

COUNCIL

Financial performance report: quarter two 2015/16

Meeting: 11 November 2015

Status: for noting

Lead responsibility: Josie Lloyd
(Director of Resources)

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Purpose

1. This paper provides the Q2 financial report for 2015/16.

Recommendation

2. Council is asked to **consider and note** the contents of this report and the actions that will be undertaken to reutilise the anticipated surplus as detailed below. This will help to ensure robust financial performance delivery for the year ended 31 March 2016.

Strategic Objective

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; and 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

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 to target and that satisfactory financial performance is delivered.

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. 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.

Headlines

8. Financial performance is reported quarterly to Council. The financial performance reported in this paper is for the second quarter of 2015/16 (end 30 September 2015).
9. This information is presented at **Annex 1** and shows a surplus of **£4,175k** compared to the budget of **£3,869k** surplus which is a positive variance of **£307k**.
10. Q2 forecast data is presented in **Annex 1**, which shows an estimated year end position of **£151k** surplus which is **£113k** better than the budget. This is made up of **£147k** reduced income and **£260k** reduced expenses where we have identified savings in a number of areas.
11. **Annex 2** 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 only 1%. The expenditure indicator is red because actual expenditure is below budget for the period ended 30 September 2015 (compared to our target of 5%) at this stage in the year.

Analysis

12. Financial performance for the six months ended 30 September 2015 is presented at Annex 1. Actual performance for the year to date shows a surplus of **£4,175k** compared to a budgeted **£3,869k** surplus. This is an overall positive variance of **£307k**.

Income

13. Income for the six months ended 30 September 2015 totalled **£7.3m** compared to the budget of **£7.5m** which is a negative variance of **£108k** (just over 1%). The reasons for the variance in income are:
 - 13.1 small differences in the number of registrants being retained on the register compared to the budget; and
 - 13.2 small variations in the number of new registrants joining the register in the period or restoring to it compared with the budget.

14. We are continuing development work on planning and forecasting revenue focussing on phasing and timing of registrations and retentions. We are using longer term trend data and a cyclical approach to the CET cycle to improve accuracy. This work was used in the final budget preparation for 2015/16 approved by Council in February 2015.

Expenditure

15. Total expenditure for the six months ended 30 September 2015 amounts to **£3.2m** compared to a budget of **£3.6m**, which is a positive variance of **£415k**. We have analysed the differences between actual performance and the budget using five categories as detailed in the table below.

Table 1

ITEM	AMOUNT (£000)	CATEGORY
BUDGET OUTTURN Q2 2015/16	3,869	
1. Expenditure not phased correctly in 2015/16		
Publication costs	11	1
Consultancy and audit	25	1
ICT and licences	42	1
Depreciation	24	1
2. Cost Savings		
New FTP panel firms	62	2
3. Normal fluctuations		
Contingency and legal budgets not yet committed	99	3
Other	(38)	3
Staffing changes	67	3
4. Differences between plans and delivery		
External venue costs (due to delayed move)	(22)	4
Training costs	26	4
5. Budgeting errors or irregularities		
Panel expenses	11	5
HMRC payments on members expenses	(12)	5
Committee and panel fees	11	5
ACTUAL PERFORMANCE Q2 2015/16	4,175	

Underspend

16. Council is asked to note that the reasons for the underspend so far this year have been analysed into the following categories:
- 16.1 areas where we have recognised that budgets have not been phased correctly through the year to match expected expenditure. This is detailed in the first category of Table 1 above and includes:
 - 16.1.1 Publication of the annual report taking place later than planned;
 - 16.1.2 Consultancy and audit where work will take place later than anticipated this year;
 - 16.1.3 ICT licence fees; and
 - 16.1.4 Depreciation which is phased differently due to the later delivery of CRM.
 - 16.2 efficiency savings or improvements in procurement. These are detailed in Table 1 above (category 2) and amount to £62k;
 - 16.3 normal work fluctuations or areas where contingency budgets have not yet been expended are detailed in Table 1 above (category 3) and amount to £128k.
 - 16.4 activities planned but where delivery has been different than expected due to changes in timing, priorities or deferred activities. These are detailed in Table 1 above (category 4); and
 - 16.5 areas where we have recognised that budgets were set with unrealistic expectations of what could be delivered. This is detailed in Table 1 above (category 5) and includes:
 - 16.5.1 hearing panel expenses which were budgeted at higher average cost rates than are required;
 - 16.5.2 council and committee expenses which were budgeted at higher average costs than required; and
 - 16.5.3 tax on members expenses for 2014/15 which are higher than anticipated due to changes in recognising how we book travel and accommodation for members.

Overspend

17. All overspends are small in comparison and are more than offset by any underspends in other areas.

Council's required reporting

18. There are a number of budget lines for which Council has requested a report every quarter. These are reported below:
- 18.1 **£3.3k** of the contingency budget of **£50k** held by the Chief Executive and Registrar has been spent so far this year. This has been spent on consultancy and a membership for the organisation.
 - 18.2 **£76k** has been spent on external venues compared to the budget of **£54k** so far this year. This overspend is a result of delays in relocating to the new premises. It is included in Table One above in category 4.

18.3 **None** of the legal expenditure on FTP so far incurred has been identified as probably fitting one of the criteria for use of the legal contingency reserve. Any that arises in later periods will be charged to the reserve and a provisional reserve top-up indicated later in the year to maintain the balance on that reserve at **£500k** in accordance with the reserves policy.

Future work

19. Council is advised that there are a number of areas where further actions may be required to ensure financial performance remains in line with budget for the year:
- 19.1 re-phasing work will continue into Q3 so that we can identify area of savings where redeployment of resources may be possible; and
 - 19.2 the delay in relocation means that our work on identifying our new running costs will take place over Q3 and Q4 2015/16.

Projects

20. Project expenditure which is charged to the Strategic Reserve amounts to **£130k** for the six months ended 30 September 2015 which is **£115k** lower than the budget. This is a result of the delayed implementation of the CRM system.

Impacts

21. The following impacts have been identified:
- 21.1 GOC's reserves – the Q2 forecast outturn would increase reserves by **£151k** excluding any transfer from the investment reserve;
 - 21.2 GOC budget – as detailed in the paper;
 - 21.3 Legislation – none;
 - 21.4 Resources – as detailed in the paper;
 - 21.5 Equality and Diversity – none; and
 - 21.6 Human Rights Act – none.

Devolved Nations

22. 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

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

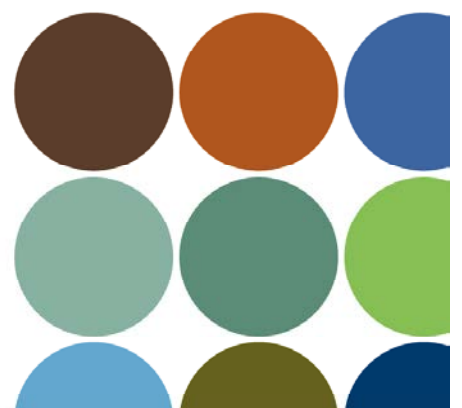
Timeline for future work

24. Financial performance together with forecasts will be reported to Council at each quarterly meeting in 2015/16.

Attachments

- Annex 1: Financial performance for Q2 (the six months ended 30 September 2015)
- Annex 2: Financial Performance Indicators for Q2 (the six months ended 30 September 2015)

Management Accounts Report for the Period ending 30 September 2015



Income and Expenditure Accounts including Project Expenditure

	April - September			2015-16	2015-16	2015-16	Q2 Forecast Variance from Q1 £'000
	Actual £'000	Budget £'000	Variance £'000	Budget £'000	Q1 Forecast £'000	Q2 Forecast £'000	
Income							
Registration	7,328	7,360	(32)	7,465	7,440	7,441	1
Investment Income	0	75	(75)	226	176	110	(67)
Bank & Deposit Interest	16	19	(3)	28	24	21	(3)
Database Sales	0	2	(1)	3	3	2	(1)
Other Income	3	0	3	0	0	3	3
Total Income	7,348	7,457	(108)	7,723	7,643	7,576	(67)
Expenditure							
CEO's Office	94	98	4	221	221	217	4
Strategy							
Director of Strategy	71	78	7	171	171	171	0
Governance	255	290	34	596	596	625	(29)
Policy	117	112	(4)	331	331	324	6
Communications	73	84	11	152	152	157	(5)
Education & Standards	415	407	(8)	854	820	814	6
Total Strategy	931	971	40	2,104	2,070	2,090	(20)
FTP							
Director of FTP	70	72	2	145	145	141	3
Fitness to Practise	500	696	197	1,514	1,405	1,291	115
Legal Compliance	34	37	3	87	87	77	10
Hearings	302	333	31	648	614	615	(1)
Total FTP	906	1,138	232	2,394	2,251	2,124	126
Resources							
Director of Resources	149	127	(22)	412	412	381	32
Facilities	436	464	28	905	905	909	(4)
Human Resources	190	220	30	432	432	464	(33)
Finance	87	94	7	244	242	245	(2)
IT	179	233	53	474	474	473	1
Registration	184	203	19	402	402	413	(11)
Total Resources	1,225	1,340	115	2,870	2,868	2,884	(17)
Depreciation & Amortisation	17	41	24	95	81	109	(28)
Total Expenditure	3,173	3,588	415	7,685	7,491	7,425	65
Net (Deficit) /Surplus before transfer from investment reserve	4,175	3,869	307	38	152	151	(1)
Project Expenditure Not included in the above							
CET Amortisation	29	29	(0)	44	44	44	0
CRM Amortisation	101	101	(0)	201	201	201	0
	130	130	(0)	245	245	245	0

Balance Sheet as at 30 September 2015

	£'000
Fixed Assets	
Refurbishment	1,038
Furniture & Equipment	279
IT Equipment (Hardware)	39
IT software (Including CRM Phase 1)	386
Development Costs	15
CRM project - working progress	100
Total Fixed Assets	1,856
Current Assets	
Cash and monies at Bank	1,390
Short term deposits	3,826
Debtors & Prepayments	7,314
Total Current assets	12,530
Current Liabilities	
Creditors & Accruals	1,337
Total Current Liabilities	1,337
Current Assets less Current Liabilities	11,193
Total Assets less Current Liabilities	13,049
Long Term Liabilities	0
Total Assets less Total Liabilities	13,049
Reserves	
Strategic Reserve	621
Legal Costs Contingency Reserve	500
Investment Reserve	4,550
Income & Expenditure Reserve - General	7,097
Income & Expenditure Reserve - Designated	281
Total	13,049

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

Movement on reserves	Actual					Total £'000
	Strategic reserve £'000	Legal costs contingency reserve ³ £'000	Investment Reserve £'000	Income & expenditure reserve		
				Designated ² £'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					4,175	4,175
Total Reserves Available	751	500	4,550	322	7,097	13,220
Expenditure:						
Reward project				(41)		(41)
In-year resourcing						
Amortisation-CET	(29)					(29)
Amortisation-CRM	(101)					(101)
Total Reserves Utilised	(130)	0	0	(41)	0	(171)
Balance Reserve	621	500	4,550	281	7,097	13,049

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. £31k was utilised to-date for staff. The total annual staff related resourcing will be £75k. The performance review related pay accounting of SMT will be accounted in October.

Capital Project Cost

Capital Project- CRM Project - Phase 1	
	£000's
Initial funds in Strategic reserve	323
IT savings in 2013/14	37
Transferred in 2014/15	301
Funds in Strategic reserve	661
Actual Project Cost	
2012/13	149
2013/14	401
2014/15	108
2015/16	36
Total project cost to date	694
Balance available to spend for Phase 1	(33)
Project work-in-Progress	
Phase 1 - Registration completed and transferred to fixed assets ²	604
Phase 1 - FTP and Hearings - in working-progress	100
Total project cost to date	704

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

1. Phase 2 is expected to cost £244k and will start in 2015/16.
2. Capital projects are amortised over 3 years from their being brought into use.
3. £81k will be needed in Strategic Reserve in 2018/19 to accommodate the CRM amortisation.

Finance Performance Indicators

Activity	Performance Indicators	2015/16 target	Quarterly Reviews					
			2014/15				2015/16	
			Q1	Q2	Q3	Q4	Q1	Q2
Formulating the GOC budget, reporting progress to budget holders and Council, and accounting for funds at year-end	Income % variance from budget	5%	-2%	0%	1%	1%	-1%	-1%
	Expenditure % variance from budget	5%	15%	18%	14%	8%	20%	12%