

Finance Department Report

General

Since the last Committee Meeting, the Finance department has produced the June and July 2009 Management Accounts.

Supplier payments

At the end of July, 99% by value of the £719K Creditor payments (July Aged Creditor Listing) were in the 30 days or less category.

Fee adjustments and income receipts handling

At 18 August, there was no backlog in Registrant direct debit cancellations and amendments against a 2 day backlog target. We had no processing backlog on rejected payments/refunds against a two day backlog target and no backlog on mid-cycle lapsing of Registrants. The banking of Registrant cheques is up to date and there is no backlog on credit card reconciliations against a two day backlog target.

Income Collection cycle

Direct debit collections of Registrants' fees (cover approximately 83% of registrants) are done by the Finance Dept, with collections made two months in advance. CS, SL & PO collections occurred in early August. PHY, OT and PH collections are scheduled for early September. Most of the income comprises of Renewal fees collected.

Funds under Management

At 18 August, the Business Reserve account balance was £0.3M, earning an interest rate of 0.065% per annum. £0.5M was invested in the Nat West Special Interest-bearing Account (SIBA) on a rolling monthly basis, earning 0.48% per annum. The following were invested for 1 month at fixed rates: £0.5M invested in Barclays money market account earning 0.31%, £1M in Lloyds TSB money market account earning 1.0% and £1m with Nat West earning 0.72%.

The investment portfolio (excluding £98k portfolio cash) at the end of July was valued at £1.62M. The investment portfolio value including cash & money market instruments was £1.71M. This compares with £1.64M at end of May 2009.

Pensions

In June, there were 57 active members in the Friends Provident Scheme and no active members in the Capita Flexiplan Scheme, excluding the 6 "notional" members.

Employee training and staffing levels

There are seven full-time permanent employees in the dept with one additional permanent post to be filled. Temporary staff are periodically hired to cover for staff on annual or sick leave and to help achieve Finance dept service level targets.

Sage system support and development

The previous Sage accounting package support vendor has been replaced by TSG who are getting familiar with the organisational requirements. A small version upgrade to the accounting system is expected in mid September. Sage training is planned for the whole Finance team.

Significant Financial Projects/Issues (next few months)

- Since the last council meeting the Annual Report & Statutory Accounts have been laid before Parliament and have now been published.
- IFRS financial statements to 31 March 2009 are in process of being completed for audit review.
- 2011 Fees review project has been initiated.
- Six month re-forecast process is due to start in the next month.
- Annual budget planning (including projects) will begin in the near future.

Consolidated Management Accounts for the Four Months to 31 July 2009 - Variance Commentary

Introduction

These accounts were compared to budget version 6, which was agreed by the Council on 26th March 2009.

Summary

For the 2009/10 financial year, there is a budgeted an operating surplus, before unrealised gains, of £13K compared to 2008/9 budgeted surplus of £244K. For the four month period to 31 July 2009 Income totalled £4,680K with overheads of £4,460K giving and operating surplus before investments of £220K, a favourable variance of £324K compared to budget.

Income

Registration income was £239K below budget. Of this, the renewal fees were £175K below budget. This is due to a higher number of graduates taking a discounted renewal fee than was budget for. This was offset by registration fees, which were £121K above budget. Readmission fees and grand-parenting scrutiny fees were £96K and £15K below budget respectively. Both of these are due to timing differences and are likely to reverse in future months.

£70K of the unfavourable variance related to international scrutiny fee income. This was due to a budgeted average of 186 applications per month compared to an actual average of 146 applications per month being processed.

Year to date investment income was £9K below budget due to the current low interest rates, with unrealised gains of £173K.

Departments

Total Departmental expenditure was £4,460K which was £566K below budget. There were under-spends in Facilities management, Human resources, Policy & Standards, Projects and Registration departments.

Overheads

Below is an explanation of some of the main favourable and unfavourable variances:

Payroll costs

Payroll costs had favourable variance of £110K. Basic Pay and National Insurance had favourable variance of £56K and £37K respectively. These were caused by staff leaving and some budgeted positions not being filled. This was particularly the case in the Registrations, Policy, Communications and Fitness to Practise departments. The overall variance was partly offset by temporary staff hired during the recruitment process.

Staff travelling and subsistence

There was a favourable variance year to date £2K.

Council and committee expenses

There was a favourable variance of £23K in council and committee fees due to release accrual from the last financial year. This included a permanent unfavourable variance of £8K in taxation is due to an under provision made in 2008/9.

Property services

There was a favourable variance of £49K. Building refurbishment accounted for £18K of the variance which was a timing difference and will reverse in future months. £10K related to over estimation of the building rates which is a permanent difference.

Office services

There was a favourable variance of £79K, mainly due to favourable variances in printing and stationery. This was due to timing differences which are likely to reverse in future months.

Computer Costs

There was a favourable variance of £83K. This was mainly caused by Software support, Netregulate support and Computer software depreciation which were timing differences and will reverse in future months.

Partners

There was a favourable variance of £168K. Partners recruitment accounted for £63K of the variance due to release accrual from the last financial year. Assessor's fees also showed a favourable variance of £45K due to a lower number of applications being received and a prior year accrual release.

Communications

There was an unfavourable variance of £32K. There was an over-spend of £18K in Campaigns mainly due to the additional advertising done for psychologists and an over-spend of £15K in Brochures due to timing differences which will reverse in future months.

Professional fees

There was a favourable variance of £9K.

Major Projects

There was a favourable operating variance of £87K relating to major projects. This was due to timing differences for the Practitioner Psychologists and Online renewals projects.

There has been capital expenditure of £180K in relation to Practitioner Psychologists and Online renewals projects

Statement of Financial Position (Balance Sheet)

The main movements in the balance sheet since the start of the financial year has been a decrease in creditors and decrease in deferred income. The net impact of these movements was a decrease in the cash balance of £2,105K.

£122K has been spent this year in relation to the 22-26 Stannary Street phase 2 project, with the total spend to date being £239K. The remaining budget is expected to be spent during the financial year.

Total assets were £8,989K, with liabilities being £7,638K. The reserves totalled £1,351K as at 31 July 2009. This was made up of the revaluation reserve of £214K and general reserve of £1,137K.

Cash Flow

The Cash Flow statement indicates a net decrease in cash of £2,105K from 1 April 2009 to the 31 July 2009. This was mainly due to the decrease in creditors during the period and a decrease in the deferred income.

The net increase or decrease in cash when compared to the accounting surplus or deficit can be significantly different. To arrive at the cash movement, non cash items such as depreciation are removed and balance sheet movements taken into consideration.

Conclusion

Overall, at the end of the period to 31 July 2009 there was an operating surplus of £220K compared to a budgeted deficit of £104K.

Charlotte Milner
Financial Controller
August 2009

Income and Expenditure Account - By Function
Consolidated Accounts to 31 July 2009

	Year to Date				Note	Annual Budget £
	Actual £	Budget £	Variance			
			£	%		
Income by Professions						
Arts Therapists	61,784	59,836	1,948	3.3%	1	179,507
Biomedical Scientists	570,128	625,950	(55,822)	(8.9%)	1	1,877,850
Chiropodists	305,707	310,771	(5,064)	(1.6%)		932,314
Clinical Scientists	110,968	103,925	7,043	6.8%		311,775
Dietitians	182,941	168,734	14,207	8.4%		506,203
Occupational Therapists	764,608	788,859	(24,251)	(3.1%)		2,366,576
Operating Department Practitioners	230,286	216,722	13,564	6.3%		650,167
Orthoptists	33,067	34,166	(1,099)	(3.2%)		102,498
Paramedics	350,474	358,888	(8,414)	(2.3%)		1,076,664
Physiotherapists	1,085,704	1,133,115	(47,411)	(4.2%)		3,399,344
Prosthetists & Orthotists	20,474	23,410	(2,936)	(12.5%)	2	70,229
Practitioner Psychologists	1,790	31,504	(29,714)	(94.3%)	3	886,166
Radiographers	655,684	751,139	(95,455)	(12.7%)	3	2,253,418
Speech and Language Therapists	309,820	315,699	(5,879)	(1.9%)		947,098
Registration Income	4,683,435	4,922,719	(239,284)	(4.9%)		15,559,811
Cheque/credit card write offs	(2,580)	0	(2,580)	0.0%		0
Total Income	4,680,855	4,922,719	(241,864)	(4.9%)		15,559,811

Expenditure by Department

Chief Executive	96,698	107,452	10,754	10.0%		322,357
Council, Committees & PLG	106,787	164,571	57,783	35.1%	4	447,701
Communications	338,675	283,748	(54,927)	(19.4%)	5	1,076,199
Depreciation	134,414	150,938	16,524	10.9%		452,804
Education	232,436	263,518	31,082	11.8%		766,271
Facilities Management	243,584	341,175	97,591	28.6%	6	911,698
Finance	230,638	201,851	(28,787)	(14.3%)	7	635,442
Fitness to Practise	1,749,837	1,790,650	40,813	2.3%		5,581,599
Human Resources	121,643	163,011	41,368	25.4%	8	367,517
Human Resources Partners	144,304	198,556	54,252	27.3%	9	375,611
IT Department	236,750	268,798	32,048	11.9%		944,125
Operations Office	133,588	146,087	12,499	8.6%		450,977
Policy & Standards	70,514	108,514	38,000	35.0%	10	417,428
President	19,280	16,476	(2,804)	(17.0%)		49,433
Projects	63,040	150,594	87,554	58.1%	11	420,197
Registration	441,215	573,181	131,967	23.0%	12	2,023,511
Secretariat	97,036	97,214	178	0.2%		304,247
Operating Expenditure	4,460,441	5,026,336	565,895	11.3%		15,547,116

Operating Surplus/ (Deficit)

220,414	(103,617)	324,031
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12,694

Impairment of Freehold Land and Buildings	0	0	0	0.0%	0
Corporation Tax	0	0	0	0.0%	0
Interest payable	0	0	0	0.0%	0
Investment Income	40,162	48,914	(8,752)	(17.9%)	175,000
Unrealised Gains / (Losses)	173,757	0	173,757	0.0%	0

Total Surplus/ (Deficit)

434,334	(54,703)	489,036
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187,694

Notes to Income and Expenditure Account - by Function

Note	Narrative
1	The unfavourable variance of £56K was mainly due to a decrease in international applications of £14K and a timing difference of £19K on the readmission fees.
2	The unfavourable variance of £30K was due to a small number of international and Grandparenting applications being received in July 2009. This is likely to reverse in future months.
3	The unfavourable variance of £95K was due to a decrease in international applications of £39K and a timing difference of £18K on the readmission fees. There was also a unfavourable variance of £65K on the renewal fees due to the decrease in applications and a timing difference on the fee rise.
4	The favourable variance of £57K was due to an over accrual being made at year end for council/committee fees. There was also a favourable variance of £31K on appointments due to a timing difference.
5	The unfavourable variance of £55K was due to an overspend in campaigns of £10K for additional advertising done for the psychologists and an overspend in Brochures of £15K. This is a timing difference and will reverse later in the year.
6	the favourable variance of £85K was due to a permanent difference of £38K for insurance with the remaining difference due to timing differences in building refurbishment, Other office services and printing & stationery.
7	The unfavourable variance of £29K was due to an unfavourable variance of £16K for payments made in lieu, shown in basic pay. An unfavourable variance of £12K in temporary staff was caused by a temporary member of staff hired to back fill an empty position.
8	The favourable variance of £41K was due timing differences on staff recruitment of £16K and legal expenses of £9K.
9	The favourable variance of £54K was due an over accrual being made at the year end in relation to partners recruitment, resulting in a favourable variance of £36K and a timing difference of £15K on partner training.
10	The favourable variance of £38K was caused by a permanent difference of £15K in basic pay with positions being vacant during the year. The remaining variance was due to timing differences on standards of proficiency and printing and stationery
11	The favourable variance of £87K was due to timing differences on the psychologists and online renewals projects.
12	The favourable variance of £131K was due to some positions being vacant through the year, permanent savings of £34K and a timing difference on overtime of £13K. There was a timing difference on the printing and stationery costs of £49K. There is a permanent saving on the international assessors fee of £49K due to a downturn in the international applications.

Items in Bold are new since last report

Income and Expenditure Account - By Activity
Consolidated Accounts to 31 July 2009

	Year to Date				Note	Annual Budget £
	Actual £	Budget £	Variance			
			£	%		
Income by Activity						
Registration fees	289,208	168,019	121,189	72.1%	A	504,257
Readmission fees	47,210	143,273	(96,063)	(67.0%)	B	458,569
Renewal fees	3,968,090	4,143,442	(175,352)	(4.2%)		13,004,002
International scrutiny fees	216,682	286,533	(69,851)	(24.4%)	C	936,600
Grandparenting scrutiny fees	625	15,727	(15,102)	(96.0%)	D	141,540
UK scrutiny fee	161,620	165,725	(4,105)	(2.5%)		514,842
Registration Income	4,683,435	4,922,719	(239,284)	(4.9%)		15,559,811
Cheque/credit card write offs	(2,580)	0	(2,580)	0.0%		0
Total Income	4,680,855	4,922,719	(241,864)	(4.9%)		15,559,811
Expenditure by Activity						
Payroll	1,668,196	1,777,724	109,528	6.2%		5,337,334
Travel and Subsistence	61,642	63,582	1,940	3.1%		230,531
Council and committee expenses	103,716	126,706	22,990	18.1%	E	416,036
Property services	103,348	152,712	49,364	32.3%	F	418,634
Office services	267,301	346,197	78,896	22.8%	G	1,093,363
Computer services	253,446	336,020	82,574	24.6%	H	1,094,768
Partners	610,120	777,871	167,750	21.6%	I	2,258,492
Communications	188,290	155,925	(32,365)	(20.8%)	J	769,108
Professional fees	1,046,044	1,055,482	9,438	0.9%		3,236,492
Small projects	20,176	37,500	17,324	46.2%		150,600
Specific Departmental Costs	138,161	196,616	58,455	29.7%	K	541,759
Operating Expenditure	4,460,441	5,026,336	565,894	11.3%		15,547,116
Operating Surplus/ (Deficit)	220,414	(103,617)	324,031			12,694
Impairment of Freehold Land and Buildings	0	0	0	0.0%		0
Corporation Tax	0	0	0	0.0%		0
Interest payable	0	0	0	0.0%		0
Investment Income	40,162	48,914	(8,752)	(17.9%)		175,000
Unrealised Gains / (Losses)	173,757	0	173,757	0.0%		0
Total Surplus/ (Deficit)	434,334	(54,703)	489,035			187,694

Notes to Income and Expenditure Account - by Activity

Note	Narrative
A	The favourable variance of £121K was due to an increase in graduates taking the discounted renewal fee.
B	The unfavourable variance of £96K was due to a timing difference, with the majority of the professions going into renewal in the second half of the year.
C	The unfavourable variance of £70K was due to a downturn in the international applications being received. This is likely to be a permanent difference.
D	The unfavourable variance of £15K was due a small number of applications being received in July. This is likely to reverse in future months.
E	The favourable variance of £23K was due to an over accrual being made at the year end. This is likely to be a permanent difference.
F	The favourable variance of £49K was due to a timing difference on building refurbishment of £18k and a permanent difference on business rates of £10K, due to over estimation.
G	The favourable variance of £79K was due to a timing difference on printing and stationery of £74K and will reverse in future months.
H	The favourable variance of £82K was due to a timing differences of £47K on IT enhancements projects and £17K on NetRegulate systems support.
I	The favourable variance of £168K was due to an overspend in campaigns of 10K for additional advertising done for the psychologists and an overspend in Brochures of £15K. This is due to a timing difference.
J	The unfavourable variance of £32K was due to an overspend in campaigns of 10K for additional advertising done for the psychologists and an overspend in Brochures of £15K. This was a timing difference.
K	The favourable variance of £58K was caused by a timing difference of £32K on appointments and a permanent difference of £38K on insurance saings.

Items in Bold are new since last report

Statement of Financial Position

	31 July 2009		31 March 2009	
	£	£	£	£
<u>Non-current Assets</u>				
Property, Plant & Machinery				
Land & buildings, at cost or valuation	2,759,097		2,636,853	
Depreciation	<u>(11,767)</u>		<u>0</u>	
		2,747,330		2,636,853
Computer Equipment, at cost	645,953		644,060	
Depreciation	<u>(522,860)</u>		<u>(504,679)</u>	
		123,093		139,381
Office furniture and equipment, at cost	370,881		406,348	
Depreciation	<u>(342,433)</u>		<u>(372,679)</u>	
		28,448		33,669
Intangible assets	2,753,684		2,568,790	
Depreciation	<u>(1,882,667)</u>		<u>(1,784,455)</u>	
		871,018		784,335
<u>Total Non-current Assets</u>		<u>3,769,890</u>		<u>3,594,238</u>
<u>Current assets</u>				
Trade and other receivables	365,688		354,207	
Financial assets	1,616,077		1,347,418	
Cash & Cash Equivalents	<u>3,237,314</u>		<u>5,341,865</u>	
		<u>5,219,080</u>		<u>7,043,490</u>
<u>Total Assets</u>		<u>8,988,970</u>		<u>10,637,728</u>
<u>Current Liabilities</u>				
Trade and other payables	<u>(477,283)</u>		<u>(945,164)</u>	
Other Liabilities	<u>(1,183,900)</u>		<u>(1,670,261)</u>	
Deferred Income	<u>(5,977,218)</u>		<u>(7,106,069)</u>	
		<u>(7,638,401)</u>		<u>(9,721,494)</u>
<u>Total asset less liabilities</u>		<u>1,350,568</u>		<u>916,234</u>
<u>General reserve</u>				
General fund b/fwd	702,287		1,077,308	
(Deficit)/surplus for the year	434,334		<u>(375,021)</u>	
Grant income	<u>0</u>		<u>0</u>	
General fund c/fwd		1,136,621		702,287
<u>Revaluation reserve</u>				
Reserve b/fwd	213,947		421,746	
Movements in the year	<u>0</u>		<u>(207,799)</u>	
Reserve c/fwd		<u>213,947</u>		<u>213,947</u>
		<u>1,350,568</u>		<u>916,234</u>

**Summary of Project Expenditure
Four Months to 31 July 2009**

Project

Number Capital expenditure

P3	Practitioner Psychologists
P4	Hearing Aid Council
P34	Online Renewals
P31	Vetting & Barring System (VBS)
P35	Registration Fee Rise 2011
P36	FTP Case Management System Phase 1
P37	Renewals Cycle Review
P38	IT external hosting transfer to new provider
P27	Finance System Upgrade
Total Project Capital Expenditure	

Year to Date			Annual Budget £
Actual £	Budget £	Variance £	
11,203	100,000	88,797	100,000
0	0	0	55,000
168,732	220,920	52,188	300,012
0	0	0	15,000
0	0	0	0
0	0	0	134,000
0	0	0	11,750
0	0	0	15,000
0	0	0	-
179,936	320,920	140,984	630,762

Operating expenditure

P3	Practitioner Psychologists
P4	Hearing Aid Council
P34	Online Renewals
P31	Vetting & Barring System (VBS)
P35	Registration Fee Rise 2011
P36	FTP Case Management System Phase 1
P37	Renewals Cycle Review
P38	IT external hosting transfer to new provider
Total Project Operating Expenditure	

36,995	90,342	53,347	143,760
949	2,200	1,251	27,310
14,870	56,552	41,682	127,552
189	0	(189)	28,225
0	1,500	1,500	8,000
10,038	0	(10,038)	11,400
0	0	0	-
0	0	0	73,950
63,040	150,594	87,554	420,197

**Summary of Capital Expenditure
Four Months to 31 July 2009**

Office Services

Renovation work to 22-26 Stannery Street. Phase 2
Additional photocopier for FTP
Structured cabling for Phase 2 works
Replace Park House Boiler
Replace Park House water tank
Access control on additional doors
Induction loop for Reception and portable unit for hearings,
etc.

	Year to Date			Annual Budget £
	Actual £	Budget £	Variance £	
Renovation work to 22-26 Stannery Street. Phase 2	122,244	253,722	131,478	575,000
Additional photocopier for FTP	0	6,000	6,000	6,000
Structured cabling for Phase 2 works	0	5,000	5,000	0
Replace Park House Boiler	0	3,300	3,300	15,000
Replace Park House water tank	0	2,350	2,350	10,000
Access control on additional doors	0	0	0	9,400
Induction loop for Reception and portable unit for hearings, etc.	0		0	5,000
	122,244	270,372	148,128	620,400

Information Technology

Laptop refresh
Server replacements/upgrades
New/replacement laptops
PRS Enhancements
New PC's

Laptop refresh	0	0	0	50,000
Server replacements/upgrades	0	0	0	10,000
New/replacement laptops	0	3,168	3,168	9,500
PRS Enhancements	4,959	6,800	1,841	6,800
New PC's	1,893	0	(1,893)	-
	6,852	9,968	3,116	76,300

Major Projects

	179,936	320,920	140,984	630,762
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Total Capital Expenditure

	309,032	601,260	292,228	1,327,462
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Consolidated Cash Flow: April 2009 to March 2010

£'000	MAR '09	APRIL	MAY	JUNE	JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MAR '10
Opening Balance 1st		5,342	4,559	3,951	2,991	0	0	0	0	0	0	0	0
Receipts													
Registration Income		1,142	1,138	1,174	1,229								
Investment Income		0	7	9	3								
Investment Sales		24	24	29	0								
Deferred Income Movements		48	(925)	(630)	378								
Bank Loan		0	0	0	0								
Miscellaneous Income		0	(3)	0	0								
Total Cash Receipts		1,214	242	581	1,610	0	0	0	0	0	0	0	0
Payments													
Operational													
Expenditure		353	1,719	1,235	1,155								
Depreciation		(33)	(31)	(36)	(35)								
Aged Cred / Accrual Movements		1,555	(873)	135	158								
Debtor Movements		75	(42)	(16)	(5)								
Payments to Creditors		1,930	773	1,317	1,273								
Non-Operational													
Capital Expenditure		46	30	141	91								
Capital Write-off		0	0	0	0								
Investment Purchases		22	47	83	(0)								
Loan Repayments		0	0	0	0								
DOH Income		0	0	0	0								
Taxation		0	0	0	0								
Total Payments		1,997	850	1,542	1,364	0	0	0	0	0	0	0	0
Closing Balance		5,342	4,559	3,951	3,236	0	0	0	0	0	0	0	0
Budgeted Closing Balance		4,997	3,798	2,910	3,370	3,043	4,450	5,074	4,400	3,894	4,492	3,982	5,253
Difference		(438)	153	81	(134)								

Deferred Income Movements - () Some income from deferred income and cash has already been received. If positive, cash received in advance and not recognised as income in current month.

Depreciation - Cash paid for fixed assets incurred in previous months make depreciation a non cash item, so is taken off the current month expenditure.

Aged Creditor Movements - () Denotes an increase in aged creditors from the previous month and is taken off the current month expenditure as they haven't been paid. Vice versa for a positive figure.

Debtor Movements - If positive, debtors/prepayments have been paid without all being recognised in the I & E Account, so must be added to the expenditure for the month. Vice versa for a negative figure.