

Council, 29 June 2015

Finance Report

Executive summary and recommendations

### **Introduction**

The report sets out the main activities of the Finance Department since the May 2015 meeting of Council. It includes statistical information and highlights key work undertaken.

### **Decision**

Council is asked to discuss the report.

### **Background information**

See Appendix 1 and 2

### **Resource implications**

The resources for the Department are set out in the annual workplan and budget 2015-16.

### **Financial implications**

HCPC financial results for 2015-16

### **Appendices**

Appendix 1: Finance Report including overview of management accounts and forecast  
Appendix 2: Detailed schedules and graphs

### **Date of paper**

17 June 2015

Appendix 1

**Finance Department Report and  
Management Information Pack**

Andy Gillies, Finance Director

June 2015

## **1. Core processes**

There have been no significant issues with collection of income from registrants or payments to partners or suppliers.

The new travel and hotel booking system has gone live and is in use, in parallel with the old system. We intend to withdraw the old system and make use of the new system mandatory with effect from 1 October. Bookings made before that date on the old system will be honoured by the previous provider.

We are also working with FTP, Education, Registration and Partners on a switch to proactively paying partners on the basis of our records of the work the partners have done, rather than requiring partners to invoice us, and then checking their invoices against our records of the work the partners have done. This change should benefit all parties by simplifying the process, reducing paper and speeding up payment.

## **2. Projects**

The next and final stage of the Finance systems project is the introduction of electronic approval for invoices not initiated through the WAP purchase order system, which is due to go live in August. The NetRegulate changes project is on hold pending the current fees review project. The PCI DSS review project has not yet initiated.

## **3. Treasury**

The investment policy includes a target rate of return, which is that interest earned, as a percentage of average cash and investment balances, should equal or better the Bank of England base rate. Throughout 2014-15, the Bank of England base rate has been 0.5%. The average monthly balance was £15,479k, and gross interest earned was £132k, so the average gross interest rate was 0.85%, and the target was achieved.

At the end of May 2015, we had total cash and deposits of £15.4m, of which £6.0m is held in fixed term deposits (see table below) and £9.4m is in instant access accounts, earning up to 1.25%. On 16 June we placed a deposit of £2m with Barclays for 24 months at 1.12% maturing 19 June 2016.

<b>Bank</b>	<b>Deposit amount £m</b>	<b>Term Months</b>	<b>Maturity date</b>	<b>Interest rate %</b>
Santander	2.0	12	23 December 2015	1.00
Barclays	1.0	12	26 February 2016	0.92
Barclays	1.0	24	19 December 2016	1.06
Santander	2.0	24	10 March 2017	1.2
<b>Total</b>	<b>6.0</b>			

All of the banks we use meet the minimum credit rating in the investment policy.

#### **4. Procurement**

A revision of the procurement policy will be proposed to the September meetings of the Audit Committee and Council.

#### **5. Audits**

The NAO's audit of the 2014-15 accounts is substantially complete and has been successful. The draft Annual Report and Accounts and the NAO's audit completion report are also on the agenda and both will have been discussed by the Audit Committee on 17 June.

#### **6. Staffing**

The new Finance Business Partner is due to start on 6 July. The Procurement Manager post remains vacant.

## 7. Management Accounts for the 2 months ending 31 May 2015

### Income and expenditure

The month 2 management accounts show a surplus so far in 2015-16 of £103k. The budget for the year to date is a deficit of £961k, so the actual result is £1,063k better than budget. The variance includes:

- *Favourable variance of £120k on income.* Of this, £99k is caused by a higher than budgeted volume of international applications, continuing the trend seen in 2014-15. Renewal fees are slightly ahead of budget
- *Favourable variance of £142k on payroll costs,* caused by vacant posts
- *Favourable variance of £765k on non-payroll costs.* However, this will include timing differences caused by accruals made at the previous year end not yet clearing, so the non-payroll underspend cannot be counted on as a permanent saving
- *Investment income (bank interest) of £16k.* We do not budget for interest receivable.

### Balance sheet and cash flow

The cash balance at 31 May was £15.4m. The budgeted month 2 cash balance was £14.2m. The difference is mainly due to the favourable variances on income and expenditure plus underspends on capital expenditure. The timing difference variance between actual and forecast cash receipts at 31 March, reported to the May Council meeting, has reversed itself.

# **Management Accounts**

## **31 May 2015**

Andy Gillies, Finance Director

**Management Accounts  
May 2015  
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**Variance commentary**

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Total Income</b>	<b>4,431,442</b>	<b>4,311,611</b>	<b>119,831</b>	<b>2.8</b>	Income is 2.8% / £120k ahead of budget. UK Scrutiny fees and Graduate Registration fees are behind budget by £32k and £12k respectively  However, Renewal and International scrutiny fees are collectively £163k ahead of budget for 2015/16.

**Expenditure**

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Chair</b>	20,139	14,670	(5,469)	(37.3)	More days worked than budgeted.
<b>Chief Executive</b>	86,968	69,636	(17,332)	(24.9)	£7.5k overspend on Legal Advice plus £4.2k overspend on Travel and Subsistence and £5.8k on EMT Training
<b>Council</b>	17,113	32,474	15,361	47.3	£9.3k underspend on Council committee costs and £5.7k on Appointments due to timing differences
<b>Communications</b>	224,554	263,830	39,276	14.9	£4k underspend on staffing due to temporary staff (timing difference), £5k on Couriers due to not being used for some events, £10k on Brochures as current stock levels adequate for needs, £11k on Campaigns (timing difference), £10k in meet the HCPC as events taking place in June.
<b>Education</b>	182,841	217,453	34,612	15.9	£21k underspend on Payroll due to vacant posts (permanent saving), £4k in Travel and Subsistence in £6k in Partners Expenditure plus £5k in Printing
<b>Facilities Management</b>	363,494	335,936	(27,558)	(8.2)	£24k overspend on Business Rates being higher plus £16k overspend on Legal Expenses for 405 Kennington Road. £5k underspend on Payroll due to a vacant post
<b>Finance</b>	176,787	172,982	(3,805)	(2.2)	Includes £9k overspend on Payroll due to agency staff
<b>Fitness to Practise</b>	1,821,509	2,217,587	396,078	17.9	£43k underspend on Payroll plus the following timing differences; £118k underspend on Panel Fees and Witness Costs, £91k underspend on Legal Fees plus £89k underspend on Transcript Writers.
<b>Human Resources</b>	76,587	114,454	37,867	33.1	£22k underspend on payroll (permanent saving) due to vacant posts, £10k underspend on Organisational Training plus £5k on Professional fees.
<b>Human Resources Partners</b>	75,955	82,770	6,815	8.2	Underspend on Partner Fees due to timing differences of expenditure.
<b>IT Department</b>	540,366	668,344	127,978	19.1	£83k underspend on software and maintenance and £43k on small project costs.



**Variance commentary**

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Major Projects</b>	16,147	135,787	119,640	88.1	<p><b>Opex:</b>  <b>£120k</b> underspend on Projects compared to Budget includes <b>£34k</b> on HR &amp; Partners Phase 2, <b>£25k</b> on Registrations Process and Systems Phase 1, <b>£14k</b> on Domino to Exchange Migration (timing differences), <b>£7k</b> on Telephone Credit Card Automation (spend not recorded) and <b>£10k</b> on Professional Indemnity</p> <p><b>Capex:</b>  <b>£348k</b> underspend on Projects compared to Budget includes timing differences of <b>£23k</b> on the Education System Build, <b>£20k</b> on the Registrations System, <b>£124k</b> on HR &amp; Partners Phase 2, <b>£34k</b> on Sage and PRS Upgrade and <b>£26k</b> on NetRegulate Changes. The underspend also includes expenditure not recorded of <b>£89k</b> against the Telephone Credit Card Automation project and <b>£12k</b> for the Stakeholder Management System which has yet to start.</p>
<b>Operations Office</b>	129,078	120,246	(8,832)	(7.3)	<b>£29k</b> overspend on Disaster Contingency Plan and <b>£3k</b> on Professional Fees offset by <b>£12k</b> underspend in Payroll due to vacant posts, <b>£4k</b> in Training, <b>£4k</b> in Small Project costs and <b>£4k</b> on Archive Storage
<b>Policy</b>	54,260	91,326	37,066	40.6	<b>£34k</b> underspend on Research due to timing difference in project, estimated to be fully spent.
<b>Registration</b>	402,314	539,541	137,227	25.4	<b>£99k</b> underspend on Printing and Stationary, <b>£19k</b> Payroll underspend due to vacant posts and <b>£10k</b> underspend in Travel and Subsistence
<b>Secretariat</b>	32,893	41,410	8,517	20.6	Underspend on Legal Advice ( <b>£5.5k</b> due to a timing difference) and Training
<b>Depreciation</b>	120,440	130,514	10,074	7.7	Timing delay on completion of Capex projects
	<b>4,341,446</b>	<b>5,248,960</b>	<b>907,514</b>	<b>17.3</b>	

**Income and Expenditure**

	Period 2	Year to date				Full Year Budget
	Actual	Actual	Budget	Variance	Variance %	
<b>Income by Activity</b>						
Graduate Registration fees	120,969	246,043	257,053	(11,010)	(4.3)	1,534,085
Readmission fees	14,640	32,280	32,222	58	0.2	313,947
Renewal fees	1,908,447	3,810,848	3,747,121	63,727	1.7	23,360,382
International scrutiny fees	130,240	274,960	175,420	99,540	56.7	1,096,140
Grandparenting fees	0	0	0	0		0
UK scrutiny fees	27,446	67,315	99,795	(32,480)	(32.5)	890,861
<b>Registration Income</b>	<b>2,201,742</b>	<b>4,431,446</b>	<b>4,311,611</b>	<b>119,835</b>	<b>2.8</b>	<b>27,195,415</b>
Cheque/credit card write offs	(4)	(4)	0	(4)		0
<b>Total Income</b>	<b>2,201,738</b>	<b>4,431,442</b>	<b>4,311,611</b>	<b>119,831</b>	<b>2.8</b>	<b>27,195,415</b>
Chair	9,147	20,139	14,670	(5,469)	(37.3)	90,710
Chief Executive	52,940	86,968	69,636	(17,332)	(24.9)	365,180
Council & Committee	15,492	17,113	32,474	15,361	47.3	247,952
Communications	140,605	224,554	263,830	39,276	14.9	1,283,065
Education	99,899	182,841	217,453	34,612	15.9	1,142,773
Facilities Management	134,156	363,494	335,936	(27,558)	(8.2)	1,950,122
Finance	64,521	176,787	172,982	(3,805)	(2.2)	844,380
Fitness to Practise	931,017	1,821,509	2,217,587	396,078	17.9	12,958,941
Human Resources	32,084	76,587	114,454	37,867	33.1	733,654
Human Resources Partners	93,423	75,955	82,770	6,815	8.2	492,341
IT Department	75,673	540,366	668,344	127,978	19.1	1,816,467
Major Projects	4,266	16,147	135,787	119,640	88.1	693,552
Operations Office	62,240	129,078	120,246	(8,832)	(7.3)	716,376
Policy	26,382	54,260	91,326	37,066	40.6	441,306
Registration	200,269	402,314	539,541	137,227	25.4	3,024,284
Secretariat	14,726	32,893	41,410	8,517	20.6	246,340
Depreciation	60,084	120,440	130,514	10,074	7.7	869,964
<b>Operating expenditure</b>	<b>2,016,925</b>	<b>4,341,446</b>	<b>5,248,960</b>	<b>907,514</b>	<b>17.3</b>	<b>27,917,407</b>
<b>Operating surplus/(deficit)</b>	<b>184,812</b>	<b>89,996</b>	<b>(937,349)</b>	<b>1,027,345</b>	<b>109.6</b>	<b>(721,992)</b>
<b>Other expenditure</b>						
PSA Levy	0	0	0	0		660,000
Regulation of Public Health Specialists	3,409	3,409	23,334	19,925	85.4	140,000
	<b>3,409</b>	<b>3,409</b>	<b>23,334</b>	<b>19,925</b>	<b>85.4</b>	<b>800,000</b>
<b>Other income</b>						
Investment Income	12,302	16,221	0	16,221		0
Grant Income	0	0	0	0		0
	<b>12,302</b>	<b>16,221</b>	<b>0</b>	<b>16,221</b>		<b>0</b>
<b>Revaluation</b>						
Revaluation on Freehold land and buildings	0	0	0	0		0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>Total surplus/(deficit)</b>	<b>193,705</b>	<b>102,808</b>	<b>(960,683)</b>	<b>1,063,491</b>	<b>110.7</b>	<b>(1,521,992)</b>

**Payroll costs**

	Year to date			
	Actual	Budget	Variance	Variance %
Chair				
Chief Executive	49,618	50,220	602	1.2
Council & Committee				
Communications	108,146	112,484	4,338	3.9
Education	118,279	138,868	20,589	14.8
Facilities Management	33,667	39,086	5,419	13.9
Finance	101,551	92,666	(8,885)	(9.6)
Fitness to Practise	586,201	629,960	43,759	6.9
Human Resources	59,789	82,412	22,623	27.5
Human Resources Partners	21,897	24,408	2,511	10.3
IT Department	100,612	105,766	5,154	4.9
Major Projects	7,683	20,195	12,512	62.0
Operations Office	80,927	92,900	11,973	12.9
Policy	45,911	47,086	1,175	2.5
Registration	298,809	318,218	19,409	6.1
Secretariat	31,914	33,090	1,176	3.6
<b>Payroll costs</b>	<b>1,645,004</b>	<b>1,787,359</b>	<b>142,355</b>	<b>8.0</b>

**Non-payroll costs**

	Year to date			
	Actual	Budget	Variance	Variance %
Chair	20,139	14,670	(5,469)	(37.3)
Chief Executive	37,350	19,416	(17,934)	(92.4)
Council & Committee	17,113	32,474	15,361	47.3
Communications	116,408	151,346	34,938	23.1
Education	64,563	78,585	14,022	17.8
Facilities Management	329,827	296,850	(32,977)	(11.1)
Finance	75,235	80,316	5,081	6.3
Fitness to Practise	1,235,308	1,587,627	352,319	22.2
Human Resources	16,798	32,042	15,244	47.6
Human Resources Partners	54,058	58,362	4,304	7.4
IT Department	439,754	562,578	122,824	21.8
Major Projects	8,464	115,592	107,128	92.7
Operations Office	48,151	27,346	(20,805)	(76.1)
Policy	8,350	44,240	35,890	81.1
Registration	103,505	221,323	117,818	53.2
Secretariat	979	8,320	7,341	88.2
Depreciation	120,440	130,514	10,074	7.7
<b>Non-payroll costs</b>	<b>2,696,442</b>	<b>3,461,601</b>	<b>765,159</b>	<b>22.1</b>

**Income by profession**

	Year to date				Full Year Budget
	Actual	Budget	Variance	Variance %	
Arts Therapist	42,312	43,872	(1,560)	(3.6)	288,163
Bio-medical scientists	299,731	292,524	7,207	2.5	1,910,597
Chiropractors	171,273	165,265	6,008	3.6	1,030,696
Clinical Scientist	67,725	68,236	(511)	(0.7)	425,921
Dietitians	122,068	118,169	3,899	3.3	740,756
Hearing Aid Dispensers	31,790	26,685	5,105	19.1	176,180
Occupational Therapists	472,113	455,135	16,978	3.7	3,074,882
Operating Department Practitioners	155,216	151,079	4,137	2.7	945,870
Orthopodists	16,910	16,697	213	1.3	107,744
Paramedics	284,373	253,429	30,944	12.2	1,645,296
Physiotherapists	677,543	683,413	(5,870)	(0.9)	4,063,179
Practitioner Psychologists	271,396	259,136	12,260	4.7	1,702,642
Prosthetists & Orthotists	13,303	12,222	1,081	8.8	81,542
Radiographers	407,552	372,627	34,925	9.4	2,386,183
Social Workers	1,203,316	1,204,937	(1,621)	(0.1)	7,395,950
Speech Language	194,825	188,185	6,640	3.5	1,219,814
<b>Registration Income</b>	<b>4,431,446</b>	<b>4,311,611</b>	<b>119,835</b>	<b>2.8</b>	<b>27,195,415</b>
Cheque/credit card adjustments	(4)		(4)		
<b>Total income</b>	<b>4,431,442</b>	<b>4,311,611</b>	<b>119,831</b>	<b>2.8</b>	<b>27,195,415</b>

**Statement of Financial Position**

	Actual 31 May 2015	Actual 31 March 2015	Budget 2015/16
<b>Non-current assets</b>			
Land & buildings, at cost or valuation	3,400,000	3,570,011	
Land & buildings depreciation	(5,667)	(50)	
	3,394,333	3,569,961	
Computer equipment, at cost	559,976	559,976	
Computer equipment depreciation	(366,584)	(348,216)	
	193,391	211,759	
Office furniture and equipment, at cost	330,371	330,371	
Office equipment depreciation	(251,292)	(244,018)	
	79,079	86,353	
Intangible assets	6,136,037	6,172,676	
Intangible assets depreciation	(4,754,711)	(4,665,580)	
	1,381,326	1,507,097	
<b>Total non-current assets</b>	<b>5,048,130</b>	<b>5,375,170</b>	<b>6,781,994</b>
<b>Current assets</b>			
Other current assets	136,682	707,405	326,000
Cash & cash equivalents	15,398,782	18,047,612	13,069,000
	<b>15,535,464</b>	<b>18,755,017</b>	<b>13,395,000</b>
<b>Total assets</b>	<b>20,583,594</b>	<b>24,130,188</b>	<b>20,176,994</b>
<b>Current liabilities</b>			
Trade and other payables	591,768	918,544	2,626,000
Other liabilities	1,658,461	2,148,968	
Deferred income	14,670,166	17,331,712	16,149,000
	<b>16,920,395</b>	<b>20,399,224</b>	<b>18,775,000</b>
<b>Total assets less liabilities</b>	<b>3,663,199</b>	<b>3,730,964</b>	<b>1,401,994</b>
General fund b/fwd	(3,455,566)		(2,923,986)
Rev Res - Land & Building	(104,826)		
This period (surplus)/deficit	(102,808)		1,521,992
General fund c/fwd	<b>(3,663,199)</b>	<b>(3,730,964)</b>	<b>(1,401,994)</b>

**Projects**

	Opex			Capex			Opex & Capex			Opex	Capex
	Actual YTD £	Budget 2015/16 YTD £	Variance £	Actual YTD £	Budget 2015/16 YTD £	Variance £	Actual YTD £	Budget 2015/16 YTD £	Variance £	Budget Full Year £	Budget Full Year £
405 Kennington Road	0	0	0	0	0	0	0	0	0	554,426	834,000
HR & Partners Phase 1	0	0	0	0	0	0	0	0	0	0	0
Education System Build	8,889	12,000	3,111	(16,028)	6,646	22,674	(7,139)	18,646	25,785	38,450	106,098
186 Kennington Park Road	1,041	0	(1,041)	0	0	0	1,041	0	(1,041)		
Professional Indemnity	0	10,222	10,222	0	3,833	3,833	0	14,055	14,055	46,000	17,250
Fees Change Project	0	0	0	0	0	0	0	0	0	18,400	40,250
Registrations Systems Review Phase 1	0	25,422	25,422	24,803	44,888	20,085	24,803	70,310	45,507	38,133	67,332
HR & Partners Phase 2	0	33,847	33,847	(62,987)	61,142	124,129	(62,987)	94,989	157,976	134,632	320,127
Stakeholder Contact Management System	0	6,900	6,900		11,737	11,737	0	18,637	18,637	24,150	138,300
SAGE & PRS Upgrade	5,737	0	(5,737)	(33,828)	0	33,828	(28,091)	0	28,091		7,340
Domino to Exchange Migration	480	14,800	14,320	49,940	54,590	4,650	50,420	69,390	18,970	14,800	54,590
FTP Changes	0	810	810		11,471	11,471	0	12,281	12,281	2,114	68,828
NetRegulate Changes	0	3,450	3,450	(1,248)	24,600	25,848	(1,248)	28,050	29,298	3,450	48,000
PCI/DSS	0	0	0	0	0	0	0	0	0	50,000	50,000
Registrations Process and Systems Build	0	0	0	0	0	0	0	0	0	316,523	482,310
Telephone Credit Card Automation	0	6,900	6,900	0	89,245	89,245	0	96,145	96,145	6,900	89,245
	<b>16,147</b>	<b>114,351</b>	<b>91,304</b>	<b>(39,348)</b>	<b>308,152</b>	<b>347,500</b>	<b>(23,201)</b>	<b>422,503</b>	<b>445,704</b>	<b>1,247,978</b>	<b>2,323,670</b>
Regulation of Public Health Specialists	3,409	21,526	18,117	0	0	0	3,409	21,526	18,117	140,000	118,000

### Capital expenditure

	Actual YTD £	Budget 2015/16 YTD £	Variance £	Budget 2015/16 Full Year £
<u>Information Technology</u>				
Software Licences upgrades, new starters & new software	0	16,713	16,713	100,227
Software Licences new/replacement services		0	0	0
Hardware replacement servers, switches & drives	0	8,583	8,583	51,500
	<b>0</b>	<b>25,296</b>	<b>25,296</b>	<b>151,727</b>
<u>Projects</u>				
<b>Capital Expenditure</b>	<b>(39,348)</b>	<b>308,152</b>	<b>347,500</b>	<b>2,441,670</b>
<b>Total Capital Expenditure</b>	<b>(39,348)</b>	<b>333,448</b>	<b>372,796</b>	<b>2,593,397</b>



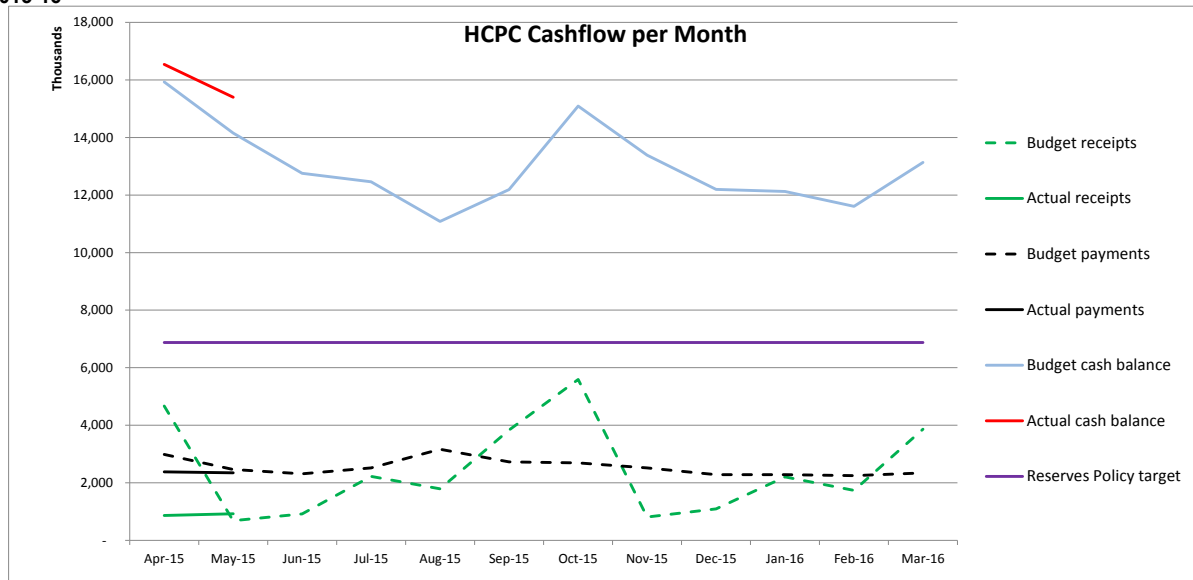
## Cash flow statement

From 1 April 2015

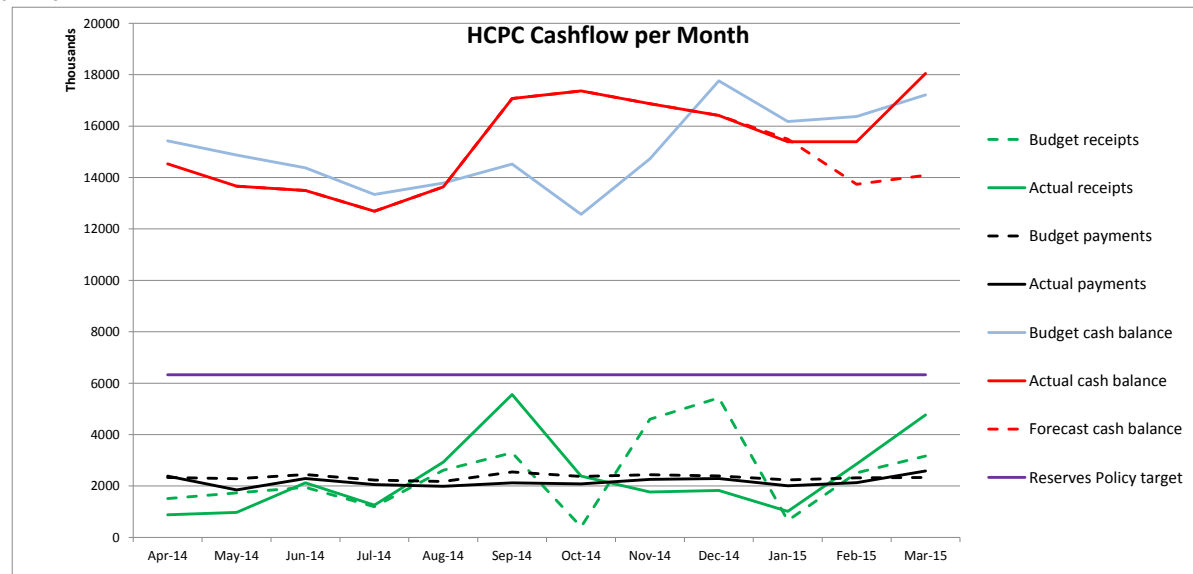
	Year to date budget £	Year to date actual £	Full year budget £
Operating surplus/(deficit)	(937,349)	89,996	(651,810)
Less: Depreciation	130,514	120,440	
Decrease/(increase) in debtors & prepayments		570,723	
Increase/(decrease) in creditors		(820,603)	
(Decrease)/increase in deferred income	1,039,263	(2,661,546)	2,227,580
<b>Net cash in/(out)flow from operating activities</b>	<b>232,428</b>	<b>(2,700,990)</b>	<b>1,575,770</b>
<b>Return on investments and servicing of finance</b>			
Investment Income		16,221	
Costs relating to Revalidation		0	
Regulation of Public Health Specialists		(3,409)	
<b>Capital expenditure and financial investments</b>			
Purchase of tangible assets	(333,449)	39,348	(2,593,397)
<b>Financing</b>			
Income from DOH		0	0
<b>Increase/(decrease) in cash</b>	<b>(101,021)</b>	<b>(2,648,830)</b>	<b>(1,017,627)</b>
Cash at 1 April 2015	14,249,215	18,047,612	14,086,784
Cash at end of period	14,152,049	15,398,782	13,069,157
<b>Cash movement</b>	<b>(97,165)</b>	<b>(2,648,830)</b>	<b>(1,017,627)</b>

Graphs - Cashflow

2015-16

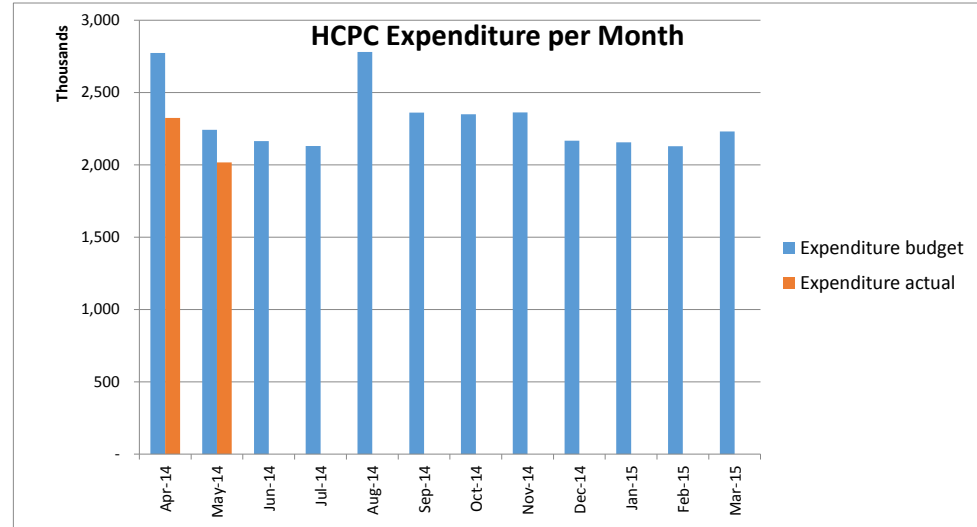
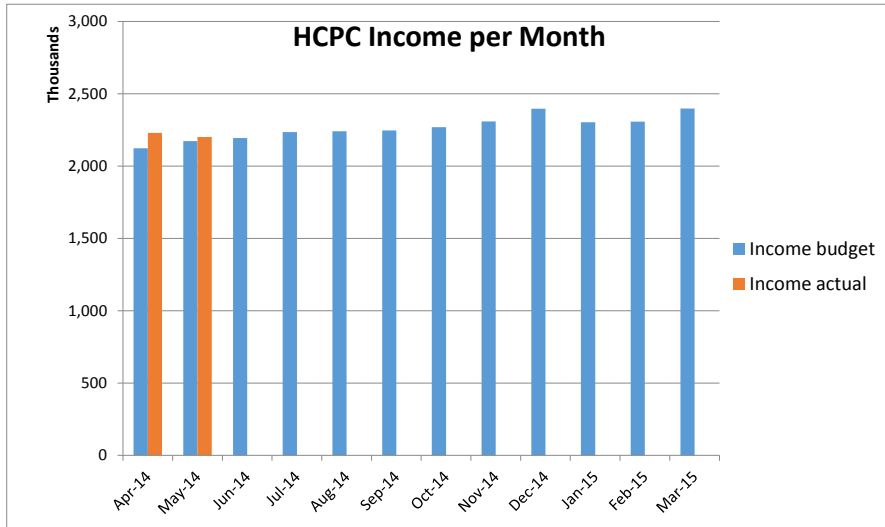


2014-15

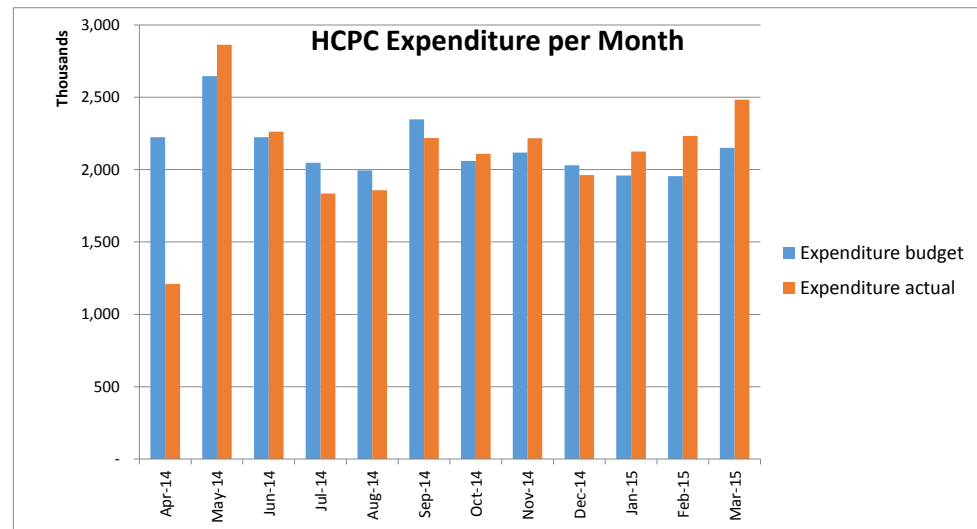
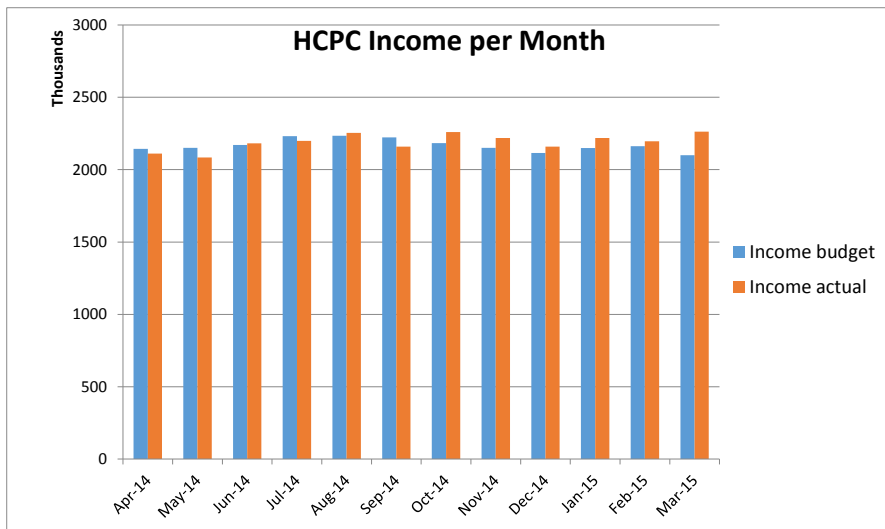


**Graphs**

**2015-16**

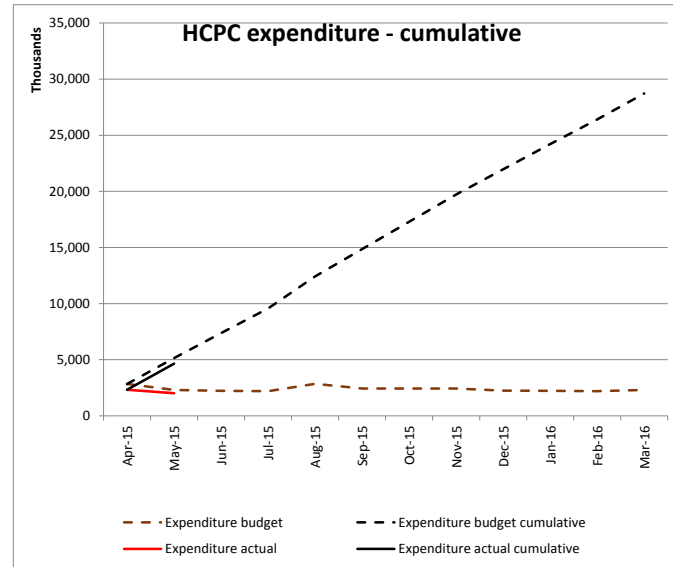
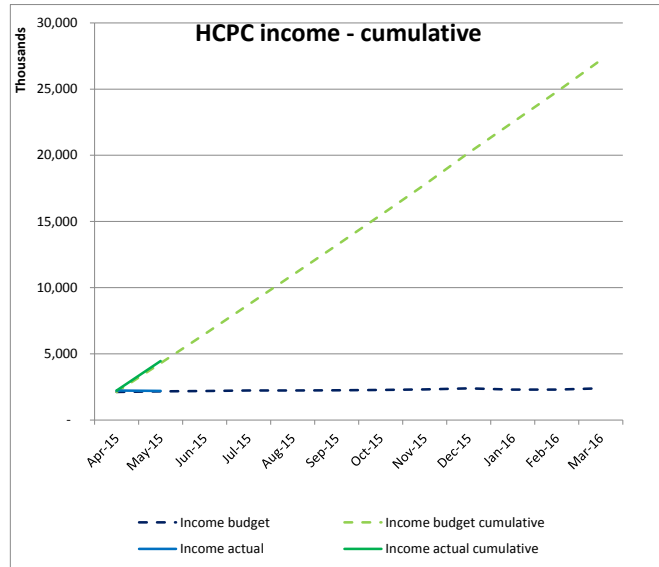


**2014-15**



Graphs - cumulative

2015-16



2014-15

