

## **COUNCIL**

### **Financial Performance Report (Twelve months to 31 March 2020)**

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**Meeting:** 13 May 2020

**Status:** For noting

**Lead responsibility:** Yeslin Gearty (Director of Resources - interim)

**Author:** Manori Izni-Muneer (Head of Finance)

#### **Purpose**

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1. This paper provides a summary of the twelve months financial performance to 31 March 2020 (**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 2020-21 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.

#### **Analysis**

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5. 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 2020. Key points are highlighted within the paper, with the bulk of the narrative and financials in the annex.
6. It should be noted that there is no requirement for a part year forecast. The 3-year projection will be extended to cover 2022-23 in the Q1 report.

#### **Risks**

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7. 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.
8. 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.

9. The following risk, as identified in the corporate risk register is relevant:
- Financial impact on reserves arising from additional cost of Covid-19 and/or reduced income

## Headlines

### Twelve Month Financial Performance

10. The results before unrealised gains and losses for the twelve months to 31 March 2020 show a net deficit of £588k. This is against a budget deficit of £1,390k, a favourable variance of £803k. The results are favourable to the latest forecast by £129k.

### Income

11. The total income of £9,609k is £240k less than the budget and £14k less than the latest forecast. Registration income has a £307k unfavourable variance. The dividend income is £40k favourable. Higher than expected refunds due to the end of the three-year CET cycle contributed to the high negative variance with the original budget.

### Expenditure

12. The total expenditure of £10,197k is £1,043k favourable to budget and £144k favourable to the latest forecast.
13. The surplus was achieved through a mix of efficiencies, planned delays, and changes in planning. Staff costs, IT costs, member costs and case progression related costs contributed to the variance.
14. Efficiency related savings were made in several areas including member costs, staff costs and new procurements. Methods of working are continuously reviewed to identify improvements and cost saving measures. Several committee meetings were carried out virtually, saving travel and accommodations costs. Instead of filling staff vacancies automatically, they are reviewed, and resources are shared within the organisation where possible. Savings were made in EVP budgets by conducting more desk-based reviews. Several contracts were also re-let to achieve better value for money.
15. The website replacement project was delayed due to the decision on single tender procurement, which has resulted in some underspend. Some recruitment has been cancelled and other vacancies are taking longer to fill than expected due to office lock-down at the end of Q4.
16. The savings are partially offset by increased costs as a result of the difficulty in predicting expenditure in some cost categories. Expenditure related to legal charges increased due to additional provision for a complex case and procurement of panel firms after the original budget approval. It is difficult to

make accurate predictions of the resources needed for expert advice which depends on the complexity of cases presenting themselves.

**Other comments**

17. In Q4 the economic downturn due to Covid-19 resulted in a material decrease in the market value of shares. Our investment value reduced by £1.4m from our Q3 published valuation as a direct result. More details on financial impacts are found in pages 4 and 11 of the financial performance report (Annex 1).
18. The impact on reserves due to the reduction of the market value of investments is £1.4m. This loss is expected to be re-gained at least in part as and when the economy revives.

**Impacts**

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19. 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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20. 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 2020.