

**HEALTH PROFESSIONS COUNCIL**  
**MANAGEMENT ACCOUNTS**  
**FOR THE 7 MONTHS ENDED 31<sup>st</sup> October 2003**

**COMMENTARY**

**INTRODUCTION**

These accounts have been compared to budget version 4.

The deficit before unrealised gains on investments of £223,683 is £1,150,297 against a budgeted deficit of £1,035,532. This is worse than budget by £114,765. A relatively high deficit is budgeted for at this early stage as the increased income from registration fees did not come into effect until 9<sup>th</sup> July 2003. Also some of the larger professions will not be paying their renewal fees until later in the financial year.

Income total for the period is £3,564,430, against a budget of £3,773,057, an adverse variance of £208,627 (5.53%). Operating expenses total £4,714,727 against a budget of £4,808,589, a favourable variance of £93,862 (1.95%).

**INCOME**

Registration income is £2,446,980 against a budget of £2,663,032 an adverse variance of £216,052 (8.11%). The adverse variance is due to processing less international and grandparenting fees than budgeted for. This has a knock on effect on the number of registration fees taken (applicants becoming registrants). The version 4 budget reduced the number of international and grandparenting applicants and with the support team in place during November, the income should hopefully increase to the budgeted amount.

Restoration fees are currently under budget by £81,300 (63.41%). The budget is based on the pattern of fees from last year. It seems likely that the budgeted figure was too high and is one of the recommended changes in budget version 5.

Investment income excluding unrealised gains is above budget by £7,433 (19.31%). This is due to some large dividends in the opening 3 months of the financial year. The stock market has shown a recovery over the last 6 months, which is indicated by the unrealised gain of £223,683.

Department of Health revenue grant is £1,029,664 against a budget of £1,030,000. The DoH revenue grant has been fully spent for 2003/04, and the final payment was made by the DoH in September 2003.

**EXPENDITURE**

Operating Expenses total £4,714,727 against a budget of £4,808,589 a favourable variance of £93,862 (1.95%). Eight of the twelve departments are within budget, with operations showing the highest with a saving of £99,627. This is due to assessing fewer applicants than expected, due to the reduced amount of applications received and processed. The four departments over budget are chief executive, educations and policy, administration and human resources.

Chief Executive is only marginally over spent and is made up of a mixture of the items in that cost centre. Education and training is overspent due to the use of Newchurch for various projects including approvals and training. The administration department is overspent due to printing and stationery and postage. Due to the new processes, a lot of new forms have been

designed and amended; these costs have been included under this cost centre. Currently HPC cannot use the mailsort option for postage (cheapest option), which will be rectified in the near future by additional development to the LISA system carrying out extensive training for partners. The human resources training budget does not include professional fees e.g. Jonathan but is overspent and is the reason for the department overspend.

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Council and committee expenses, Computer services, Partners and Communications, all within budget overall. Staff travelling and Property services are only marginally over budget. Office services are overspent due to printing and stationery and postage as mentioned earlier. Payroll expenses are overspent mainly due to increased temporary staff costs in the registration departments. Specific departmental expenses are overspent and under spent over a number of the items in the cost centre. The main adverse variance is due to project work from Newchurch as mentioned earlier.

## **BALANCE SHEET**

The LISA project has been capitalised in September, hence the increase in computer depreciation and reduction in capital grant receivable.

The increase in computer equipment cost reflects the development of the registration system and the increase in office furniture is due to the office refurbishment and replacement of furniture.

All DoH invoices have been paid and hence the DoH debtor is zero.

HPC's working capital as at 31<sup>st</sup> October 2003 is £ (900,571). This has led to the overdraft facility requirement which was put in place in July.

## **CASH FLOW**

The cash flow statement indicates the cash movement from 1<sup>st</sup> April 2003 to the current month. The cash movement when compared with the deficit can often be significantly different. To arrive at the cash movement, all non cash items, e.g. depreciation, are removed and balance sheet movements taken into consideration. The net cash outflow from operating activities for the first seven months of the financial year was £850,631.

The two other areas of cash movement are returns on investment and capital expenditure and financial investments. Investment income is mainly made up of dividends from HPCs portfolio of shares. The LISA system makes up the majority of the £508,749 spent on fixed assets. Carr Sheppards Crosthwaite on our behalf have bought and sold a significant number of shares due to the upturn in the market.

The overall decrease in cash was £961,690 reflected in the cash movement on the balance sheet from 31<sup>st</sup> March 2003 (Bank balance £504,924 compared with £ (456,766) as at 31<sup>st</sup> October 2003).

## **CONCLUSION**

HPC has currently a temporary cash flow problem which has been alleviated by the overdraft facility. This is reflected in an increase in current liabilities and higher cash movement than the deficit of income and expenditure. This will be a short term problem, and once some of the larger professions in the 2<sup>nd</sup> half of the financial year pay the increased registration fee, the overdraft facility will not be required.

The version 4 budget was used to report against, but there are still areas of over expenditure. The main areas are; printing, postage, legal advice and partners training. Some of these items have become suggestions for budget version 5.

Whilst income is lower than budget, it is hoped with the registration support team in place the situation will become closer to budget.

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**October 2003**