
Finance Report and Q1 budget review

Executive Summary

June 2020 (Month 3) Management Accounts

At the end of June 2020, HCPC's YTD deficit was £52k, which is a favourable variance of £1,728k when compared to the budgeted deficit of £1,779k.

The variance is mostly caused by an overall significant reduction in costs due to the impact of COVID-19. The current reduction in costs will not wholly convert into a permanent saving; about 90% of the current underspend will be spent in the remaining 3 quarters of the financial year.

Appendix 1 (page 3) shows the June 20 finance dashboard. As discussed and agreed in the May 20 council meeting, a detailed version of the management accounts is available on council members' iPads for those who wanted to scrutinise further.

Q1 reforecast of 2020-23 budget

The Q1 forecasted result for 2020-21 is a deficit of £2,516k, this compares with the original budget for 2020-21 of £2,867k deficit.

The draft Q1 forecast budget for the year ending 31 March 2021 with high level forecast of 2021-22 and 2022-23 is attached as Appendix 2 (page 7)

Due to uncertainties around the impact of Covid-19, we have produced a risk and pressures table on page 15. This shows the financial impact for a range of assumptions which may improve or worsen the result for 2020-21.

The budget will be reviewed and updated on a quarterly rolling basis.

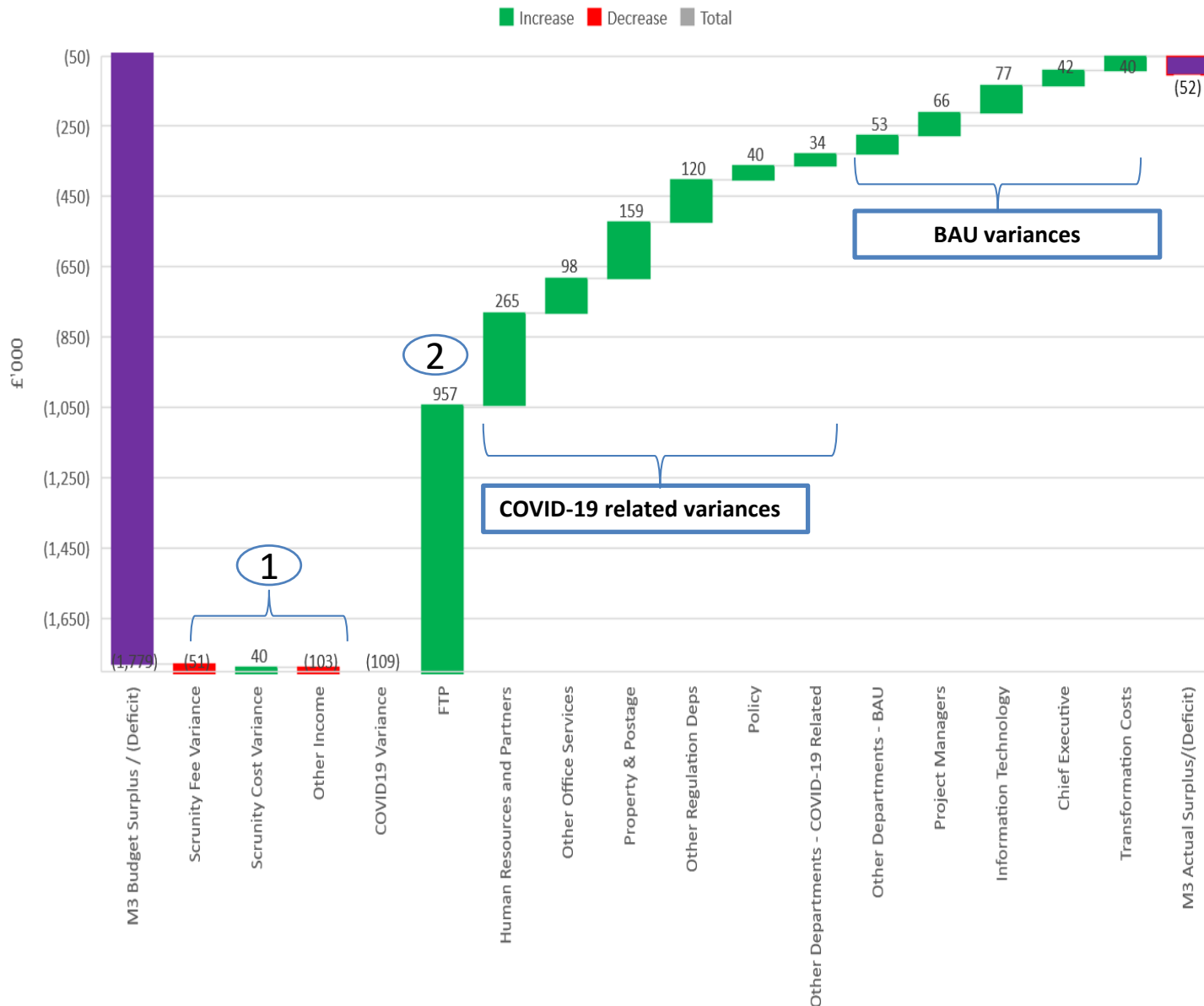
Decision	Council is asked to <ul style="list-style-type: none">Note the June 2020 (Month 3) Management AccountsApprove the quarter one review of the 2020-21 budget and high level forecast for 2021-23.
Previous consideration	The June 20 management accounts were presented to SMT for review on 21 July 2020, SMT reviewed the draft Q1 forecast on 14 July 20. Council has reviewed a version of finance dashboard in May 20 and provided feedback.
Next steps	August 2020 management accounts will be presented to Council at the September 2020 meeting.

Strategic priority	The strategic priorities set in 2018 are no longer current. We are developing a new strategy that we aim to confirm at the end of 2020.
Risk	<p>Strategic Risk 4 - Failure to be an efficient regulator Strategic Risk 5 – Failure of leadership, governance or culture</p> <p>Risk appetite – Financial - the Council takes a minimal approach to incurring financial loss. We are funded by registrants’ fees and need to deliver value for money. We will allocate additional resource in areas where not to do so incurs greater risk or there are compelling benefits. We tend to favour investments that offer low returns but low volatility and risk.</p>
Financial and resource implications	These are set out within the revised budget section of this paper.
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P3 June 2020 Finance dashboard

Tian Tian
Finance Director

YTD to June 2020 - YTD Variance Analysis



1 Reduced Renewal, International Scrunity Income from (mainly Physiotherapists and Art Therapists)

2 Reduced hearing activity linked to decrease in partners and case preparation costs. Increase in virtual sessions; but productivity has reduced

COVID 19 Related Variances

Reduced training activity and slower usage of the recruitment cost pot
Property cost savings linked to working from home.

Reduced approval visits and 100% virtual approval visits in Education.
Registration CPD Audits cancelled in 5 professions.

BAU Variances

Delay in recruitment within departments and other miscellaneous variances.

Income By Profession		Jun-20 Year to date		Jun-20 Year to date	
Arts Therapists	2,183	70,264	Paramedics	224,038	652,851
Bio-medical Scientists	183,452	530,446	Physiotherapists	449,478	1,303,970
Chiropodists	100,363	291,772	Practitioner Psychologists	190,598	554,741
Clinical Scientists	49,301	143,444	Prosthetists & Orthotists	8,459	24,710
Dietitians	81,764	235,078	Radiographers	307,165	875,606
Hearing Aid Dispensers	24,282	70,335	Social Workers	-101	-304
Occupational Therapists	306,552	903,147	Speech & Language Therapists	122,510	371,621
Operating Department Practitioners	107,568	315,572	Registration Income	2,174,528	6,384,365
Orthoptists	11,353	33,003	Other Income	17,036	50,981
Other Registration Income	5,565	8,110	Total Income	2,191,564	6,435,345

1

1

2

Colour Legend	
	More than 5% better than budget
	More than 5% worse than budget
	Close to Budget
	Between 2.5% & 5% better than budget
	Between 2.5% & 5% worse than budget

1

Reduced renewal Income from two professions; Arts Therapists and Physiotherapists.

Also lower number of International applications processed.

2

Reduction in investment income due to fallen interest rate as a result of Covid.

3

Overall lower expenditure than budgeted due to the impact of Covid on activities such as hearings (33% reduction in volume), recruitment, cancellation of CPD audits and fewer Education approval visits. Also include savings on premise costs.

4

Third party invoice relating to the impact of Covid. This cost was not budgeted for. We are in the process of negotiating a grant from DHSC to support these costs plus impact on productivity and other operational expenditures which are currently sitting within departmental costs.

Expenditure	Year to Date		
	Pay	Non-Pay	Total
Chair, Council & Committee	0	77,478	77,478
Chief Executive	233,967	762,570	996,538
Policy & External Relations	199,018	39,784	238,802
HR & Office Services	203,632	465,686	669,318
IT & Major projects	252,099	403,843	655,941
Governance & QAD	94,837	6,719	101,556
FTP	1,050,908	1,275,658	2,326,566
Registration	476,976	199,195	676,170
Education	134,935	25,683	160,617
Finance	100,974	36,596	137,570
Depreciation	0	163,687	163,687
Transformation Costs	0	173,747	173,747
Total	2,747,345	3,630,645	6,377,990
COVID 19	10,731	98,214	108,945

3

4

Summarised Departments by Exec Directors with larger departments still shown separately



Income and Expenditure Account YTD up to end of June 20	Actual £	Year to date Budget £	Variance £
Income (A)			
Registration Income	6,384,365	6,532,970	(148,606)
Other Income	50,981	56,250	(5,269)
Income (A)	6,435,345	6,589,220	(153,875)
Pay Costs			
Pay Costs	2,747,345	3,006,065	258,720
Non-Pay Costs	3,293,211	4,971,984	1,678,773
Depreciation	163,687	176,892	13,204
Total Operating Exp (B)	6,204,243	8,154,941	1,950,697
Turnaround Costs	173,747	213,720	39,973
Total Expenditure©	6,377,990	8,368,661	1,990,670
COVID-19 (D)	(108,945)	0	(108,945)
Total Surplus/(Deficit) E= (A-C+D)	(51,590)	(1,779,440)	(1,727,851)

5

Favourable variance in cash mainly due to reduction in expenditure following Covid.

B/F reserves figure in the original budget was also based on 2019-20 month 6 forecasted C/F reserves which was £900k less than actual mainly due to reimbursement of opportunity costs at the year end.

Statement of Financial Position Balance Sheet	Actual Jun-20	YTD Budget Jun-20
Total Fixed Assets	8,879,448	8,716,143
Current Assets		
Other Current assets	1,339,545	1,557,319
Cash & cash equivalents	12,185,598	9,485,903
	13,525,142	11,043,222
Total Assets	22,404,590	19,759,365
Current Liabilities		
Current Liabilities	1,916,970	2,276,196
Deferred Income	15,884,790	15,507,255
Total current liabilities	17,801,760	17,783,451
Liabilities greater than one year	163,052	163,052
Total Assets less liabilities	4,439,778	1,812,862
Reserves	(4,491,368)	(3,592,303)
This Period's (surplus)/deficit	51,590	1,779,441
General Fund c/fwd	(4,439,778)	(1,812,862)

5

2020-21 1st Quarter Forecasting Overview

28th of July 2020

Margaret Osibowale

Head of Financial Planning & Analysis

Tian Tian

Director of Finance

Three Year Financial Plan

Three Year Financial Plan									
	2020-21 1st Quarter Forecast		2020-21 Original Budget		Variance		2021-22 Draft Budget		2022-23 Draft Budget
	£		£		£		£		£
Total Income	27,040,095		27,402,526		(362,431)		28,727,533		30,709,023
Total Expenditure	29,274,779		29,842,025		567,246		29,612,962		29,521,779
Operating Surplus/(Deficit)	(2,234,684)		(2,439,500)		204,815		(885,428)		1,187,243
Change Costs	(427,440)		(427,440)		0		0		0
Indirect Covid-19 Cost Recovery	146,349		0		146,349		0		0
TOTAL SURPLUS/(DEFICIT)	(2,515,775)		(2,866,940)		351,164		(885,428)		1,187,243

Headlines

Variance	£'000
Income Reduction	-362
Cost Reduction	567
Reimbursement for Covid-19 indirect costs expensed	146
Total Variance	351

DHSC Covid-19 Grant		£'000
Estimated Grant Income		255
Direct Costs		(109)
Indirect Costs		(146)

Income Source	£'000
Graduate Registration Fees	(13)
Readmission fees	(6)
Renewal Fees	(150)
International scrutiny fees	(39)
UK scrutiny fees	(28)
Reduced Registrant Nos	(236)
Delay in Fee Increase	(92)
Registration Income	(328)
Investment Income	(34)
Total Income	(362)

Expenditure	£'000	
Accounting Change		
Depreciation	(47)	
Major Projects	94	
Accounting Change		46
Changes associated with Covid-19		
Chair, Council and Committee	34	
Communication	46	
Registration	55	
Office Services	148	
Human Resources and Partners	162	
Changes associated with Covid-19		445
Business-As-Usual Changes		
Finance Department	(49)	
Other Departments (includ. FtP)	10	
Data Intelligence Team	30	
Quality Assurance	39	
Chief Executive	46	
Business-As-Usual Changes		76
Total Expenditure		567

Income

Income Source	£'000
Graduate Registration Fees	(13)
Readmission fees	(6)
Renewal Fees	(150)
International scrutiny fees	(39)
UK scrutiny fees	(28)
Reduced Registrant Nos	(236)
Delay in Fee Increase	(92)
Registration Income	(328)
Investment Income	(34)
Total Income	(362)

1

The Registrant Income for Quarter 1 was a negative variance of £149k, mainly due to the reduced income from the Physiotherapy and Art Therapists professions renewal and international scrutiny income. Over 2,500 physiotherapists' registrations lapsed after the renewal window closed. 50% of the lapsed registrations are forecasted to be re-admitted in the next few months. International applications are paper based; COVID-19 has affected the processing time of these applications; the income position will improve as lockdown is relaxed.

The changes to the registrant income forecast assume that these negative variances will not continue for the full year but won't return to the full original budget.

2

It has now been assumed that the fee increase of £8.12 will be effective from 1st of January 2021 which is a delay of three months from the original budget assumption.

3

There has been a significant reduction in interest rates since the original budget was developed.

Expenditure

Expenditure	£'000	
Accounting Change		
Depreciation	(47)	
Major Projects	94	
Accounting Change		46
Changes associated with Covid-19		
Chair, Council and Committee	34	
Communication	46	
Registration	55	
Office Services	148	
Human Resources and Partners	162	
Changes associated with Covid-19		445
Business-As-Usual Changes		
Finance Department	(49)	
Other Departments (includ. FtP)	10	
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Quality Assurance	39	
Chief Executive	46	
Business-As-Usual Changes		76
Total Expenditure		567

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For the 2019-20 Year End Accounts there was a change to interpretation of the accounting policies. The 2020-21 forecast has been updated to reflect the impact of these changes.

Changes due to COVID-19 are mainly reduced property and reduced travel & subsistence costs. In addition there are reduced face to face events in the Communication department.

The majority of the savings are due to delays in the planned recruitment of staff. For the Finance Department there is the additional temporary staff to cover long term illness and additional procurement activities.

Covid-19 Grant

1

DHSC Covid-19 Grant		£'000
Estimated Grant Income		255
Direct Costs		(109)
Indirect Costs		(146)

1

An Invoice has been submitted to DHSC to cover the costs associated with the Temporary Register. The invoice covers both Direct Costs and a calculation of Indirect Costs.

The Indirect Costs are a proportion of management time that has been incurred and is reflected in the Income and Expenditure Statement. The reimbursement of the Indirect Costs will result in a reduction to the current expenditure costs.

Fitness to Practice

Expenditure	£'000	
Business-As-Usual Changes		
Restructuring Costs	68	
Increased Agency Premium	91	
Miscellaneous Savings	(11)	
Business-As-Usual Changes		148
Changes associated with Covid-19		
Increased Headcount	177	
Additional Hearings	81	
Virtual Hearings	(409)	
Changes associated with Covid-19		(151)
Total Expenditure		(3)

The net FTP forecast has reduced by £3k and this has been reflected as part of the other Departments total figures in the Expenditure variance analysis. The savings in the first quarter that have been primarily associated with delay to hearings, reduced travel & subsistence costs and reduced printing costs have been reinvested to ensure that the backlog of FtP cases will be reduced so as to achieve the September 2021 target for backlog elimination.

The FtP Department has been restructured with the management layer of the Department Leads being eliminated from the structure.

Staff turnover remains high and recruitment has been increased by using temporary staff which increases the Agency Premium payable. It has been forecast that this will be reducing for the balance of the year but will be higher than originally budgeted.

An additional:

- 4 Case Managers
- 1 Scheduling Officer
- 2 Hearing Officers
- 1 Case progression Specialist

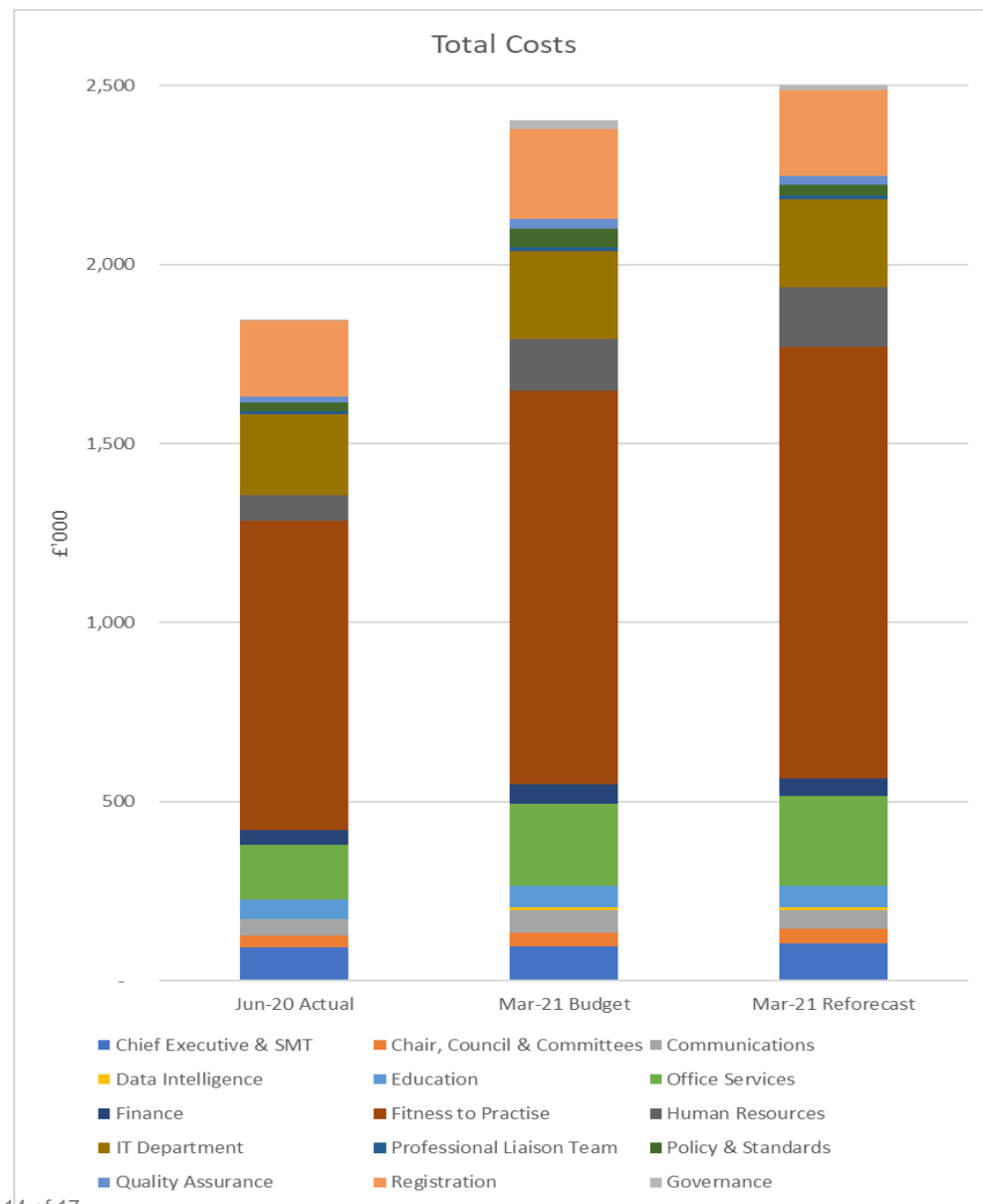
Are being recruited to support delivery of the backlog reduction trajectory.

Additional Hearings are being scheduled to support loss of productivity that has occurred in Virtual hearings

Savings are being generated by reduced travel related costs, reduced use of external venues and the move to e-bundles.

Monthly Run Rates Comparison

Run-Rate	Jun-20 Actual	Mar-21 Budget	Mar-21 Reforecast
Chief Executive & SMT	94	95	105
Chair, Council & Committees	31	40	40
Communications	47	63	53
Data Intelligence	-	8	8
Education	55	58	58
Office Services	152	230	252
Finance	41	54	50
Human Resources	72	146	165
IT Department	225	244	245
Professional Liaison Team	8	12	12
Policy & Standards	25	52	31
Quality Assurance	17	27	23
Registration	213	251	240
Governance	2	25	25
Total Excluding FtP	982	1,305	1,307
FtP	864	1,099	1,205
Total Costs	1,846	2,404	2,512



Risks and Pressures

Risks/Pressures	Likely Case £'000	Best Case £'000	Worst Case £'000	Case Narrative
Reduced Fee Income	-	101	(57)	The original budget was based on a fee increase start date of 1st of Sept 20 and with over a 1,000 more registrants; the forecast is currently based on a delayed fee increase date of 1st of Jan 21 and less registrants. The worst case scenario is based on a further delay of the start date to the 1st of Apr 21.
COVID-19 Grant Income	-	749	(255)	HCPC has sent an analysis of COVID-19 related costs to DHSC for discussion and reimbursement; the best case will be if DHSC reimburses the full amount, however the likelihood of this would be small. In the likely case scenario, costs relating to the set up of temporary register will be reimbursed, which is what is reflected in the account; the worst case will be if no income is received from the DHSC, therefore causing £255k adverse impact to the Q1 revised budget.
Impact of COVID-19 on variable office services costs	-	205	(128)	Likely Case: There is a phased approach in the assumption that some areas of the business might be back to the office in September 20. Best Case: The costs might continue to decrease if the actual return date is further delayed to January 21. Worst Case: There is a potential risk that all the banked savings might be re-invested due to additional costs in updating the office infrastructure to be COVID-19 safe .
Impact of COVID-19 on partner costs	-	135	(55)	Likely Case: There is a phased approach in the assumption that partners training, travel and subsistence costs might resume in September 20. Best Case: The costs might continue to decrease if the face to face hearings and training events is further delayed to January 21. Worst Case: There is a potential risk that all the banked savings might be re-invested due to additional costs in the final 9 months to catch up with hearings, partner trainings and recruitment.
Turnaround Costs	-	83	(172)	Included in the likely case is an estimated cost of restructure; best case will be the cost is not incurred. Currently the turnaround team are on track to complete their planned work but if delayed for any reason and their contracts are extended for a further 3 months; the estimated additional costs has been included
Total	-	1,273	(667)	

Balance Sheet

Statement of Financial Position Balance Sheet	1st Quarter draft Forecast 20-21	Original Budget 20-21	Draft Budget 21-22	Draft Budget 21-23
Total Fixed Assets	10,336,824	10,208,639	11,439,274	13,007,697
Current Assets				
Other Current assets	2,107,310	2,368,084	2,107,310	2,107,310
Cash & cash equivalents	6,943,454	5,814,380	8,815,268	6,613,648
	9,050,764	8,182,464	10,922,578	8,720,958
Total Assets	19,387,588	18,391,103	22,361,851	21,728,654
Current Liabilities				
Trade and other payables	613,719	716,184	613,719	613,719
Other Liabilities	1,303,251	1,560,013	1,303,251	1,303,251
Deferred Income	15,331,975	15,226,491	19,191,666	17,371,225
Total current liabilities	17,248,945	17,502,688	21,108,636	19,288,196
Liabilities greather than one year	163,052	163,052	163,052	163,052
Total Assets less liabilities	1,975,592	725,364	1,090,164	2,277,407
General Fund b/fwd	(4,060,631)	(3,294,016)	(1,544,855)	(659,427)
Rev Reserve - Land & Building	(430,737)	(298,287)	(430,737)	(430,737)
This Period's (surplus) /deficit	2,515,776	2,866,939	885,428	(1,187,243)
General Fund c/fwd	(1,975,592)	(725,364)	(1,090,164)	(2,277,407)

Cashflow Forecast

CASHFLOW FORECAST 2020 - 2023	<u>2020 - 21</u> Forecast	<u>2021 - 22</u> Budget	<u>2022 - 23</u> Budget
Opening Balance	11,908,026	6,943,454	8,815,268
Cash in			
Registration Fees - Receipts	25,151,768	32,371,431	28,503,561
Registration Fees - Refunds and returned Cheques	(125,759)	(161,857)	(142,518)
Other Income	30,000	30,000	30,000
Grant Income	255,294	0	0
Investment Income	16,493	16,493	16,493
Rental income - GCC	175,000	178,349	179,466
Total Cash Receipts	25,502,797	32,434,416	28,587,002
Cash out			
Payments to Suppliers	11,728,686	11,829,666	11,397,517
Payments to Partners	3,643,201	3,570,337	3,641,744
Other Pay (Non Payrol)	147,600	150,552	150,552
Capital	2,036,064	2,138,013	2,286,541
PSA	810,765	826,980	843,520
Payroll	12,064,669	12,010,034	12,431,517
Corporation Tax	36,384	37,020	37,232
Total Cash Payments	30,467,369	30,562,603	30,788,622
Net Cash Flow	(4,964,572)	1,871,814	(2,201,620)
Closing Balance	6,943,454	8,815,268	6,613,648