
Finance update

Executive Summary

August 2020 (Month 5) Management Accounts

At the end of August 2020, HCPC's YTD position was a surplus of £325k, which is a favourable variance of £684k when compared to the budgeted deficit of £329k.

The variance is mostly caused by a significant reduction in FTP hearing costs compared to forecast. This was a result of the following:

- Uncertainties around phasing of the hearing costs during Q1 reforecast – as a result of Covid-19.
- There has been a delay in getting 405 Kennington Road ready for phase 3 of the return to work plan, which means delay to hybrid hearings.
- There has been a need to seek legal authority to conduct virtual hearings, which also impacted the number of hearings held.

Actual volume of hearings were 50% lower than forecasted, and therefore there has been a reduction in the cost of case preparation, partner costs and travel & subsistence.

As well as the lower hearing numbers, the department also implemented electronic distribution of FTP bundles, this has reduced the cost of printing and postage.

The current reduction in costs will not wholly convert into a permanent saving; however some cost may now be recognised in 2021-22. This will be reflected in the Q2 reforecast of the 2020-23 budget.

Appendix 1 (page 3) shows the August 20 finance dashboard. A detailed version of the management accounts is available on council members' iPads for those who want to scrutinise further.

The Council is asked to note the August 20 financial outturn.

Registration business process change

As part of the Registration Transformation and Improvement project work, we have identified an area of business process change which will simplify the process of on-boarding new graduates who are joining towards end of the current professional cycle.

This change does not constitute a change of fee rules but a change to the application of the rules. It will also save development costs and time for the organisation.

Appendix 2 (page 7) details the change in more detail, including benefits, risks and cashflow impact. This proposal will be discussed by the Audit Committee at its meeting on 17 September. A verbal update on this discussion will be provided.

Council is asked to approve the change to the application of the rules.

Previous consideration	<p>The August 20 management accounts were presented to SMT for review on 15 September 2020.</p> <p>The registration business process change will be discussed at Audit Committee meeting on 17 September 2020.</p>
Decision	<p>The Council is asked to:</p> <ol style="list-style-type: none">1. Note the August 20 financial outturn2. Approve the change to the application of the fees rules
Next steps	<p>The October 2020 management accounts and Q2 reforecast of the 2020-23 budget will be presented to Council in December.</p>
Strategic priority	<p>The strategic priorities set in 2018 are no longer current. We are developing a new strategy that we aim to confirm at the end of 2020.</p>
Risk	<p>Strategic Risk 4 - Failure to be an efficient regulator</p> <p>Risks associated to the change in fees rules interpretation have been documented in the paper. If the change in business process does not go ahead, there is either a risk of delay to the current registration project and increased costs or a higher risk of error due to manual intervention.</p>
Financial and resource implications	<p>The change in business process will save £87,000 and 6 weeks in development cost and time on the Registration Transformation and Improvement Project.</p> <p>It will cause a permanent delay in cash flow for HCPC of £60,300. Additional time will be needed to manually intervene a targeted pool of renewal orders at the start of every renewal. Resource requirements will vary depending on the size of the profession going into renewal.</p>
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P5 August 2020 Management Accounts Overview

Tian Tian
Finance Director

YTD to August 2020 - YTD Variance Analysis



1. COVID 19 Grant of £225k not yet received but forecasted to be received in August.

2. Timing difference attributable to IT Small projects implementation delayed by a month.

3. Anticipating the cost of EDI Research and Advanced practice work; still to be invoiced.

4. Due to the timing differences of property and other professional costs; mainly due to the slower implementation of the return to office plans of phase 2 and 3.

5. Timing differences in the other departments; mainly major projects, IT and Communication. Also, vacancies still to be filled in some departments.

6. Reduced training activity than anticipated; using more e-learning options and the result of exploring cheaper recruitment options.

7. Lower hearing activities linked to the delay in Phase 3 return to the office plan and obtaining legal authority to conduct virtual hearings. Also phasing issues with Q1 forecast.

Income By Profession

Income By Profession	Aug-20 Year to date		Aug-20 Year to date	
Arts Therapists	40,215	172,472	Paramedics	215,162 1,096,851
Bio-medical Scientists	182,907	902,128	Physiotherapists	476,936 2,262,487
Chiropodists	90,656	482,563	Practitioner Psychologists	196,116 942,560
Clinical Scientists	47,674	238,361	Prosthetists & Orthotists	7,997 41,021
Dietitians	96,037	397,768	Radiographers	316,304 1,517,601
Hearing Aid Dispensers	23,926	118,501	Social Workers	-101 -506
Occupational Therapists	319,962	1,530,813	Speech & Language Therapists	139,883 646,124
Operating Department Practitioners	108,729	533,979	Registration Income	2,275,572 10,951,190
Orthoptists	11,106	55,826	Other Income	15,002 80,929
Other Registration Income	2,065	12,644	Total Income	2,290,574 11,032,119

Income By Activity

Income By Activity	Aug-20 Year to date	
Graduate Registration Fees	132,584	573,740
Readmission Fees	15,120	90,423
Renewal Fees	1,896,951	9,391,556
International Scrutiny Fees	81,180	498,465
UK Scrutiny Fees	147,672	384,363
Other registrant income	2,065	12,644
Registration Income	2,275,572	10,951,190

Expenditure

	Year to Date		
	Pay	Non-Pay	Total
Chair, Council & Committee	0	126,735	126,735
Chief Executive	392,167	769,556	1,161,722
Policy & External Relations	298,221	113,336	411,556
HR & Office Services	379,763	858,126	1,237,890
IT & Major projects	427,030	719,561	1,146,591
Governance & QAD	170,621	17,780	188,400
FTP	1,853,964	2,195,879	4,049,842
Registration	799,425	326,698	1,126,123
Education	223,371	38,899	262,271
Finance	161,246	70,538	231,784
Depreciation	0	271,781	271,781
Transformation Costs	0	279,138	279,138
Total	4,705,807	5,788,027	10,493,834
COVID 19	30,923	182,018	212,941

Summarised Departments by Exec Directors with larger departments still shown separately

Commentary on expenditure variances situated in the bridge on page 2.

Reduced graduate registration income and scrutiny fees mainly because students and graduates have been allowed to join the temporary register and work. The student temporary register is closing in September; so income levels should improve from October onwards when the students join the permanent register. Lower number of international applications processed.

Colour Legend

Light Blue	More than 5% better than budget
Red	More than 5% worse than budget
Green	Close to Budget
Yellow	Between 2.5% & 5% better than budget
Orange	Between 2.5% & 5% worse than budget

The variance in cash is mainly due to the timing difference for when the direct debit income is captured in the forecast and when the income is actually received. This anomaly will be rectified in the next forecast cycle. Also, due to the delay of starting some projects and the impact of reduced expenditure and phasing of Capital spend; the actual cash outflow is lower than the forecast



Income and Expenditure Account	Actual	Year to date Forecast	Variance	Full Year 3+9 forecast
YTD up to end of August 20	£	£	£	£
Income (A)				
Registration Income	10,951,190	11,003,341	(52,151)	26,848,602
Other Income	80,929	82,206	(1,277)	191,493
Income (A)	11,032,119	11,085,547	(53,428)	27,040,095
Pay Costs				
Pay Costs	4,705,807	4,838,195	132,388	12,064,669
Non-Pay Costs	5,237,108	6,169,587	932,479	16,467,734
Depreciation	271,781	269,296	(2,485)	742,376
Total Operating Exp (B)	10,214,696	11,277,078	1,062,382	29,274,779
Turnaround Costs	279,138	283,878	4,740	427,440
Total Expenditure ©	10,493,834	11,560,956	1,067,122	29,702,219
COVID-19 (D)	(212,941)	146,349	(359,290)	146,349
Total Surplus/(Deficit) E= (A-C+D)	325,344	(329,060)	(654,404)	(2,515,776)

Statement of Financial Position Balance Sheet	Actual Aug-20	YTD Forecast Aug-20
Total Fixed Assets	9,183,502	8,794,030
Current Assets		
Other Current assets	1,222,700	1,339,545
Cash & cash equivalents	13,344,640	11,398,577
Total Assets	14,567,340	12,738,122
Total Assets	23,750,842	21,532,152
Current Liabilities		
Current Liabilities	2,137,505	1,916,970
Deferred Income	16,633,573	15,289,822
Total current liabilities	18,771,078	17,206,792
Liabilities greater than one year	163,052	163,052
Total Assets less liabilities	4,816,712	4,162,307
Reserves	(4,491,368)	(4,491,368)
This Period's (surplus)/deficit	(325,344)	329,060
General Fund c/fwd	(4,816,712)	(4,162,307)

Appendix 2 – Registration process change

Background information

Currently, the HCPC offers to waive registration fees to the current professional cycle, if a new graduate joins the register with less than 6 months to the end of the professional cycle. This change relates specifically to new graduates joining in the last 6 months of the 2 year professional cycle.

Under the current process, new graduate registrants are still asked to pay the scrutiny fee (£63) plus one graduate year's registration fee (£45), if a signed direct debit is provided with the application, or two graduate years registration fees upfront (£90). This means the registration fee they pay are towards the first year, or both years of the upcoming professional cycle. The rationale for this historic approach has not been documented but is thought to be associated with the minimising the payment processing for new applicants.

The registration transformation project team has been working with our external new system supplier and have identified that to replicate this early payment into a future cycle, and to automate the process in the new system, will cost a further £87,000 plus a further 6 weeks delay to the project. A manual workaround was considered where intervention to the first renewal invoicing is required to manage this type of application together with other exceptions. However this was considered to present an unacceptable risk of error.

The project board agreed that in order to significantly reduce the risk of introducing errors resulting from the manual approach, a change in the business process was proposed. The new process would mean the HCPC only charging those new UK graduates who are entitled to a free period in year 2 of the profession cycle a £63 scrutiny fee with no registration fee. These new registrants will be invited to renew 3 months before the start of the next professional cycle and their registration fee payment will be collected as part of the renewal process.

As the decision to waive the fees with the condition that new registrant pays one or two years upfront was originally made by the Council, the Council is invited to approve this change in how the fee rules are being applied.

Benefit of the change

An analysis to the proposed business change was conducted by the Business Improvement Team Lean Six Sigma Consultant who identified the following benefits:

- Simplifies orders/invoices and provides a more transparent view for applicants.
- Aligns all registrant fee payments with already designed automated renewal invoices.
- Eliminates the need for manual intervention of orders/invoices at renewal.

- Significantly decreases the need for manual intervention of direct debit collection dates manipulation.
- Eliminates the need for refunds of future year's fees if this type of registrant deregisters/does not renew.
- New development of online application forms will only need to factor invoicing for applications as renewals will be automated.

The change will also be beneficial to the new graduate registrants as they have less to pay up front at the point of joining the register in a free period.

Risk associated

While this is a positive change for the registrants, the change does pose some risks.

New applicants who join the register just before the renewal window may have to pay a scrutiny fee and registration fee separately within a short period of time. Guidance on applying via the UK application route will be updated to explain this.

Registration advisors will need to manually amend initial templates for fees order creation at the point of processing of applications, which is covered in system training and monitored by the registration process managers.

We will continue to monitor these types of risks.

Future phases of the registration project and the regulatory reform could provide opportunities for the HCPC to review the current fee collection processes in the medium term.

Impact on cash flow

To understand the cash flow impact, a review of the proposed process identified a negative cash flow of £12,060 per month for the first 5 months which then stabilises to be a permanent delay to cash inflow of £60,300.

For simplicity, the current financial forecasting (F1F9) model already assumes that these type of new UK graduates pay only £63 scrutiny fee and no registration fee. This means that there is no impact to the cashflow that Council considered as part of the financial strategy/reserves policy discussion.

An improved financial forecast model is currently being developed to ensure accurate reflection of the actual processes. The improved financial forecast model will need to be adjusted for the revised process.