

HEALTH PROFESSIONS COUNCIL
MANAGEMENT ACCOUNTS
FOR THE 6 MONTHS ENDED 30th September 2004

COMMENTARY

INTRODUCTION

For this six month review an additional report has been produced. An overhead variance summary of all the significant favourable and unfavourable variances will be used in conjunction with the usual management accounts format. All notes mentioned in this commentary are referring to this one page summary.

DETAILED SUMMARY

After six months of the financial year, HPC budgeted an operating deficit of £231,938. The actual result for the period was a deficit of £459,568, an adverse variance of £227,630. The variances are shown on the overhead variance summary. After six months income totalled £4,750,668 with overheads at £5,210,236, thus giving the operating deficit of £459,568.

INCOME

As we have seen for the first five months income continues to be above budget.

Note 1: Registration fees, International scrutiny fees and Grandparenting scrutiny fees are all significantly above budget due to a pessimistic budget approach (currently £378,223 better than budget). The positive trend looks likely to continue for the second half of the financial year.

Note 2: As mentioned in previous months, HPC has over-budgeted for **registration renewal fees** (currently £238,286 worse than budget). This was due to a significant number of registrants voluntarily deregistering in 2003-04. This trend will also continue throughout the second half of the financial year.

HPC budgeted for the new profession **Operating Department Practitioners (ODPs)**, to begin its two year cycle in September 2004. This income will not commence until December and thus there will be a shortfall against budget.

Investment income is £32,395 above budget, due to deposits on the money market and some large dividend payments early in the financial year. There are also unrealised gains of £37,513.

DEPARTMENTS

Departmental expenditure at £5,210,236 is £357,875 in excess of budget. The detail of the variances across the departments will be covered in the next section. It is worth mentioning that four departments have significant overspends (Education and Training, Registration, Administration and Fitness to Practise). This is offset by a relatively large underspend in the Communications Department.

OVERHEADS

For this review please refer to the overhead variance summary report (Page 8 of 11).

Note 3: Basic payroll cost is £85,029 better than budget. The main departments that make up this favourable variance are Education and Training and both Registration departments. The new position of Director of Education and another person within the department were budgeted from the start of the financial year. The Director position has only recently been filled: hence some savings have been made. In the Registration Departments a number of people have left and were initially replaced by temporary staff. This has a favourable knock-on effect on pension costs which are under budget by £21,476.

Note 4: As mentioned in note 3 a number of new positions have been filled during the year. These have incurred **staff recruitment costs**. One of the positions in particular required specialist assessments to obtain the best candidate. This expenditure was unbudgeted. The current overspend is £46,929.

Note 5: Temporary staff costs are £101,478 in excess of budget. Temporary staff have been used in the registration departments and IT to cover for full time posts – the temporary staff costs in the registration departments are more than compensated for by savings in basic pay. These full time positions are currently being filled. Due to this, temporary staff costs should reduce in the final six months.

Note 6: HPC offered an **early retirement scheme** to some of its staff. This was taken up by less people than budgeted.

Note 7: The **building refurbishment project** has taken longer than expected. This has led to an increase in security costs, due to the need of a security guard during the building project. Also the specification for the project was altered since the time of budgeting and will be higher than budget. These costs are being monitored and will be minimised where possible.

Note 8: Printing and stationery (non-communication) is £24,859 over budget. As mentioned earlier, HPC has seen an increase in applications (international & grandparenting). For the applications to be assessed a large volume of printing currently has to be undertaken. This has increased the printing expenditure so far for this year.

Note 9: Whilst the **software system budget** is only marginally over-budget, it needs to be included in the overhead variance summary as it is an area that needs close monitoring to enable the annual budget to be met.

Note 10: HPC **consultation events** are currently £107,680 overspent. Consultation events, in particular the CPD consultation, were underbudgeted. The CPD documents and corresponding postage have accounted for a large amount of the variance. Also, HPC has undertaken more events than initially envisaged.

Note 11: The **Partners Conference** was £24,929 over budget. A more sophisticated budgeting process is planned for this event when it next takes place (2006/7).

Note 12: Due to increased expenditure in various areas of the business, the **Communications Department** has agreed to make savings in various areas including the annual report, brochures and stakeholder communications.

Note 13: The **Partners Training budget** is £34,000 overspent. The number of training days has been higher than budgeted due to more detailed training being required than at first thought.

Note 14: As mentioned earlier, the increased number in applications has led to a large adverse variance in **registrant assessor fees** (£177,500 overspent). This is offset by an increase in fees for this work.

Note 15: There has been a requirement, especially for Chiropodists, for a **test of competence** after the initial assessment. The number of these is higher than budgeted.

Note 16: Panel costs (allowances and travel) are over budget by £27,816. The number of legal cases has increased steeply over the financial year, so it is an increase in volume of cases that accounts for the variance.

Note 17: The approvals process is being finalised, so the expenditure for **approvals** is likely to increase over the next six months.

Note 18: Legal expenses are £155,485 over budget. As mentioned earlier, this is due to the increased volume in legal cases.

BALANCE SHEET

There has been very little activity in the opening six months to affect the balance sheet. Working capital is £1,551,273, showing HPC in a good financial position. Deferred income currently stands at £5,172,508.

Whilst HPC is in a good cash position it still is not yet profitable. This can be seen by the reduction in net assets to £567,908. This is represented by the Capital Grant Receivable (being released to the Income and Expenditure Account) of £481,308 and the Accumulated Fund of £86,600 (£443,987 at the beginning of the financial year less the net deficit for the year to date). HPC must make surpluses over the next few months to build up reserves. Whilst it is budgeted to do this, all budget holders have been reminded to keep to budget and to look for savings where possible.

CASH FLOW

The net cash outflow from operating activities for the first six months of the financial year was £259,609. The reason for this is an increase in deferred income and an increase in creditors and accrued expenses. HPC is intending to make two payments a month to suppliers which will reduce cash and the number of outstanding creditors at the end of the month. It will also reduce the time taken for payments to be made under the Better Payment Practice Code.

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

The overall increase in cash was £226,250 reflected in the cash movement on the balance sheet from 31st March 2004 until the end of September (the bank balance at the end of March of £2,407,980 compared with £2,634,230 at the end of September.)

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 the number of deregistered registrants.

HPC has some major areas of over-expenditure as mentioned earlier and there is a risk that the Accumulated Fund may become negative for a short period. In particular these areas will be monitored closely: CPD consultation, temporary staff and the Fitness to Practise Department. Whilst it is likely that these areas are going to be over budget, the HPC needs to minimise its overspend.

If HPC does not keep within its budget for the second half of the year, it will face serious problems in terms of profitability. All budget holders have been asked to make savings where possible to rectify this situation.

Whilst HPC is in a good cash position, it is in a weak profitability position due to the deficit made so far this current financial year.

Richard Ballard
Management Accountant
October 2004

HEALTH PROFESSIONS COUNCIL

Management Accounts For the 6 months ended 30th September 2004

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 SEPTEMBER 2004
DETAILED SUMMARY

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
INCOME					
Professions					
Arts Therapists	50,090	47,856	2,234	4.67	108,100
Biomedical Scientists	642,280	664,035	(21,755)	(3.28)	1,328,070
Chiropodists	366,482	257,453	109,029	42.35	631,045
Clinical Scientists	123,007	105,392	17,615	16.71	219,783
Dietitians	141,174	130,785	10,389	7.94	316,688
Orthoptists	36,846	39,300	(2,454)	(6.24)	78,600
Occupational Therapists	795,480	783,224	12,256	1.56	1,566,448
Paramedics	301,244	320,199	(18,955)	(5.92)	640,398
Physiotherapists	1,115,163	1,078,496	36,667	3.40	2,270,603
Prosthetists & Orthotists	23,129	24,898	(1,769)	(7.10)	49,795
Radiographers	710,322	706,370	3,952	0.56	1,412,740
Speech and Language Therapists	319,892	306,859	13,033	4.25	613,718
Operating Department Practitioners	0	30,000	(30,000)	(100.00)	210,000
Registration Income	4,625,109	4,494,867	130,242	2.90	9,445,988
Department of Health Capital Grant Released	125,559	125,556	3	0.00	251,112
TOTAL INCOME	4,750,668	4,620,423	130,245	2.82	9,697,100
EXPENDITURE					
Departments					
President	20,765	25,225	4,460	17.68	50,450
Council	60,836	69,945	9,109	13.02	175,390
Secretariat	84,815	91,764	6,949	7.57	175,863
Chief Executive	109,162	115,732	6,570	5.68	226,463
Education and Training	532,114	454,793	(77,321)	(17.00)	721,385
Registration	820,158	651,316	(168,842)	(25.92)	1,295,629
IT Department	867,316	843,505	(23,811)	(2.82)	1,510,341
Finance	176,224	177,497	1,273	0.72	341,443
Administration	696,965	622,486	(74,479)	(11.96)	1,100,984
Fitness to Practise	901,131	679,447	(221,684)	(32.63)	1,344,207
Human Resources	250,713	266,316	15,603	5.86	453,233
Communications	690,037	854,335	164,298	19.23	1,360,504
Operating Expenses	5,210,236	4,852,361	(357,875)	(7.38)	8,755,891
(DEFICIT) (Excluding Unrealised Gains)	(459,568)	(231,938)	(227,630)	(98.14)	941,209
Investment Income (Excluding Unrealised Gains)	64,668	32,273	32,395	100.38	65,000
Investment - Unrealised Gains	37,513	0	37,513	0.00	0
(DEFICIT)	(357,387)	(199,665)	(157,722)	(78.99)	1,006,209

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 SEPTEMBER 2004

DETAILED SUMMARY

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Income					
Registration fees	267,183	140,496	126,687	90.17	430,988
Registration fees (part year)	(17)	0	(17)	0.00	0
Readmission fees	43,822	53,500	(9,678)	(18.09)	107,000
Renewal fees	3,811,585	4,049,871	(238,286)	(5.88)	8,397,000
International scrutiny fees	313,686	167,000	146,686	87.84	334,000
Confirmation letter fees	0	0	0	0.00	0
Grandparenting scrutiny fees & other	188,850	84,000	104,850	124.82	177,000
	<u>4,625,109</u>	<u>4,494,867</u>	<u>130,242</u>	2.90	<u>9,445,988</u>

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 SEPTEMBER 2004

CODE	INVESTMENT & OTHER INCOME				Annual Budget £
	Actual £	Budget £	Variance £	Variance %	
BUDGET MANAGER	Paul Baker				
Income					
Bank interest - Business Reserve	18,260	5,000	13,260	265.20	10,000
Bank interest - Money Market	16,405	2,273	14,132	621.73	5,000
Portfolio income	31,784	25,000	6,784	27.14	50,000
P & L on disposal of investments (Realised)	(1,781)	0	(1,781)	0.00	0
	<u>64,668</u>	<u>32,273</u>	<u>32,395</u>	100.38	<u>65,000</u>
P & L on disposal of investments (Unrealised)	37,513	0	37,513	0.00	0

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 SEPTEMBER 2004

OVERHEAD TOTAL

	Actual £	Budget £	Variance £	Variance %
Payroll				
Basic	839,213	924,242	85,029	9.20
Overtime	25,745	20,125	(5,620)	(27.93)
National Insurance	96,789	103,883	7,094	6.83
Pension costs	99,249	120,725	21,476	17.79
Medical insurance	0	0	0	0.00
Staff recruitment	102,179	55,250	(46,929)	(84.94)
Temporary staff	197,978	96,500	(101,478)	(105.16)
Other payroll expense	43,947	80,000	36,053	45.07
	<u>1,405,100</u>	<u>1,400,725</u>	<u>(4,375)</u>	<u>(0.31)</u>
Staff travelling and subsistence				
Fares	24,974	16,250	(8,724)	(53.69)
Car expenses and car park	2,600	2,650	50	1.89
Subsistence	23,384	9,837	(13,547)	(137.71)
Entertaining	290	1,537	1,247	81.13
Conferences	5,027	16,250	11,223	69.06
Lecturing	0	1,250	1,250	100.00
	<u>56,275</u>	<u>47,774</u>	<u>(8,501)</u>	<u>(17.79)</u>
Council and committee expenses				
Allowances	75,420	86,190	10,770	12.50
Travelling and subsistence	66,656	82,981	16,325	19.67
Conference expenses	4,835	5,500	665	12.09
Training	4,250	4,250	0	0.00
	<u>151,161</u>	<u>178,921</u>	<u>27,760</u>	<u>15.52</u>
Property services				
Business rates	20,770	24,898	4,128	16.58
Water	384	575	191	33.22
Electricity	3,202	4,000	798	19.95
Gas	1,295	1,500	205	13.67
Cleaning contractors	9,924	9,500	(424)	(4.46)
Cleaning materials	4,632	5,000	368	7.36
Waste disposal	4,767	4,250	(517)	(12.16)
Repairs and maintenance	5,377	7,500	2,123	28.31
Maintenance contracts	2,286	2,750	464	16.87
Security	30,685	5,000	(25,685)	(513.70)
Building Refurbishment	118,718	78,313	(40,405)	(51.59)
Property depreciation	12,000	12,000	0	0.00
	<u>214,040</u>	<u>155,286</u>	<u>(58,754)</u>	<u>(37.84)</u>

OVERHEAD TOTAL

	Actual £	Budget £	Variance £	Variance %
Office services				
Printing and stationery	180,109	155,250	(24,859)	(16.01)
Photocopying	2,235	5,500	3,265	59.36
Microfilming	212	225	13	5.78
Postage	98,236	88,282	(9,954)	(11.28)
Telephone	15,960	16,000	40	0.25
Telephone system maintenance	0	1,600	1,600	100.00
Mobile telephone	1,964	2,000	36	1.80
Fax	896	1,500	604	40.27
Couriers	2,684	1,750	(934)	(53.37)
Office equipment < £500	27,678	15,000	(12,678)	(84.52)
Office equipment rental	1,759	1,000	(759)	(75.90)
Staff catering	7,254	6,000	(1,254)	(20.90)
Other office services	5,918	10,000	4,082	40.82
Depreciation of office equipment	41,685	50,000	8,315	16.63
	386,590	354,107	(32,483)	(9.17)
Computer services				
Hardware < £500	2,347	10,000	7,653	76.53
Hardware maintenance	4,695	3,500	(1,195)	(34.14)
Software Systems	296,560	294,059	(2,501)	(0.85)
Software licenses	28,076	25,000	(3,076)	(12.30)
Systems support	45,809	30,750	(15,059)	(48.97)
Internet maintenance	22,767	10,575	(12,192)	(115.29)
Computer media and sundries	3,993	5,000	1,007	20.14
Disaster contingency plan	3,437	21,875	18,438	84.29
Computer training	3,124	0	(3,124)	0.00
Other computer services costs	7,580	9,000	1,420	15.78
IT Security - Backup Offsite etc	3,006	2,350	(656)	(27.91)
IT Hardware Disposals	0	0	0	0.00
Hardware depreciation	281,534	288,500	6,966	2.41
	702,928	700,609	(2,319)	(0.33)
Communications				
Advertising	205,754	235,000	29,246	12.45
Annual Reports (Design, Distribute)	12,301	50,000	37,699	75.40
Brochures (Design, Distribute)	17,257	48,000	30,743	64.05
HPC Consultation Events	291,280	183,600	(107,680)	(58.65)
Grandparenting Communications	0	10,000	10,000	100.00
Listening Events	13,675	12,000	(1,675)	(13.96)
Lobbying	3,867	10,000	6,133	61.33
PR Advisors	26,335	24,000	(2,335)	(9.73)
Market Research	69,031	62,500	(6,531)	(10.45)
Registrant Comms & Internal	30,100	37,500	7,400	19.73
Translations	4,745	5,000	255	5.10
Stakeholder Communications	2,491	23,333	20,842	89.32
Standards of Proficiency (Design,Prod,Dist)	3,713	10,000	6,287	62.87
Web Site Design	11,230	48,000	36,770	76.60
Annual Conference	124,929	100,000	(24,929)	(24.93)
Marketing & Promotions	7,691	15,000	7,309	48.73
Conference Attendance	8,725	17,000	8,275	48.68
General Events (Internal & External)	13,644	13,000	(644)	(4.95)
Media Relations - Press Event Launch	514	10,000	9,486	94.86
Welsh Language Scheme	0	7,500	7,500	100.00
	847,282	921,433	74,151	8.05

OVERHEAD TOTAL

	Actual £	Budget £	Variance £	Variance %
Partners				
Partners Recruitment	24,220	26,667	2,447	9.18
Partners Training	84,000	50,000	(34,000)	(68.00)
Legal Assessors	29,872	25,915	(3,957)	(15.27)
Registration Assessors	326,532	149,032	(177,500)	(119.10)
International Test of Competence	17,636	2,288	(15,348)	(670.80)
Mediation - Panels	0	2,500	2,500	100.00
Panels (Allowance & Travel)	110,917	83,101	(27,816)	(33.47)
Screening - Panels (Allow & Travel)	0	9,000	9,000	100.00
Approvals (Previously Visits)	21,308	50,000	28,692	57.38
JVC Costs	44,284	45,000	716	1.59
	<u>658,769</u>	<u>443,503</u>	<u>(215,266)</u>	<u>(48.54)</u>
Specific departmental expenses				
Archive storage	3,947	5,250	1,303	24.82
Auditors' fees	15,750	15,750	0	0.00
Bank charges & interest	33,647	24,667	(8,980)	(36.40)
Books and publications	572	0	(572)	0.00
General insurance	18,893	19,200	307	1.60
Legal insurance	20,213	22,050	1,837	8.33
Health and safety	976	4,100	3,124	76.20
Legal expenses	579,985	424,500	(155,485)	(36.63)
Other professional fees	19,814	30,333	10,519	34.68
Pension administration	3,245	3,750	505	13.47
Staff Handbook	0	1,000	1,000	100.00
Personal Performance Consultancy	3,305	3,150	(155)	(4.92)
Investors in People	0	15,000	15,000	100.00
Good Citizen Scheme	0	1,000	1,000	100.00
Quality ISO 2002	31,663	20,000	(11,663)	(58.32)
HPC Processes	88	10,000	9,912	99.12
Reward Data	498	0	(498)	0.00
Subscriptions to professional bodies	1,915	2,620	705	26.91
Professional Liaison Groups	7,863	5,000	(2,863)	(57.26)
Legal -Transcript Writer	28,742	19,800	(8,942)	(45.16)
Taxation advice	3,055	5,333	2,278	42.72
Training	13,920	17,500	3,580	20.46
	<u>788,091</u>	<u>650,003</u>	<u>(138,088)</u>	<u>(21.24)</u>
OVERHEAD TOTAL	<u>5,210,236</u>	<u>4,852,361</u>	<u>(357,875)</u>	<u>(7.38)</u>

**Annual
Budget
£**

1,834,289
40,250
206,198
241,452
0
63,500
191,000
80,000
2,656,689

32,500
5,300
19,675
3,075
32,500
2,500
95,550

167,000
176,390
11,000
5,000
359,390

41,496
1,150
8,000
3,000
19,000
10,000
8,500
15,000
5,500
5,000
108,875
24,000
249,521

**Annual
Budget
£**

261,000
11,000
450
143,129
32,000
3,200
4,000
3,000
3,500
30,000
2,000
12,000
20,000
100,000
625,279

20,000
7,000
433,600
50,000
61,500
21,150
10,000
50,000
2,500
18,000
4,700
0
577,000
1,255,450

400,000
50,000
105,000
229,000
20,000
20,000
20,000
48,000
62,500
75,000
10,000
70,000
10,000
48,000
100,000
30,000
34,000
20,000
10,000
15,000
1,376,500

**Annual
Budget
£**

50,000
120,000
51,830
298,064
4,576
5,000
166,202
18,000
100,000
45,000
858,672

10,500
31,500
42,500
0
38,400
44,100
8,200
849,000
79,000
7,500
2,000
6,300
20,000
2,000
20,000
20,000
5,000
5,240
5,000
39,600
8,000
35,000
1,278,840

8,755,891

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 30 SEPTEMBER 2004

OVERHEAD VARIANCE SUMMARY

OVERHEAD TOTAL

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Income					
Registration fees	267,183	140,496	126,687	90.17	430,988
International scrutiny fees	313,686	167,000	146,686	87.84	334,000
Grandparenting scrutiny fees & other	188,850	84,000	104,850	124.82	177,000
			378,223		
Renewal fees	3,811,585	4,049,871	(238,286)	(5.88)	8,397,000
			<u>139,937</u>		
Payroll					
Basic	839,213	924,242	85,029	9.20	1,834,289
Pension costs	99,249	120,725	21,476	17.79	241,452
Staff recruitment	102,179	55,250	(46,929)	(84.94)	63,500
Temporary staff	197,978	96,500	(101,478)	(105.16)	191,000
Other payroll expense	43,947	80,000	36,053	45.07	80,000
Property services					
Security	30,685	5,000	(25,685)	(513.70)	5,000
Building Refurbishment	118,718	78,313	(40,405)	(51.59)	108,875
Office services					
Printing and stationery	180,109	155,250	(24,859)	(16.01)	261,000
Computer services					
Software Systems	296,560	294,059	(2,501)	(0.85)	433,600
Communications					
Advertising	205,754	235,000	29,246	12.45	400,000
Annual Reports (Design, Distribute)	12,301	50,000	37,699	75.40	50,000
Brochures (Design, Distribute)	17,257	48,000	30,743	64.05	105,000
HPC Consultation Events	291,280	183,600	(107,680)	(58.65)	229,000
Stakeholder Communications	2,491	23,333	20,842	89.32	70,000
Web Site Design	11,230	48,000	36,770	76.60	48,000
Annual Conference	124,929	100,000	(24,929)	(24.93)	100,000
Partners					
Partners Training	84,000	50,000	(34,000)	(68.00)	120,000
Registration Assessors	326,532	149,032	(177,500)	(119.10)	298,064
International Test of Competence	17,636	2,288	(15,348)	(670.80)	4,576
Panels (Allowance & Travel)	110,917	83,101	(27,816)	(33.47)	166,202
Approvals (Previously Visits)	21,308	50,000	28,692	57.38	100,000
Specific departmental expenses					
Legal expenses	579,985	424,500	(155,485)	(36.63)	849,000
			<u>(458,065)</u>		
NET VARIANCES NOTED ABOVE			(318,128)		
ALL OTHER MINOR VARIANCES (Net Favourable)			90,498		
OVERALL TOTAL VARIANCE			<u>(227,630)</u>		

Note

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