
Finance Report – March 2023

Executive Summary

The finance report on the agenda summarises HCPC’s financial performance over 2022-23. The figures are subject to audit review and some potential further year-end adjustments, but show that HCPC ended the year with a relatively modest deficit of £169k (0.4% of income). This represents an improvement on the larger deficit assumed in the budget at the start of the year, and reflects a number of factors, including higher volumes of registration applications, progress on efficiency, and some underspends resulting from constraints on the rate at which we have been able to carry out recruitment and project delivery. There have also been additional Fitness to Practise legal costs to enable our transition to the new frontloading approach that will deliver downstream efficiencies and improvements. Over the year we invested £690k in further improvement to our operational systems, in enabling hybrid working and in other infrastructure. We ended the year with reserves of £1.3m after making provision for future liabilities. Although there has been good progress in strengthening our financial management and reducing the deficit, our reserves remain well below prudential levels, which underlines our continuing need for a fee rise.

Previous consideration [Previous finance report](#) provided to Council in March 2022.

Decision The Committee is asked to note the report.

Next steps Finalising the income figures following on-going reconciliation reviews. Apr-23 YTD actuals will be combined with May-23 YTD finance report to account for year-end and external audit taking place

Strategic priority Financial sustainability.

Financial and resource implications The implications are set out in the report.

EDI impact No direct implications.

Author Alan Keshtmand, Head of Finance
Alan.keshtmand@hcpc-uk.org
Ife Ojo, Senior Finance Business Partner
Ife.ojo@hcpc-uk.org

Sponsor
Alastair Bridges, Executive Director of Resources and Business
Performance
Alastair.bridges@hcpc-uk.org

FINANCE REPORT, MARCH 2023 (Full Year)

1. Headlines

- We are reporting an overall full-year deficit of (£169k) for 2022-23. The reported position is close to the full-year deficit forecast of (£195k) as per the February finance report with a slight favourable variance of £26k. This is attributable to additional income from international applications (c400 additional international applications compared to forecast) with lower exceptional costs (mostly lower HEE associated costs and provisions), which are partially offset by higher operating expenditure (higher FtP legal costs from external legal providers).
- The reported full-year deficit of (£169k) compares to the original budget deficit of (£798k), with the improvement arising from a combination of the in-year movements summarised below and described in previous reports, and the year-end adjustments set out below.
- The reported position is subject to change as part of the ongoing year-end close process, particularly around income reconciliations, bad debts provision and potential external audit adjustments.

2. Income & Expenditure

Figure 1.0: Income & Expenditure – Summary by Category

	Full Year Actuals	Full Year Budget	Variance
	£'000	£'000	£'000
Registration Income	36,823	32,468	4,355
Grant Income	537	546	(9)
Other Income	259	177	82
Total Income	37,619	33,191	4,428
Pay Costs	14,821	15,061	240
Non-Pay Costs	19,276	17,204	(2,072)
Depreciation	1,140	1,027	(113)
Total Operating Expenditure	35,237	33,292	(1,945)
Corporation Tax	32	0	(32)
Turnaround Costs	328	147	(181)
HEE Funding Associated Costs	137	271	134
Contingency Costs	2,040	279	(1,761)
HCPTS Relocation Project	14	0	(14)
Total Expenditure	37,788	33,989	(3,799)
Total Surplus/(Deficit)	(169)	(798)	629

Note. For a breakdown on Contingency Costs versus Budget and Movements against the Forecast, please refer to 'Appendix A – Actual Year-end Contingency' and 'Appendix B – Actuals vs Forecast Movements'.

Table 1.2: Registration Income by Category

	Full Year Actuals	Full Year Forecast	Variance (Actuals vs Forecast)	Full Year Budget	Variance (Actuals vs Budget)
	£'000	£'000	£'000	£'000	£'000
Renewal & Graduate Reg Fees	27,615	27,549	66	27,614	1
International Scrutiny Fees	7,925	7,765	160	3,776	4,149
UK Scrutiny Fees	1,059	1,045	14	895	164
Readmission Fees	224	227	(3)	183	41
Total Registration Income	36,823	36,586	237	32,468	4,355

Income

- Actuals vs Forecast - Total registration income for the year is £36.8m versus the full-year forecast reported in the February finance report of £36.6m, giving us a favourable variance of £237k. As Table 1.2 outlines, this is mainly due to the volume of international applications exceeding expectations.
- Actual vs Budget - The actual outturn for total registration income of £36.8m compared to the original budget of £32.5m shows a significant favourable variance of c£4.4m. This increase is largely due to an additional c6,900 international applications that brings the overall number of applications for 2022-23 to c14,900. This is a significant increase against the original budgeted assumption of 8,000 international applications for the financial year.

Expenditure

- Total operating expenditure for 2022-23 is £35.2m versus budgeted expenditure of £33.3m, which is an adverse variance of (£1.9m). Table 1.3 outlines the departmental variances against the 2022-23 budget.

Table 1.3: Variance by Department

Department	Full Year Actuals vs Budget	Comment	Note
Registration	(1,624)	Adverse	(a)
Fitness to Practise	(832)	Adverse	(b)
Chief Executive	(695)	Adverse	(c)
Finance & Commercial	(156)	Adverse	(d)
Depreciation	(114)	Adverse	(e)
Facilities Management	528*	Favourable	(f)
Business Change	346	Favourable	(g)
Information Technology	163	Favourable	(h)
Partners	163	Favourable	(i)
Human Resources	117	Favourable	(j)
Policy & Standards	112	Favourable	(k)
Professionalism & Upstream Regulation	80	Favourable	(l)
Other Departments	(33)	Adverse	-
Total Operating Expenditure	(1,945)		

- a) **Registration: (£1,624k)** adverse variance with 80% of overspend against budget relating to international assessors' costs associated with the increase in international applications (total volumes reached 14,912 versus budgeted volumes of 8,000) for which the costs are covered as part of the scrutiny fees. Another £300k relates to the additional costs of 11 fixed term contractors and PwC surge costs to provide operational support in managing the increase and backlog of international applications.
- b) **Fitness to Practise: (£832k)** adverse variance relates to £1.4m of additional legal costs for transfer of 172 cases between legal providers and the corresponding "on instruction" costs. This is partly offset by a £600k underspend for payroll related costs with 35 vacancies being only partially filled in 2022-23.
- c) **Chief Executive: (£695k)** adverse variance relates to the budgeted 5% vacancy factor sitting within the Chief Executive area, whilst actuals for any phasing of unfilled vacancies were devolved to individual departments, i.e. any payroll savings as a result of unfilled vacancies for the organisation were captured for the specific departments they related to and not against the Chief Executive department.
- d) **Finance & Commercial: (£155k)** adverse variance mainly due to additional bank charges associated with the increase in international applications and the remaining amounts relating to higher external audit costs than initially budgeted.
- e) **Depreciation: (£144k)** adverse variance due to additional depreciation charges relating to the 'Education 2020 transformation' and 'CMS Phase 1' projects that went live March 2022.
- f) **Facilities Management: £528k** favourable variance comprising of:
 - a. £270k of underspend for professional fees relating to Estates Rationalisation including building maintenance fees (£130k) and further savings related to office equipment and office services spend (£140k).
 - b. £258k of underspend mainly as a result of savings associated with exiting the lease for 33 Stannary Street as of 31st March 2023, particularly around the dilapidations provision that was significantly higher than the actual dilapidations expenditure incurred and, therefore, has been an upside for the year-end position.
- g) **Business Change: £346k** underspend resulting from unfilled vacancies versus budget assumptions, which were for 3 Project Manager roles, Business Application Manager and Test Manager positions.
- h) **Information Technology: £163k** underspend resulting from unfilled vacancies versus budget assumptions, which were for a Senior Service Support Analyst and Data Engineer (£123k). The remaining amounts relate to the reclassification of OpEx to CapEx, particularly around software tools, such as desk booking software (£40k).
- i) **Partners: £163k** underspend mainly due to underspend in induction and refresher training related to Fitness to Practise and Registration departments.
- j) **Human Resources: £117k** underspend due to lower staff recruitment fees (c£67k) and reduced professional fees in relation to the employee assistance program, HR legal advice and CoreHR (resource management system) managed services (c£50k).
- k) **Policy & Standards: £112k** of underspend largely due to transfer of payroll costs for the former Head of Department to exceptional costs and also research underspend for the University of Plymouth ('Registrants Preparedness for Practise Research').
- l) **Professionalism & Upstream Regulation: £80k** of underspend resulting from unfilled vacancies for most of the financial year for 2 Professional Liaison Consultant positions.

3. Staffing numbers

The latest position as at 31st March 2023 is set out in Figures 3.1 and 3.2 below.

Figure 3.1: Full Time Equivalent (FTE) Staff Numbers – Actuals vs Budget/Forecast

Department	Actuals	Budget	Actuals vs Budget	Forecast	Actuals vs Forecast
Business Change	11	13	(2)	11	0
Chief Executive	6	7	(1)	7	(1)
Communications	6	6	0	6	0
Education	12	12	0	12	0
Finance	12	13	(1)	15	(3)
Fitness to Practise	133	135	(2)	133	0
Governance	9	11	(2)	11	(2)
Human Resources	10	10	0	10	0
Insight, Intelligence & Analytics	4	2	2	3	1
Information Technology	18	15	3	16	2
Facilities Management	8	9	(1)	9	(1)
Partners	2	2	0	2	0
Policy & Standards	10	9	1	9	1
Professionalism & Upstream Regulation	6	6	0	6	0
Registration	76	68	8	79	(3)
Total FTEs	323	318	5	329	(6)

Note. Full time equivalent of 323 represents 327 of headcount as per HR KPI Reports.

Figure 3.2: Full Time Equivalent (FTE) Staff Numbers – Actuals Breakdown

Department	Permanent	FTC/Agency	Total
Business Change	10	1	11
Chief Executive	5	1	6
Communications	4	2	6
Education	10	2	12
Finance	10	2	12
Fitness to Practise	111	22	133
Governance	9	0	9
Human Resources	9	1	10
Insight, Intelligence & Analytics	3	1	4
Information Technology	15	3	18
Facilities Management	8	0	8
Partners	2	0	2
Policy & Standards	6	4	10
Professionalism & Upstream Regulation	4	2	6
Registration	57	19	76
Total FTEs	263	61	323

Note. FTC – Fixed Term Contractor

4. Balance Sheet and Reserves

Figure 4.0: Balance Sheet as at 31-Mar-23

	Mar-23 Actuals	2022-23 Forecast	2022-23 Budget
	£'000	£'000	£'000
Total Fixed Assets	9,756	9,941	11,162
Current Assets			
Other Current Assets	6,277	11,856	1,761
Cash & Cash Equivalents	14,416	10,857	6,088
Total Current Assets	20,693	22,712	7,849
Total Assets	30,494	32,653	19,011
Current Liabilities			
Current Liabilities	5,702	2,651	1,769
Deferred Income	23,530	28,532	16,552
Total Current Liabilities	29,232	31,183	18,321
Liabilities > 1 Year	142	142	0
Total Liabilities	29,374	31,325	18,321
NET ASSETS	1,120	1,328	690
General Fund b/f	1,040	1,040	818
Revaluation Reserve (Land & Buildings)	249	483	670
*Operating Surplus/(Deficit)	(169)	(195)	(798)
GENERAL FUND c/f	1,120	1,328	690

- The opening reserves balance as at 1st April 2022 was £1.04m. As at 31st March 2023, our reserves closing balance was £1.1m.
- HCPC's reserves policy is to hold positive net assets, less intangible assets, which would require us to have reserves of around £9m.
- The cash balance as at 31st March 2023 was £14.4m. The cash management policy is to maintain positive balances in all accounts. **Note.** We do not budget to be in breach of this policy at any point during the financial year.
- Deferred Income is subject to change as detailed reconciliation exercises are still ongoing.

5. Capital Expenditure

- Total capital expenditure for 2022-23 is £691k against a forecast of £745k (93% of forecasted spend). More than half of actual spend relates to FtP CMS Product Development (£242k) and Microsoft Dynamics Business Central Re-implementation (£164k).
- Hybrid Working and Data Excellence underspend relates to the timing of project costs, which have now been deferred to 2023-24.
- Microsoft Dynamics Business Central Re-implementation overspend relates to a catch-up of costs related to 2021-22.

Figure 5.0: Capital Spend

		Full Year	Full Year	Full Year
		Actual	Feb-23 Forecast	Budget
Non-Projects	Description	£	£	£
Information Technology	Includes infrastructure, software licences and IT equipment costs.	95,567	109,280	107,000
Office Equipment	Furniture and fixtures (including cost of furniture that is treated as single unit, such as a group of desks)	5,265	5,265	0
Total Non-Project Costs		100,832	114,545	107,000
Major Projects	Description	£	£	£
Business Central	Microsoft Dynamics Business Central Re-implementation (Finance System)	164,447	127,536	300,000
Education Dynamic 365	Annual development of the Education system	1,187	1,187	40,000
Hybrid Working	Purchase of equipment to enable and implement hybrid working in the organisation	71,431	140,790	270,000
Data Excellence	Build a new data platform	0	20,000	120,000
Online Experience	Enhance the registration system to improve the registrant's online experience	0	0	60,000
FtP CMS Product Development	New Case Management System Product Development - Phase 2	242,686	233,159	230,516
Landline Mobility	Implement the landline system in the cloud	27,920	27,920	0
Online Applications	Registration system Product Development - Phase 3	82,073	80,185	315,345
Major Projects Costs		589,743	630,777	1,335,861
Total Capital Spend		690,575	745,322	1,442,861
HCPTS Relocation Project		29,469	22,353	0

6. Overtime

Regular monthly reports are produced to ensure that costs are monitored and controlled with senior management overview. Additional systems controls have been implemented to transfer final approvals for booked overtime to Head of Department level (previously at line manager level).

APPENDICES

Appendix A – Actual Year-end Contingency

Description	Actual (£'000)	Budget (£'000)	Variance (£'000)	Notes
FtP Support (achieve PSA Target)	0	279	(279)	To mitigate operational risks and to ear-mark funds to support FtP drive to achieve PSA targets.
NMC Partners Case	1,288	0	1,288	Partners Workers Status
33 Stannary Street – Lease Surrender	677	0	677	Settlement figure of £780k already included dilapidation element which had also been included within the operational forecast for Facilities Management.
Consultancy Fees	75	0	75	PwC review of the HCPC Partners Operating Model
Total	2,040	279	1,761	

Note.

There are additional costs related to Regulatory Reform, which have not been included due to uncertainty around the timing of when work will begin. The 2023/24 Budget has referenced an estimated risk of £600k, which is subject to change depending on developments.

Appendix B – Actuals vs Forecast Movements

Description	Department	Category	£'000
Forecast Surplus/(Deficit)			(195)
International Scrutiny Fees	Income	Income	161
Renewals, UK Scrutiny & Graduates income	Income	Income	79
Other Income	Income	Income	6
Legal costs - Transfer of Cases	Fitness to Practise	Operating Expenditure	(930)
International Assessors' Costs (International Income)	Registration	Operating Expenditure	(99)
Dilapidations, Utilities and Building Maintenance	Facilities Management	Operating Expenditure	133
General Computer Spend and Support & Maintenance	IT Department	Operating Expenditure	114
OpEx to CapEx Reclassification (Business Central Reimplementation)	Major Projects	Operating Expenditure	85
Small Projects and Maintenance	Business Change	Operating Expenditure	57
Research Project - 'Registrants Preparedness for Practise Research'	Policy & Standards	Operating Expenditure	55
Regulatory Reform - Legal Advice	Governance	Operating Expenditure	42
FtP and Education - Training Costs	Partners	Operating Expenditure	38
Others Departments	Various Departments	Operating Expenditure	21
NMC, PwC and Stannary Street	Contingency	Exceptional Expenditure	190
HEE Funding Association Costs	Exceptional Costs	Exceptional Expenditure	135
Other exceptional expenditure	Exceptional Costs	Exceptional Expenditure	(61)
Mar-23 YTD Actual Surplus/(Deficit)			(169)

Note. The Apr-23 (period 1) actuals will be combined with the May-23 YTD Finance Report to account for the current transitional period with year-end close and external audit taking place.