

HEALTH PROFESSIONS COUNCIL
MANAGEMENT ACCOUNTS
FOR THE 3 MONTHS ENDED 30th June 2004

COMMENTARY

INTRODUCTION

These accounts have been compared to budget version 3, which was agreed by the Finance and Resources Committee on 17th March 2004. There has been a slight change to the format of the management accounts for 2004/05, with investment income disclosure at the bottom of the summary.

DETAILED SUMMARY

After three months of the financial year, we budgeted an operating deficit of £305,482. The actual result for the period was a deficit of £294,844, a favourable variance of £25,638. Over the financial year the budgeted deficit will become a surplus as the final professions pay the increased renewal fees.

After 3 months income totalled £2,247,489 with overheads at £2,527,333, thus giving the operating deficit of £279,844.

INCOME

Registration income is £71,871 above budget. For this years budget, HPC took a pessimistic view to registration fees, international scrutiny fees and grandparenting scrutiny fees. At this early stage it looks like HPC was too pessimistic as registration fees (£53,461 above budget), international scrutiny fees (£66,272 above budget) and grandparenting scrutiny fees (£60,850 above budget) are all significantly above budget. The reverse side of this is that HPC has overstated renewal fee income. During the financial year 2003-04 a large number of registrants deregistered. This number was significantly higher than previous years and was mainly due to an increase in registrants voluntarily deregistering. This has clearly affected renewal fee income, with this type of income down on budget by £106,027.

This is most significantly highlighted when we consider Chiropodist income. Total income for Chiropodists is £166,486 against a budget of £99,691 a favourable variance of £66,795. This is made up of increased grandparenting income, which has a knock-on effect by increasing registration fee income, successful grandparenting applicants paying a registration fee.

Investment income is £11,917 above budget, due to deposits on the money market and some large dividend payments early in the financial year.

DEPARTMENTS

Departmental expenditure at £2,527,333 is £46,234 in excess of budget. Half the departments have savings, but there are small overspends in President (higher than budgeted allowances and committee travel and subsistence), in Secretariat (higher than budgeted committee allowances and travel) and Finance (higher than budgeted bank charges (DD collections, cheques paid in, etc). Three departments have larger overspends: Registration, Administration and Fitness to Practise. Registration is overspent due to the increased number of registrant assessments but this is funded by the increase in international and grandparenting scrutiny fees. Fitness to practise is in excess of budget due to the number of legal cases and inevitable costs for lawyers, shorthand writers etc. Administration is currently over budget due to the

building refurbishment work. This is being monitored closely so that any overspend can be minimalized. Also, the registrations appeal process will incur costs that were unbudgeted, the most significant costs being the lawyers present at the appeals (Bircham Dyson Bell).

OVERHEADS

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Payroll, Computer Services and Communications all within budget overall. Council and Committee Expenses and Office Services are marginally overspent. Staff travelling and subsistence is overspent due to the increased number of events that are being attended by staff. This increases the costs for fares and subsistence (hotel costs, etc). Partners are overspent due to the increased activity in applications and costs for registration assessors as mentioned earlier. Specific departmental expenses are overspent due to legal expenses (Kingsley Napley and Bircham Dyson Bell) as mentioned earlier.

BALANCE SHEET

There has been very little activity in the opening three months to affect the balance sheet. Working capital is £668,630, showing HPC in a good financial position. This has reduced over the first quarter as none of the larger professions have paid renewal fees. Radiographers will pay their second instalment in July and hence HPC working capital will increase next month. Deferred income (i.e. income received but not yet due to be released to the Income and Expenditure Account) currently stands at £4,210,024. This is a reduction from March 2004 as some of the then deferred income has been realised as income in the first quarter. The Net Assets are £740,192 which is represented by the Capital Grant Receivable (being released to the Income and Expenditure Account) of £544,087 and the Accumulated Fund of £196,105 (£443,987 at the beginning of the financial year less the net deficit for the year to date). The current deficit is budgeted to peak in July 2004 and will then improve as HPC will begin to make a surplus in the months after July 2004. This coincides with the final profession (Chiropodists) being registered.

CASH FLOW

The cash flow statement indicates the cash movement from 1st April 2004 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 three months of the financial year was a decrease of £774,910. The reason for this, as mentioned in the balance sheet, is due to a large amount of income being released from deferred income.

There have been no major movements in investments or capital expenditure.

The overall decrease in cash was £787,884 reflected in the cash movement on the balance sheet from 31st March 2004 until the end of June (bank balance at the end of March of £2,407,980 compared with £1,620,096 at the end of June.)

CONCLUSION

Income is above budget due to increased registration fees and application fees. Some of these gains are offset by an overestimate of renewal fees, in particular, no. of deregistered registrants.

On the whole, overheads are in line with budget with the cost of registrant assessors increasing due to the increased activity of applications. The Fitness to Practise department will be over budget for the year due to the level of cases and registration appeals as mentioned earlier. An anticipated "latest estimate" for Fitness to Practise is currently in the course of

preparation. HPC will endeavour to find savings to offset these overspends. If savings cannot be found, HPC may have to accept a reduced surplus than budgeted.

HPC is in a good financial position, in particular cash balances, and over the financial year the organisation will begin to make surpluses thus increasing its reserves.

Richard Ballard
Management Accountant
July 2004

HEALTH PROFESSIONS COUNCIL

**MANAGEMENT ACCOUNTS TO 30 JUNE 2004
DETAILED SUMMARY**

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
INCOME					
Professions					
Arts Therapists	19,255	17,732	1,523	8.59	108,100
Biomedical Scientists	326,044	332,018	(5,974)	(1.80)	1,328,070
Chiropodists	166,486	99,691	66,795	67.00	631,045
Clinical Scientists	61,626	52,696	8,930	16.95	219,783
Dietitians	48,499	37,833	10,666	28.19	316,689
Orthoptists	18,106	19,650	(1,544)	(7.86)	78,600
Occupational Therapists	386,657	391,612	(4,955)	(1.27)	1,566,448
Paramedics	149,668	160,100	(10,432)	(6.52)	640,398
Physiotherapists	490,702	482,443	8,259	1.71	2,270,603
Prosthetists & Orthotists	11,313	12,449	(1,136)	(9.13)	49,795
Radiographers	349,543	353,185	(3,642)	(1.03)	1,412,740
Speech and Language Therapists	156,811	153,430	3,381	2.20	613,718
Regulating Department Practitioners	0	0	0	0.00	240,000
Registration Income	2,184,710	2,112,839	71,871	3.40	9,445,988
Department of Health Capital Grant Released	62,779	62,778	1	0.00	2,251,112
TOTAL INCOME	2,247,489	2,175,617	71,872	3.30	9,697,100
EXPENDITURE					
Departments					
President	13,969	12,613	(1,356)	(10.75)	50,450
Council	30,241	34,098	3,857	11.31	175,390
Secretariat	42,995	42,632	(363)	(0.85)	175,863
Chief Executive	54,072	57,866	3,794	6.56	226,463
Education and Training	201,011	212,514	11,503	5.41	721,385
Registration	400,368	375,659	(24,709)	(22.94)	1,295,629
IT Department	492,239	507,570	15,331	3.02	1,510,341
Finance	95,604	94,983	(621)	(0.65)	341,443
Administration	347,846	330,862	(16,964)	(5.13)	1,100,984
Fitness to Practise	441,112	336,052	(105,060)	(31.26)	1,344,207
Human Resources	116,801	167,271	50,470	30.17	453,233
Communications	306,075	358,959	52,884	14.73	1,360,504
Operating Expenses	2,542,333	2,481,099	(61,234)	(2.47)	8,755,890
(DEFICIT) (Excluding Unrealised Gains)	(294,844)	(305,482)	10,638	3.48	941,209
Investment Income (Excluding Unrealised Gains)	27,826	15,909	11,917	74.91	65,000
Investment - Unrealised Gains / (Losses)	19,136	0	19,136	0.00	0
(DEFICIT)	(247,882)	(289,573)	41,691	14.40	1,006,209

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 JUNE 2004

DETAILED SUMMARY

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Income					
Registration fees	108,710	55,249	53,461	96.76	430,988
Registration fees (part year)	(17)	0	(17)	0.00	0
Readmission fees	24,082	26,750	(2,668)	(9.97)	107,000
Renewal fees	1,799,313	1,905,340	(106,027)	(5.56)	8,397,000
International scrutiny fees	149,772	83,500	66,272	79.37	334,000
Confirmation letter fees	0	0	0	0.00	0
Grandparenting scrutiny fees & other	102,850	42,000	60,850	144.88	177,000
	<u>2,184,710</u>	<u>2,112,839</u>	<u>71,871</u>	<u>3.40</u>	<u>9,445,988</u>

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 JUNE 2004

CODE

INVESTMENT & OTHER INCOME

BUDGET MANAGER

Paul Baker

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Income					
Bank interest - Business Reserve	7,129	2,500	4,629	185.16	10,000
Bank interest - Money Market	4,706	909	3,797	417.71	5,000
Portfolio income	17,340	12,500	4,840	38.72	50,000
P & L on disposal of investments (Realised)	(1,349)	0	(1,349)	0.00	0
	<u>27,826</u>	<u>15,909</u>	<u>11,917</u>	<u>74.91</u>	<u>65,000</u>
P & L on disposal of investments (Unrealised)	19,136	0	19,136	0.00	0