

COUNCIL

**Financial performance report: half year to 30 September 2018**

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**Meeting:** 14 November 2018

**Status:** for noting

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

**Purpose**

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1. This paper provides the half year (H1) financial report for 2018-19.

**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 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. We are 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.

**Analysis**

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**Headlines**

7. This report remains in the same format as previous quarterly reports. However it should be noted that more detailed review and discussion has taken place at Audit, Risk and Finance Committee (ARC) on 1 November 2018.
8. The financial performance reported in this paper is for the first six months of 2018-19 (to 30 September 2018).
9. Included in this report are the following tables:
  - Table A: Income and expenditure account by department

- Table B: Income and expenditure account by cost type (Inc. project exp.)
- Balance sheet

10. The results before unrealised gains and losses for the six months ending 30 September 2018 show a net deficit of £239k. This is against a budget deficit of £853k. A favourable variance of £613k.

### **Income**

11. The total income of £4,625k is £95k higher than budget. Registration income has a £53k (+1 per cent) favourable variance due to slightly higher levels of renewal and restorations. Dividend income is £39k favourable. The budget is spread evenly across the year, whereas many large corporates pay their (higher) final dividends after their year ends which are typically 31 December.

### **Expenditure (excluding projects)**

12. The total expenditure before projects of £4,611k is £367k lower than the budget. The main areas of saving are staff costs (£185k) through recruitment taking longer than anticipated and some posts remaining vacant. There are also savings around member costs (£58k) as slightly lower levels of meetings have occurred.

### **Project Expenditure**

13. The project expenditure at £253k is £152k under budget. Professional fees, especially around research and consultations is the main driver, with plans either being revised, delayed or alternatives being actively considered.

### **Other comments**

14. In quarter four of 2017-18 an unrealised loss of £570k was recorded. The global markets have rebounded since April. This has resulted in an unrealised gain of £717k being recorded in first half of the year. This resulted in an overall net surplus of £478k for the half year against an overall budgeted deficit of £703k.

### **Future work**

15. Council is advised that financial performance will continue to be closely monitored with the next scheduled review of performance (to 31 December) to be undertaken by ARC in January.

### **Impacts**

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

**Communications**

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18. 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 2018-19.

**Timeline for future work**

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19. Financial performance together with forecasts will be reported to Council at each quarterly meeting in 2018-19.

**Table A**  
**Income and Expenditure Accounts**

	April - September			2018-19	2018-19
	Actual £'000	Budget re visit £'000	Variance £'000	Budget re visit £'000	Original budget £'000
<b>Income</b>					
Registration	4,428	4,375	53	8,874	8,874
Dividend Income	177	138	39	275	275
Bank & Deposit Interest	9	12	(4)	25	25
Other Income	11	5	6	10	10
<b>Total Income</b>	<b>4,625</b>	<b>4,530</b>	<b>95</b>	<b>9,184</b>	<b>9,184</b>
<b>Expenditure</b>					
<b>CEO's Office</b>	<b>171</b>	<b>182</b>	<b>11</b>	<b>450</b>	<b>211</b>
<b>Strategy</b>					
Director of Strategy	72	78	6	167	167
Governance	358	411	53	805	792
Policy	108	146	38	293	292
Communications	103	103	1	319	252
CET & Standards	292	329	37	682	688
Education	237	303	67	709	819
<b>Total Strategy</b>	<b>1,169</b>	<b>1,370</b>	<b>201</b>	<b>2,974</b>	<b>3,010</b>
<b>FTP</b>					
Director of FTP	74	98	24	208	220
Case Progression	898	968	70	2,014	1,988
Legal	148	154	6	387	315
Hearings	588	593	6	1,209	1,234
<b>Total FTP</b>	<b>1,708</b>	<b>1,813</b>	<b>105</b>	<b>3,817</b>	<b>3,758</b>
<b>Resources</b>					
Director of Resources	109	109	(0)	219	229
Facilities	489	517	28	1,045	1,037
Human Resources	224	190	(35)	411	412
Finance	188	134	(55)	326	324
IT	236	308	71	565	484
Registration	242	275	33	616	651
<b>Total Resources</b>	<b>1,489</b>	<b>1,532</b>	<b>43</b>	<b>3,181</b>	<b>3,137</b>
<b>Depreciation</b>	<b>74</b>	<b>80</b>	<b>6</b>	<b>152</b>	<b>152</b>
<b>Total Expenditure</b>	<b>4,611</b>	<b>4,978</b>	<b>367</b>	<b>10,575</b>	<b>10,268</b>
<b>Surplus / (Deficit) before project expenditure</b>	<b>14</b>	<b>(448)</b>	<b>462</b>	<b>(1,391)</b>	<b>(1,084)</b>

**Table A (Contd.)**

	April - September			2018-19 Budget re visit £'000	2018-19 Original budget £'000
	Actual £'000	Budget re visit £'000	Variance £'000		
<b>Project Expenditure</b>					
Safe contact lens use project	2	3	1	6	7
CET Evaluation project	42	92	50	276	127
Education Strategic Review project	63	152	89	317	331
Assessment of non UK registration applications project	0	0	0	0	23
Standards project	39	40	1	81	41
Transformation project	89	89	(1)	89	0
Digital Communications	0	0	0	0	60
CRM Amortisation	19	29	10	59	59
<b>Total Project expenditure</b>	<b>253</b>	<b>405</b>	<b>152</b>	<b>829</b>	<b>647</b>
<b>Surplus / (Deficit) after project expenditure</b>	<b>(239)</b>	<b>(853)</b>	<b>613</b>	<b>(2,220)</b>	<b>(1,730)</b>
Unrealised Investment gains	717	150	567	300	300
<b>Surplus / Deficit</b>	<b>478</b>	<b>(703)</b>	<b>1,180</b>	<b>(1,920)</b>	<b>(1,430)</b>

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

	April - September			2018-19	2018-19
	Actual	Budget	Variance	Budget	Budget
	£'000	re visit	£'000	re visit	£'000
		£'000		£'000	
<b>Income</b>					
Registration	4,428	4,375	53	8,874	8,874
Dividend Income	177	138	39	275	275
Bank & Deposit Interest	9	12	(4)	25	25
Other Income	11	5	6	10	10
<b>Total Income</b>	<b>4,625</b>	<b>4,530</b>	<b>95</b>	<b>9,184</b>	<b>9,184</b>
<b>Expenditure</b>					
Staff Salaries Costs	1,929	2,113	185	4,728	4,883
Other Staff Costs	449	433	(16)	803	410
Staff Benefits	55	49	(5)	102	104
Members Costs	580	638	58	1,338	1,370
Case Examiners	78	73	(5)	157	170
Professional Fees	213	398	185	923	830
Finance Costs	87	46	(41)	173	172
Case Progression	475	499	24	876	722
Hearings	94	95	1	198	201
CET & Standards	143	168	24	359	350
Communication	27	25	(2)	65	63
Registration	9	6	(3)	12	16
IT Costs	179	239	60	427	367
Office Services	454	492	38	1,031	1,047
Depreciation & Amortisation	94	109	16	211	211
<b>Total Expenditure</b>	<b>4,864</b>	<b>5,383</b>	<b>518</b>	<b>11,404</b>	<b>10,914</b>
<b>Surplus / Deficit</b>	<b>(239)</b>	<b>(853)</b>	<b>613</b>	<b>(2,220)</b>	<b>(1,730)</b>
Unrealised Investment gains	717	150	567	300	300
<b>Surplus / (Deficit)</b>	<b>478</b>	<b>(703)</b>	<b>1,180</b>	<b>(1,920)</b>	<b>(1,430)</b>

## Balance Sheet as at 30 September 2018

	30 September 2018 £'000	31 March 2018 £'000	Variance £'000
<b>Fixed Assets</b>			
Refurbishment	848	886	(38)
Furniture & Equipment	218	231	(13)
IT Equipment (Hardware)	45	51	(6)
IT software (Including CRM )	30	49	(19)
CRM project - working progress	(0)	0	(0)
<b>Total Tangible Fixed Assets</b>	<b>1,142</b>	<b>1,217</b>	<b>(75)</b>
Investment	10,412	9,746	666
<b>Total Fixed Assets</b>	<b>11,554</b>	<b>10,963</b>	<b>591</b>
<b>Current Assets</b>			
Debtors, Prepayments & Other Receivable	632	583	49
Short term deposits	1,200	5,000	(3,800)
Cash and monies at Bank	695	1,341	(646)
<b>Total Current assets</b>	<b>2,527</b>	<b>6,924</b>	<b>(4,397)</b>
<b>Current Liabilities</b>			
Creditors & Accruals	943	1,180	(237)
Income received in advance	4,300	8,297	(3,997)
Provision for rent	563	613	(50)
<b>Total Current Liabilities</b>	<b>5,806</b>	<b>10,090</b>	<b>(4,284)</b>
<b>Current Assets less Current Liabilities</b>	<b>(3,279)</b>	<b>(3,166)</b>	<b>(113)</b>
<b>Total Assets less Current Liabilities</b>	<b>8,275</b>	<b>7,797</b>	<b>478</b>
Long Term Liabilities	0	0	0
<b>Total Assets less Total Liabilities</b>	<b>8,275</b>	<b>7,797</b>	<b>478</b>
<b>Reserves</b>			
Legal Cost Reserve	1,624	1,624	0
Strategic Reserve	2,983	2,984	(1)
Income & Expenditure	3,667	3,189	478
<b>Total</b>	<b>8,275</b>	<b>7,797</b>	<b>478</b>