

COUNCIL

**Financial performance report: mid-year forecast to 31 March 2019**

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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 mid-year (Q2) forecast for 2018-19.

**Recommendation**

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2. Council is asked to **consider** and **note** the contents of this report and the actions that will be undertaken to achieve the financial targets for 2018-19. This will help to ensure robust financial performance delivery for the year ended 31 March 2019.

**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 and forecasts are 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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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 on 1 November 2018.

8. The mid-year forecast builds on the half year financial performance reported in the previous paper to provide an indication of deviations from the approved budget and business plan.
9. Included in this report are the following tables:
  - Table A: Q2 Forecast for full year to 31 March 2019.
10. The results before unrealised gains and losses for the year ending 31 March 2019 forecast a net deficit of £1,419k. This is against a budget deficit of £2,200k. A favourable variance of £801k.
11. The total income of £9,271k is £87k higher than budget. Registration income has a £53k (+1%) favourable variance due to slightly higher levels of renewal and restorations. Dividend income is £39k favourable.
12. The total expenditure before projects of £10,071k is £505k lower than the budget. The first key driver of saving is staff costs, mainly through recruitment taking longer than anticipated and some posts remaining vacant in the first half of the year. Posts are now generally filled so savings in the second half of the year will be minimal. There are also savings around member costs; £58k in the first half. Some further savings are expected as we endeavour to ensure meetings are efficiently scheduled. The third key driver is the use of external consulting for research, consultations etc. Again, the need for these has been reviewed with alternative sources of information being used where possible.
13. The project expenditure at £619k is £209k under budget. Professional fees, as per above and revised staffing plans are the main contributors.
14. Global markets continue to be volatile. The forecast only anticipates the average portfolio returns (5.5 per cent). The current gains at the mid-year are not guaranteed.
15. Cash flow projections indicate that the current cash position (working capital and Investments combined) is significantly better than budgeted. (£12,349k v £11,350k). This will result in less draw down on investments in Q3.

## 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. The mid-year forecast outturn would decrease reserves by **£1,119k**.

**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.

**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.

## Income and Expenditure Accounts

	2018-19	2018-19	
	Budget re-visit	Q2 Forecast	Variance from Budget re-visit
	£'000	£'000	£'000
<b>Income</b>			
Registration	8,874	8,927	53
Dividend Income	275	314	39
Bank & Deposit Interest	25	13	(12)
Other Income	10	16	6
<b>Total Income</b>	<b>9,184</b>	<b>9,271</b>	<b>87</b>
<b>Expenditure</b>			
<b>CEO's Office</b>	<b>450</b>	<b>439</b>	<b>12</b>
<b>Strategy</b>			
Director of Strategy	167	160	7
Governance	805	728	77
Policy	293	217	76
Communications	319	254	65
CET & Standards	682	567	115
Education	709	701	8
<b>Total Strategy</b>	<b>2,974</b>	<b>2,626</b>	<b>348</b>
<b>FTP</b>			
Director of FTP	208	168	40
Case Progression	2,014	1,909	105
Legal	387	358	29
Hearings	1,209	1,194	15
<b>Total FTP</b>	<b>3,817</b>	<b>3,628</b>	<b>189</b>
<b>Resources</b>			
Director of Resources	219	218	1
Facilities	1,045	1,000	45
Human Resources	411	485	(74)
Finance	326	431	(106)
IT	565	517	48
Registration	616	577	39
<b>Total Resources</b>	<b>3,181</b>	<b>3,229</b>	<b>(47)</b>
<b>Depreciation &amp; Amortisation</b>	<b>152</b>	<b>149</b>	<b>4</b>

<b>Total Expenditure</b>	<b>10,576</b>	<b>10,071</b>	<b>505</b>
<b>Surplus / (Deficit) before project expenditure</b>	<b>(1,391)</b>	<b>(800)</b>	<b>591</b>

**Table A (Contd.)**

	<b>2018-19</b>	<b>2018-19</b>	
	<b>Budget re-visit</b>	<b>Q2 Forecast</b>	<b>Variance from Budget re-visit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Project Expenditure</b>			
Safe Contact Lens Use	6	3	3
CET Evaluation Project	276	262	14
Education Strategic Review project	317	175	142
Standards Project	81	56	26
CRM Amortisation	59	34	24
Transformation Project	89	89	0
<b>Total Project expenditure</b>	<b>829</b>	<b>619</b>	<b>209</b>
<b>Surplus / (Deficit) after project expenditure</b>	<b>(2,220)</b>	<b>(1,419)</b>	<b>801</b>
<b>Surplus / Deficit</b>	<b>(2,220)</b>	<b>(1,419)</b>	<b>801</b>
Unrealised Investment gains	300	300	(0)
<b>Surplus / (Deficit)</b>	<b>(1,920)</b>	<b>(1,119)</b>	<b>800</b>