<b>Total Assets less Total Liabilities</b>	<b>9,068</b>
<b>Reserves</b>	
Strategic Reserve	506
Legal Costs Contingency Reserve	500
Investment Reserve	4,550
Income & Expenditure Reserve - General	3,324
Income & Expenditure Reserve - Designated	188
<b>Total</b>	<b>9,068</b>

## Movement in Reserves

Movement in reserves	Budget					Total £'000
	Strategic reserve £'000	Legal costs contingency reserve £'000	Investment Reserve £'000	Income & expenditure reserve		
				Designated <sup>2</sup> £'000	General £'000	
Balance brought forward 1 April <sup>1</sup>	751	500	4,550	322	2,922	9,045
Transfers during the year			(112)		112	0
Net surplus / (deficit) of the period					38	38
<b>Total Reserves Available</b>	<b>751</b>	<b>500</b>	<b>4,438</b>	<b>322</b>	<b>3,072</b>	<b>9,083</b>
<b>Expenditure:</b>						
Reward project and In-year resourcing				(322)		(322)
Amortisation-CET	(44)					(44)
Amortisation-CRM	(201)					(201)
<b>Total Reserves Utilised</b>	<b>(245)</b>	<b>0</b>	<b>0</b>	<b>(322)</b>	<b>0</b>	<b>(567)</b>
<b>Balance Reserve</b>	<b>506</b>	<b>500</b>	<b>4,438</b>	<b>0</b>	<b>3,072</b>	<b>8,516</b>

Movement in reserves	Actual					Total £'000
	Strategic reserve £'000	Legal costs contingency reserve <sup>3</sup> £'000	Investment Reserve £'000	Income & expenditure reserve		
				Designated <sup>2</sup> £'000	General £'000	
Balance brought forward 1 April	751	500	4,550	322	2,922	9,045
Transfers during the year						0
Net surplus / (deficit) of the period					402	402
<b>Total Reserves Available</b>	<b>751</b>	<b>500</b>	<b>4,550</b>	<b>322</b>	<b>3,324</b>	<b>9,447</b>
<b>Expenditure:</b>						
Reward project				(105)		(105)
In-year resourcing				(29)		(29)
Amortisation-CET	(44)					(44)
Amortisation-CRM	(201)					(201)
<b>Total Reserves Utilised</b>	<b>(245)</b>	<b>0</b>	<b>0</b>	<b>(134)</b>	<b>0</b>	<b>(379)</b>
<b>Balance Reserve</b>	<b>506</b>	<b>500</b>	<b>4,550</b>	<b>188</b>	<b>3,324</b>	<b>9,067</b>

1. The "Balance brought forward 1 April" line in the Budget table is updated to the actual figures. All the other movements are as per the budget.
2. £322k was transferred for Reward project and in-year resourcing requirements.
3. Amortisation of CRM will be increased at the final outturn of accounts.

### Capital Project Cost

<b>Capital Project- CRM Project - Phase 1</b>	
	<b>£000's</b>
Initial funds in Strategic reserve	323
IT savings in 2013/14	37
Transferred in 2014/15	301
<b>Funds in Strategic reserve</b>	<b>661</b>
<b>Actual Project Cost</b>	
2012/13	149
2013/14	401
2014/15	108
2015/16	72
<b>Total project cost todate</b>	<b>730</b>
<b>Balance available to spend for Phase 1</b>	<b>(69)</b>
<b>Project work-in-Progress</b>	
Phase 1 - Registration completed and transferred to fixed assets <sup>2</sup>	604
Phase 1 - FTP and Hearings - in working-progress	126
<b>Total project cost todate</b>	<b>730</b>

<b>Capital Project- CRM Project - Phase 2</b>	
	<b>£000's</b>
Total Budget (including VAT)	244
<b>Actual Project Cost</b>	
2015/16	
<b>Total project cost todate</b>	<b>0</b>
<b>Balance available to spend for Phase 2</b>	<b>244</b>

**Finance Performance Indicators**

Activity	Performance Indicators	2015/16 target	1/4ly Reviews				
			2014/15	2015/16			
			Q4	Q1	Q2	Q3	Q4
Formulating the GOC budget, reporting progress to budget holders and Council, and accounting for funds at year end	% variance of income from budget	5%	1%	-1%	-1%	-1%	-2.7%
	% variance of expenditure from budget	5%	8%	20%	12%	13%	7.5%