

Further information about Report & Financial Statements to year ended 31st December 2015

Introduction

A number of people have asked questions about the Financial Statements and I hope that this short letter will provide some clarification and useful supplementary information.

As we are a UK registered charity and company, we are required by law to present our accounts in a particular way, under the guidance of our auditors – Mazars. I am the first to admit that unless you are very used to looking at the statutory accounts of British institutions, they may be difficult to interpret.

Interestingly, we do have some leeway in how we present the information and when we interviewed for new auditors last month, several suggestions were made about how we might improve the presentation of the accounts and financial statements. So I am optimistic that in future they will be more “readable”.

I hope the information in the following paragraphs will be useful.

Two entities: the charity and the trading company

The Report & Financial Statements include information about:

- (a) The Cochrane Collaboration – the “Charity”
- (b) Collaboration Trading Company Limited, plus the two subsidiaries
- (c) Cochrane Innovations, and
- (d) IKMD Denmark.

When reading pages 16 to 19 it is critical to bear in mind that you are seeing the results for these four related entities. Firstly, on page 16, results for the “Cochrane Collaboration charity” (page headed “Charity only”) and secondly, on page 17, results for the “Group” which comprises The Cochrane Collaboration charity plus the Collaboration Training Company Limited plus the subsidiaries Cochrane Innovations and IKMD Denmark “consolidated” together (page 17 – headed “...Consolidated Statement..” and referring to “Group” activities). The balance sheet on page 18 reports results for the Charity and the Group. The cash flow statement on page 19 covers the Group.

The funding of Cochrane globally

Income

When considering the funding of Cochrane’s activities globally, it is important to realise that only a proportion of money to support those activities flows through the Charity and is therefore captured in the Charity’s financial statements. So for example, none of the money in the UK that the National Institute for Health Research (NIHR) gives to support Cochrane Groups and activities appears in these financial statements. The same applies for many other countries. The **total financial resources available to fund Cochrane activities globally** is the sum of the Charity’s income + the money given by many governments, charities, institutions, etc. around the world. It is difficult to estimate the total income received by

Cochrane Groups and we rely on the annual financial monitoring exercise to give us the most accurate calculation. This year our calculation from the returns received for the 2015 financial year was that Cochrane Groups received £14,655,00 in direct and indirect (in-kind) support.

Expenditure

In the same way, to determine the **total amount of money spent on Cochrane’s activities globally**, you would need to be able to add up all the money spent, in all the countries of the world, in addition to the money spent on this activity by the charity.

Determining the proportion of Cochrane’s funds spent on “administration” of the organisation.

Without knowing the two figures described above, it is not possible accurately to determine the proportion of Cochrane’s total income spent on what might loosely be termed “administration”. However, I am aware that this is something that people are interested in and – as prudent trustees of the charity – it is something the Steering Group is also conscious of. On the principle that we can only control that over which we have some control, we have instructed Sarah Watson and her team to provide a breakdown of how the Charity’s resources – including staff time – are being spent in undertaking activities in two broad areas; these are:

1. **“Delivering our Mission”**: Specific pieces of work and projects to fulfil the charity’s mission and objectives, as approved by Steering Group and pursuing Goals 1, 2 and 3 of Strategy 2020.
2. **“Running the Charity”**: Those costs spent in running, leading & supporting the organisation, and related to achieving Goal 4 of Strategy 2020 (including fundraising and publishing management, governance, Colloquium support, being a well-managed charity, etc).

The piece of work to allow this to happen has been undertaken in 2016; and so the results are not available for 2015 – the period covered by the Report & Financial Statements. However, I thought it might be helpful to present at least one aspect of this project here.

Staffing levels and activities

As in most organisations, people-related costs represent a very significant part of our expenditure.

There are three broad types of individuals receiving funds to further the objects of the Charity:

- salaried employees,
- contractors and
- individuals on secondment.

The salaries of the salaried employees are recorded under **“Staff salaries”**. The funds paid to contractors, and the institutions of those on secondment, are included in – and form just one part of – **“Other support costs”**.

The total number of individuals currently (October 2016) receiving funds, worldwide, from the charity is 78. Some of them work part-time for the Charity and the number of full-time equivalents is 63.7.

For 2016, considering the different categories of work, the situation is as follows:

Cochrane Dept	Total people	Salaried staff	“Contractor”/ Secondment	Goal 1, 2 & 3	Goal 4	FTE of people on Goal 4
				%	%	
CEAD	9.8	4.6	5.2	65	35	3.4
CEO	5.2	4.8	0.4	30	70	3.6
CEU	18.2	14.6	3.6	77	23	4.2
FCS	8.3	8.3	0.0	4	96	8.0
IKMD	18.6	16.6	2.0	92	8	1.5
LSD	3.6	2.8	0.8	75	25	0.9
Total	63.7	51.7	12.0	Total FTE on Goal 4		21.6

The table shows:

- the number of full time equivalent (FTE) people by Department,
- the proportion of people time spent on Goals 1, 2 & 3 *versus* Goal 4, and therefore
- the number of FTEs spent on Goal 4

CEAD	Communications and External Affairs
CEO	Chief Executive’s Office
CEU	Central Editorial Unit
FCS	Finance and Core Services
IKMD	Information and Knowledge Management
LSD	Learning & Support

Within the Financial Statements and Accounts for last year there are a number of references to “staff” numbers. The key issues to remember when looking at these are that in accordance with the accounting rules:

- Only *salaried* staff are included (see above);
- “Management” refers to the Senior Management Team of the Chief Executive, Editor-in-Chief, & Heads of CEAD, FCS, IKMD & LSD;
- “Administration” covers everyone else. Those included are not administrators in the usual sense of that word.
- Not all posts were filled at all time points in 2015

Staff location and expenditure

Of the 63.7 FTEs currently receiving funds from the charity, 25.53 are located outside the UK. The overseas staff account for 46% of salary costs and 42% of total remuneration costs.

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Summary

I hope this information is helpful. As I said at the outset, we hope next year to have a set of reports and statements that are easier to read, more engaging and more informative.

If there are any further questions of clarification, please let me know (martin.burton@cochrane.nhs.uk) or ask me in Seoul.

Martin Burton
Treasurer

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