
Finance report

Executive Summary

October 2020 (Month 7) Management Accounts

At the end of October 2020, HCPC's YTD position was a surplus of £619k, which is a favourable variance of £181k when compared to the Q2 forecasted deficit of £438k.

The variance is mostly caused by lower than anticipated costs in the regulatory and corporate services departments and net off by reduced income from reduced international applications.

FTP hearing costs were low compared to forecast. This was a result of the following:

- Actual volume of final hearings were 20% lower than forecasted.
- Some hearings were adjourned or cancelled.
- Some hearings concluded earlier than expected.

Therefore there has been a reduction in the cost of case preparation and partner costs.

Appendix 1 (page 3) is the October 20 finance dashboard. A detailed version of the management accounts is available on council members' Ipad for those who wanted to scrutinise further.

The Council is asked to note the October 20 financial outturn.

Q2 Forecast Overview for 2020-21

Overall we are forecasted to have a deficit of £692k by the end of March 2021, which is £1.8m favourable against the Q1 forecast, or £2.2m favourable against our original budget.

For the Q2 forecast, we have assumed the fee increase will not take place in 2020-21, this has caused a reduction of £78k.

Majority of the underspent in operational expenditure lies within FTP, this is caused by delays to hearings, which means reduction in partner fees and travel & accommodation. On top of this, printing costs have reduced as part of the move to send documents through e-bundles.

The reduction in costs will not wholly convert into a permanent saving; however some costs will now be recognised in 2021-22.

Appendix 2 (page 7) presents the Q2 forecast in more detail.

The Council is asked to approve the Q2 forecast for 2020-21.

High level 2021-22 budget timeline

The 2021-22 budgeting process has commenced, Appendix 3 (page 17) is a high level timeline for this. The new Finance and Resource Committee will be engaged with the review of the budget at different points of the process. The Senior Management Team will also review the budget plus risk and opportunities more regularly and to ensure the budget is aligned with the new corporate strategy.

The Council is asked to note the 2021-22 budget timeline.

Previous consideration	The October 20 management accounts were presented to SMT for review on 24 November 2020. The Q2 reforecast and high level budget timetable has been reviewed by SMT and shared with Council members via email in November 20.
Decision	For note – October 2020 (Month 7) Management Accounts For approval – Q2 reforecast results for 2020-21 For note – 2021-22 budget timetable
Next steps	Q3 reforecast of the 2020-21 budget and draft 2021-22 budget will be presented to Council in the February 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	Strategic priority 3: Ensure the organisation is fit for the future and able to anticipate and adapt to changes in the external environment Strategic Risk 4 - Failure to be an efficient regulator
Financial and resource implications	HCPC 2 nd Quarter Forecast for the financial year ending 31 March 2021.
Author	Tian Tian, Finance Director Tian.Tian@hcpc-uk.org Margaret Osibowale, Head of Financial Planning & Analysis Margaret.Osibowale@hcpcp-uk.org

Appendix 1 - P7 October 2020 Management Accounts Overview

YTD to October 2020 - YTD Variance Analysis



1. Lower income mainly due to the drop in international scrutiny fees. Applications are 10% lower than the forecast target.

2. Lower FTP Hearing costs due to cancellations, adjournments and concluding hearings earlier than anticipated. There were 20% less final hearings than expected. Slippage on new staff starting.

3. Lower costs in the other departments; mainly IT, Registration and Depreciation. The lower Registration costs is mainly the international assessors fess which correlates with the lower income in point 1. Depreciation is lower due to delays in go live of the registration systems.

4. Lower training activity than expected and forecasted Partner training events cancelled.

Income By Profession

Income By Profession	Oct-20 Year to date		Oct-20 Year to date	
Arts Therapists	37,770	252,533	Paramedics	224,732 1,550,379
Bio-medical Scientists	183,669	1,264,950	Physiotherapists	452,729 3,190,005
Chiroprodists	96,446	672,326	Practitioner Psychologists	207,459 1,355,766
Clinical Scientists	51,922	335,269	Prosthetists & Orthotists	7,994 57,296
Dietitians	80,323	562,368	Radiographers	283,484 2,102,058
Hearing Aid Dispensers	25,207	168,872	Social Workers	-101 -709
Occupational Therapists	311,242	2,160,419	Speech & Language Therapists	129,764 909,623
Operating Department Practitioners	108,483	756,434	Registration Income	2,213,650 15,432,910
Orthoptists	11,271	78,612	Other Income	14,907 110,674
Other Registration Income	1,255	16,709	Total Income	2,228,557 15,543,584

Income By Activity

Income By Activity	Oct-20 Year to date	
Graduate Registration Fees	128,940	830,656
Readmission Fees	19,845	138,618
Renewal Fees	1,912,095	13,208,991
International Scrutiny Fees	55,440	611,325
UK Scrutiny Fees	96,075	626,612
Other Registrant Income	1,255	16,709
Registration Income	2,213,650	15,432,910

Lower number of international applications received to date. Reduced graduate registration income and scrutiny fees mainly because students and graduates have been allowed to join the temporary register and work. The student temporary register is closing end of November; so income levels should improve from December onwards when the students join the permanent register.

Expenditure

Oct-20	Year to Date		
	Pay	Non-Pay	Total
Chair, Council & Committee	0	183,122	183,122
Chief Executive	542,932	783,448	1,326,380
Policy & External Relations	419,879	232,271	652,150
HR & Office Services	570,197	1,228,606	1,798,803
IT & Major projects	640,769	1,012,268	1,653,036
Governance & QAD	247,518	24,088	271,606
FTP	2,527,871	3,180,703	5,708,574
Registration	1,118,172	413,576	1,531,748
Education	308,591	53,844	362,435
Finance	211,850	122,666	334,516
Depreciation	0	376,788	376,788
Transformation Costs	0	388,009	388,009
Total	6,587,777	7,999,390	14,587,167
COVID 19	53,096	284,307	337,403

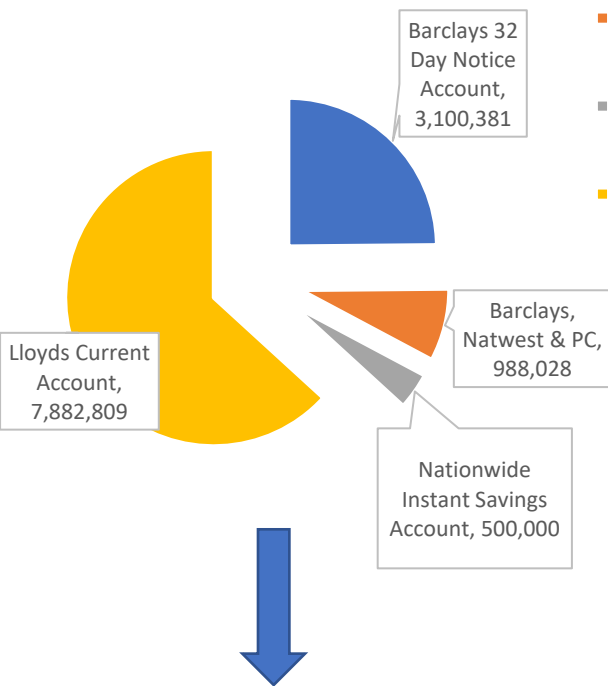
Summarised Departments by Exec Directors with larger departments still shown separately

Commentary on expenditure variances situated in the bridge on page 2.

Colour Legend

	More than 5% better than Forecast
	More than 5% worse than Forecast
	Close to Forecast & 5% better than Forecast
	Between 2.5% & 5% worse

Total Funds at Bank



- Barclays 32 Day Notice Account
- Barclays, Natwest & PC
- Nationwide Instant Savings Account
- Lloyds Current Account

The variance in cash is mainly due to the impact of reduced expenditure and phasing of Capital spend; the actual cash outflow is lower than the forecast

Statement of Financial Position Balance Sheet	Actual Oct-20	YTD Forecast Oct-20
Total Fixed Assets	9,314,821	9,466,175
Current Assets		
Other Current assets	983,695	1,026,212
Cash & cash equivalents	12,471,218	12,106,362
	13,454,914	13,132,574
Total Assets	22,769,735	22,598,749
Current Liabilities		
Current Liabilities	1,889,792	1,700,925
Deferred Income	15,606,509	15,804,582
Total current liabilities	17,496,301	17,505,507
Liabilities greater than one year	163,052	163,052
Total Assets less liabilities	5,110,382	4,930,190
Reserves	(4,491,368)	(4,491,368)
This Period's (surplus)/deficit	(619,014)	(438,823)
General Fund c/fwd	(5,110,382)	(4,930,190)

At the end of Oct 20; the cash balance at the banks were £12.5m; of which £3.1m was held on fixed term deposit and £9.4m was in instant access accounts.

The interest rate on our main instant account is now 0%.

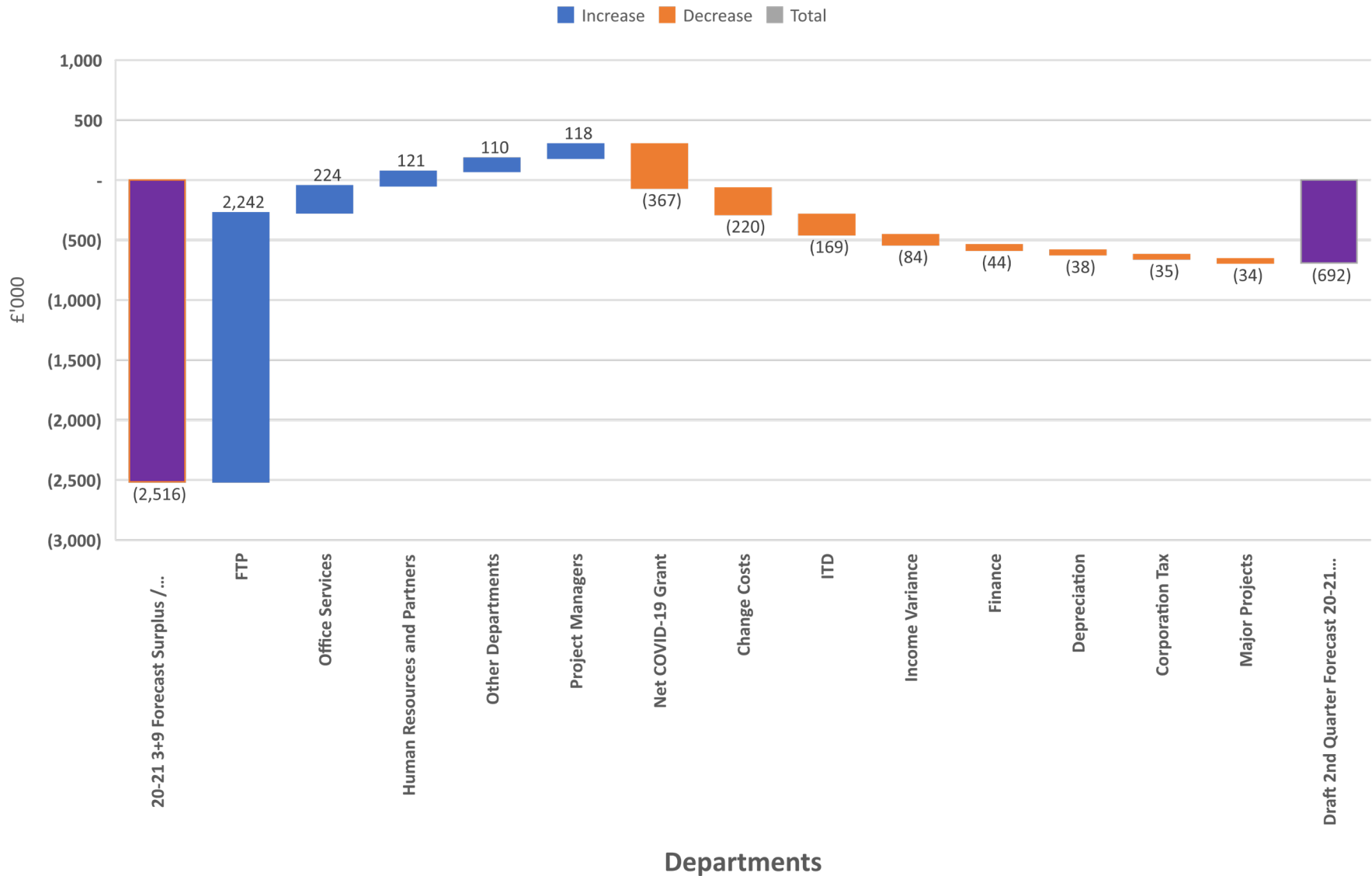
The chart shows the cash balance as @ 31st of Oct 20.

Income and Expenditure Account YTD up to end of October 20	Actual	Year to date Forecast	Variance	Full Year 6+6 forecast	Full Year 3+9 forecast
	£	£	£	£	£
Income (A)					
Registration Income	15,432,910	15,534,747	(101,837)	26,770,850	26,848,602
Other Income	110,674	110,600	74	184,767	191,493
Income (A)	15,543,584	15,645,348	(101,764)	26,955,617	27,040,095
Total Operating Exp (B)	14,199,158	14,498,079	298,921	26,744,470	29,274,779
Corporation Tax	0	0	0	35,106	0
Turnaround Costs	388,009	388,611	602	647,542	427,440
Total Expenditure©	14,587,167	14,886,689	299,522	27,427,118	29,702,219
COVID-19 (D)	(337,403)	(320,414)	(16,989)	(220,426)	146,349
Total Surplus/(Deficit) E=(A-C+D)	619,014	438,244	(180,770)	(691,927)	(2,515,776)

Appendix 2- 20-21 2nd Quarter Forecasting Overview

Margaret Osibowale
Head of FP&A

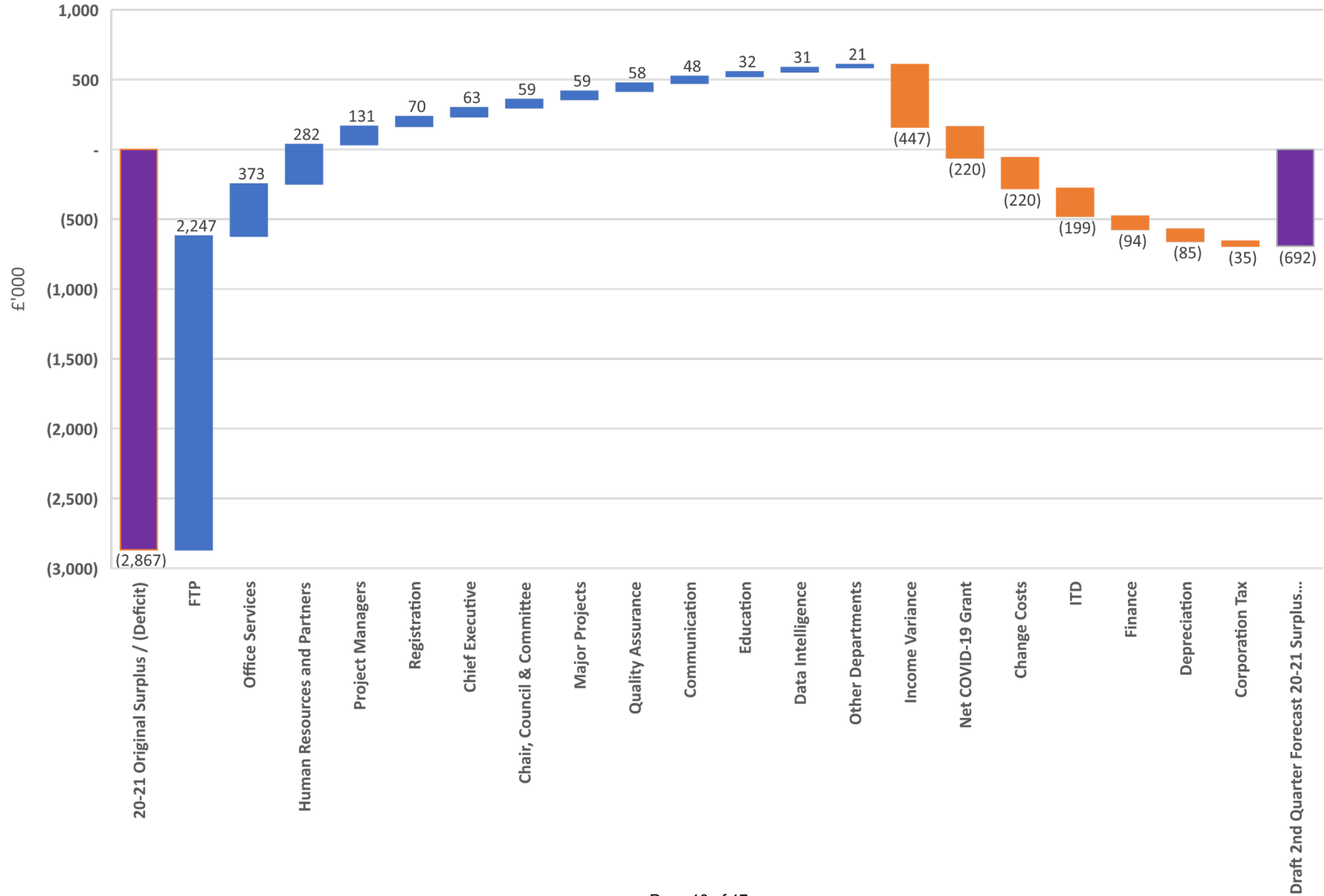
Bridge from 1st Quarter Forecast 20-21 to 2nd Quarter



Comparison of Forecasts and Original Budget

2021-22 Original Budget/1st and 2nd Quarters Forecast							
	2020-21 2nd Quarter Forecast		2020-21 1st Quarter Forecast		2020-21 Original Budget		Variance
	£		£		£		£
Total Income	26,955,617		27,040,095		27,402,526		(84,478)
Total Expenditure	26,744,470		29,274,779		29,842,025		2,530,310
Operating Surplus/(Deficit)	211,147		(2,234,684)		(2,439,500)		2,445,831
Change Costs	(647,542)		(427,440)		(427,440)		(220,102)
Corporation Tax	(35,106)		0		0		(35,106)
Indirect Covid-19 Cost Recovery	(220,425)		146,349		0		(366,774)
TOTAL SURPLUS/(DEFICIT)	(691,929)		(2,515,776)		(2,866,940)		1,823,849

Bridge from Original Budget 20-21 to 2nd Quarter Forecast



Headlines

Variance	£'000
Income Reduction	-84
Other Cost Reduction	2,163
Corporation Tax	-35
Change costs	-220
Total Variance	1,824

Income Source	£'000
Graduate Registration Fees	(4)
Readmission fees	(2)
Renew al Fees	52
International scrutiny fees	(37)
UK scrutiny fees	(10)
Registrant Nos	(1)
Delay in Fee Increase	(76)
Registration Income	(77)
Investment Income	(7)
Total Income	(84)

Expenditure	£'000
Finance cost due to Capital Projects	
Depreciation	(38)
Project Managers	118
Major Projects	(34)
Finance Costs due to Capital Projects	46
Changes associated with Covid-19	
Net COVID 19 Costs	(367)
FTP	2,242
Office Services	224
Human Resources and Partners	121
Changes associated with Covid-19	2,221
Business-As-Usual Changes	
Finance Department	(44)
Information Technology	(169)
Other Departments	110
Business-As-Usual Changes	(103)
Total Expenditure	2,163

Cost of the SMT Restructure and the extension of the transformation team to end of Dec 20

Income

Income Sources	£'000
Graduate Registration Fees	(4)
Readmission fees	(2)
Renewal Fees	(25)
International scrutiny fees	(37)
UK scrutiny fees	(10)
Registration Income	(78)
Registrant Nos	(2)
Delay in Fee Increase	(76)
Registration Income	(78)

1

There is no longer an assumed fee increase of £8.12 effective from 1st of December 2020 which the 1st quarter's forecast was based on.

1

Expenditure

Expenditure	£'000	
Major Projects		
Depreciation	(38)	
Project Managers	118	
Major Projects	(34)	
Major Projects		46
Changes associated with Covid-19		
Net COVID 19 Costs	(367)	
FTP	2,242	
Office Services	224	
Human Resources and Partners	121	
Changes associated with Covid-19		2,221
Business-As-Usual Changes		
Finance Department	(44)	
Information Technology	(169)	
Other Departments	110	
Business-As-Usual Changes		(103)
Total Expenditure		2,163

1

2

3

4

1

The 2020-21 forecast has been updated to reflect the allocation of project managers time to all projects, the inclusion of revenue major projects and the impact of the additional capital projects on depreciation.

2

Changes due to COVID-19 are mainly reduced recruitment, property and reduced travel & subsistence costs. The FTP breakdown is on the next page.

3

The additional costs in IT is mainly due the cost of digital transformation and the new assurance team that moved from FTP. For the Finance Department there will be the additional temporary staff to cover the introduction of the system accountant, the finance accounting team pressures and additional professional fees. These include a PWC review on deferred income.

The majority of the savings are due to delays in the planned recruitment of staff.

4

£201k additional COVID-19 spend has been spent to date on project management, office and computer equipment and costs to ensure the office is COVID secure.

The remaining £166k is forecasted to be spent on mainly Project management and other COVID-19 related costs.

An invoice of £255k has been submitted to DHSC to cover the costs associated with opening the temporary register. The grant income is expected to be paid in the final quarter of 20-21.

Net COVID-19 Costs	Forecasts		
	3+9	6+6	
Net COVID-19 Costs	£'000	£'000	Diff
Estimated Grant Income	255	255	0
COVID-19 Related Costs	(108)	(476)	(367)
Total	147	(221)	(367)

Fitness to Practice

Compared to the 3+9 Forecast.

The net FTP forecast has reduced by £2,242k. The savings in the first two quarters that have been primarily associated with delay to hearings, reduced travel & subsistence costs and reduced printing costs will be reinvested in 2021-22; 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 again and the assurance and development team has moved to IT. This is a gross reduction in costs of £136k (6 months) but net of £9k because of the re-investment in staff to tackle the impact of COVID-19 on the productivity of the department.

Most of the reduction in costs are being generated mainly by hearing related costs due to reduced travel related costs, use of external venues and the move to e-bundles.

Expenditure - 6+6 Compared to 3+9 forecast	£'000	
Business-As-Usual Changes		
Payroll Costs	(9)	
Business-As-Usual Changes		(9)
Changes associated with Covid-19		
Staff Related travel costs	14	
Hearings		
Volume Related	1,244	
Virtual Related	994	
Changes associated with Covid-19		2,252
Total Expenditure		2,242

Expenditure - 6+6 Compared to 20-21 Original Budget	£'000	
Business-As-Usual Changes		
Payroll Costs	(345)	
Business-As-Usual Changes		(345)
Changes associated with Covid-19		
Staff Related travel costs	33	
Hearings		
Volume Related	1,143	
Virtual Related	1,416	
Changes associated with Covid-19		2,591
Total Expenditure		2,245

Balance Sheet

Statement of Financial Position Balance Sheet	6+6 Forecast 31 March 2021	3+6 Forecast 31 March 2021	Original Budget 31 March 2021
Non-Current Assets	6,394,161	6,414,033	6,362,726
Intangible Assets	4,414,470	3,922,792	3,845,913
Total Non-Current Assets	10,808,631	10,336,824	10,208,639
Current Assets			
Other Current assets	1,793,977	2,107,310	2,368,084
Cash & cash equivalents	8,749,512	6,943,454	5,814,380
	10,543,490	9,050,764	8,182,464
Total Assets	21,352,121	19,387,588	18,391,103
Current Liabilities			
Trade and other payables	201,831	613,719	716,183
Other Liabilities	1,418,094	1,303,251	1,560,013
Deferred Income	15,769,705	15,331,975	15,226,491
Total current liabilities	17,389,630	17,248,945	17,502,688
Liabilities greater than one year	163,052	163,052	163,052
Total Assets less liabilities	3,799,439	1,975,592	725,363
General Fund b/fwd	(4,060,631)	(4,060,631)	(3,294,016)
Rev Reserve - Land & Building	(430,737)	(430,737)	(298,287)
This Period's (surplus) /deficit	691,929	2,515,776	2,866,940
General Fund c/fwd	(3,799,439)	(1,975,592)	(725,363)

Cashflow Forecast

CASHFLOW FORECAST 2020 - 2021	2020 - 21 Forecast
Opening Balance	11,908,026
Cash in	
Registration Fees - Receipts	25,244,322
Registration Fees - Refunds and returned Cheques	(100,977)
Other Income	30,000
Grant Income	255,294
Investment Income	9,767
Rental income - GCC	175,000
Total Cash Receipts	25,613,407
Cash out	
Payments to Suppliers	10,415,709
Payments to Partners	2,865,183
Other Pay (Non Payrol)	147,600
Capital	2,624,242
PSA	767,765
Payroll	11,916,315
Corporation Tax	35,106
Total Cash Payments	28,771,920
Net Cash Flow	(3,158,514)
Closing Balance	8,749,512

Appendix 3 - HCPC 2021-22 high level budget plan

