

Finance Report - May 2024

Executive Summary

This report presents the financial position for the period ended 31 May 2024, with a commentary on the major variances, movements against budget, risks and opportunities. This is the first finance report of the financial year where a formal month-end close has been carried out since the go-live of the new finance system, Business Central, on 12 April 2024.

The layout and format of the finance report has changed from previous versions, incorporating greater visuals of financial performance, based on input from the Executive Leadership Team and other key individuals.

Actuals vs Budget

	Actuals May-24 YTD	Budget May-24 YTD	Variance
	£m	£m	£m
Total Income	6.7	6.4	0.3
Total Expenditure	(6.3)	(6.5)	0.1
Surplus/(Deficit)	0.3	(0.1)	0.4

Our financial results show an improved position to the budget for May 2024 year to date (YTD). We are reporting a surplus of £340k compared to the budget deficit of (£84k), which is a favourable variance of £424k.

This is mainly the result of:

- Additional net income from international applications (actual volume of 1,507 compared to budget of 973).
- Lower expenditure for our Fitness to Practise (FTP) directorate, which is largely due to fewer legal instructions to our external legal providers. **Note.** The number of incoming FTP referrals remain at higher levels, which suggests this is related to the timing of legal costs rather than bankable savings.

Full Time Equivalents (FTEs)

	Actuals May-24 YTD	Budget May-24 YTD	Variance
Total FTEs	330	332	2

Total FTEs as at 31 May 2024 were 330, which is roughly in line with the budget FTE figure of 332. This includes 16 FTEs of agency staff, with the majority sitting within Fitness to Practise (13 FTEs).

Reserves Position

Our reserves policy requires us to hold positive realisable net assets (calculated by taking our total reserves less the total value of our intangible assets, which are mostly software systems). We are within policy as at 31 May 2024 with positive realisable net assets of £484k.

Major Projects

Total investment budget of £915k, including projects for FTP improvements, Partner transformation, Data and reporting enhancements and Business Central phase 2.

Previous consideration	Previous finance report (for March 2024 YTD) provided to Council in May 2024.
Decision	The Council is asked to note the report.
Next steps	Carry out Q1 financial review and commence the first forecast exercise of the financial year for July reporting.
Strategic priority	Build a resilient, healthy, capable and sustainable organisation
Financial and resource implications	The implications are set out in the report.
EDI impact and Welsh Language Standards	No direct implications.
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May 2024 Finance Report

COUNCIL

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Executive Summary

Key Headlines

	May 2024 Year to Date (YTD)			Full Year Budget
	Actuals	Budget	Variance	
	£'000	£'000	£'000	
Total Income	6,683	6,418	265	40,439
Total Expenditure	6,343	6,502	159	40,253
Surplus/(Deficit)	340	(84)	424	186

- Surplus for the year to date is **£340k** compared to the budget deficit of **(£84k)**.
- International application volumes totalled 1,507 compared to the budget of 973 for May 2024 year-to-date (YTD), which is an additional 534 applications (nearly 55% higher than budget).
- Budget assumption of 6,000 international applications for 2024-25 was based on the drop in applications compared to the first half of the financial year for 2023-24, averaging less than 600 applications per month from September 2023 onwards. Prudent assumptions were made on income and costs to minimise the risk of further running down our reserves (currently within reserves policy as at 31 May 2024 with positive realisable net assets of £484k).
- We will look to reassess international application volumes and conduct deep-dive reviews of financial data as part of the first forecast of the financial year in July.
- There are several short and long-term risks that we are managing throughout the year, including the need to build up our reserves, Partners target operating model and reducing our reliance on agency staff.

Summary Figures – May 2024 YTD

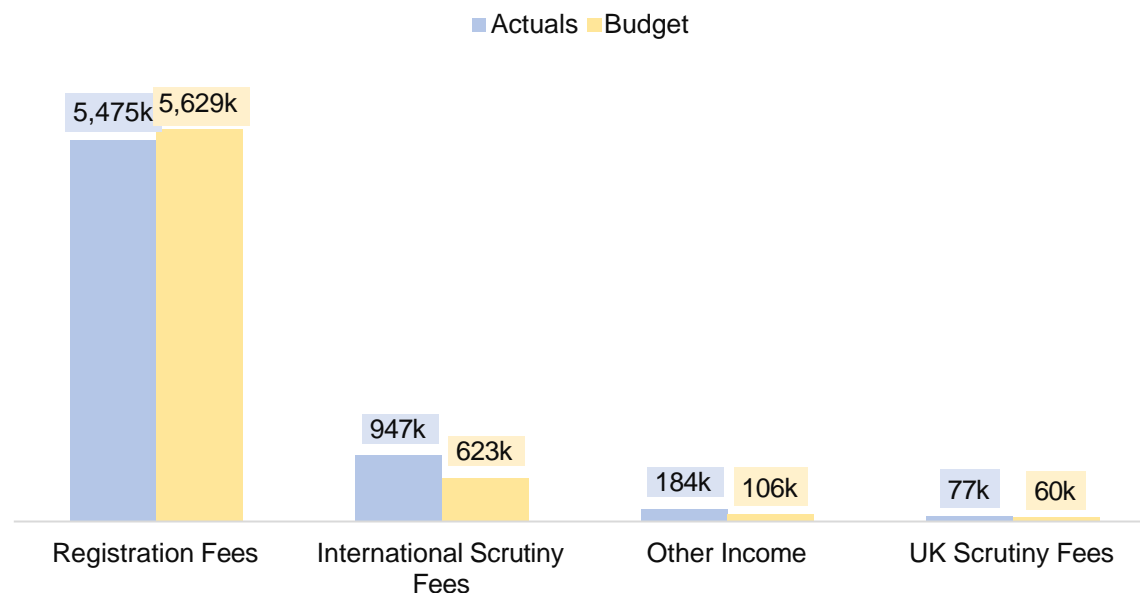
	Actuals	Budget	Variance
	£'000	£'000	£'000
Registration Income	6,499	6,312	187
Other Income	184	106	78
Total Income	6,683	6,418	265
Payroll Costs	2,561	2,693	132
Other Staff Costs	353	215	(138)
Non-Payroll Costs	3,382	3,538	156
Total Operating Expenditure	6,296	6,446	150
Exceptional Costs	47	56	9
Total Expenditure	6,343	6,502	159
Total Surplus/(Deficit)	340	(84)	424

Note. 'Other Staff Costs' includes Temporary Staff, Training, Recruitment Fees and Other Employee Costs e.g. Pension Administration Costs.

The total surplus for May 2024 YTD of **£340k** is £424k favourable compared to the budgeted deficit of **(£84k)**.

- **Registration Income: £187k** favourable mainly due to an increase in international scrutiny fees income of £324k. This is partially offset by a decrease in registration fees income.
- **Other Income: £78k** favourable variance is driven by an increase in bank interest received, which is due to a higher principal amount held in the savings account.
- **Payroll Costs: £132k** underspend related to unfilled vacant posts.
- **Other Staff Costs: £138k** adverse mainly due to increased temporary staff costs in FTP (budget assumed temporary staff would not be required from May 2024 onwards).
- **Non-Payroll Costs: £156k** favourable mainly due to £97k underspend in FTP legal and partner costs (fewer legal instructions compared to budget), timing of costs for policy research of £25k and operational project spend of £30k.

Total Income – May 2024 YTD



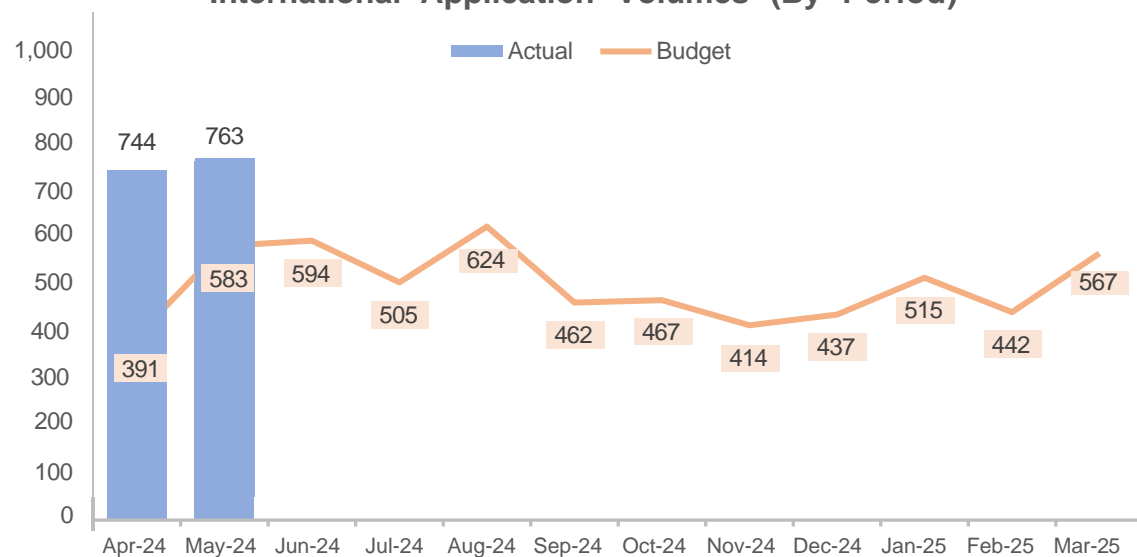
	May 2024 YTD			2024-25
	Actuals	Budget	Variance	Full Year Budget
	£'000	£'000	£'000	£'000
Registration Fees	5,475	5,629	(154)	34,713
International Scrutiny Fees	947	623	324	3,840
Other Income	184	106	78	635
UK Scrutiny Fees	77	60	17	1,251
Total Income	6,683	6,418	265	40,439

Total Income for May 2024 YTD was around £6.7m compared to the budget of around £6.4m, which is a £265k favourable variance.

- **Registration Fees: £154k** adverse due to timing of registrants renewing for May 2024 YTD compared to budget assumptions (less than 3% variance). **Note.** Registrant numbers are still higher when compared on a year-on-year basis and we are expecting additional renewals throughout the year.
- **International Scrutiny Fees: £324k** favourable due to higher application volumes (1,507) compared to budget (973).
- **Other Income: £78k** favourable variance is driven by an increase in bank interest received due to higher principal amount held in the savings account.
- **UK Scrutiny Fees: £17k** favourable variance due to an increase in UK applications (actuals of 944 compared to

International Income – May 2024 YTD

International Application Volumes (By Period)

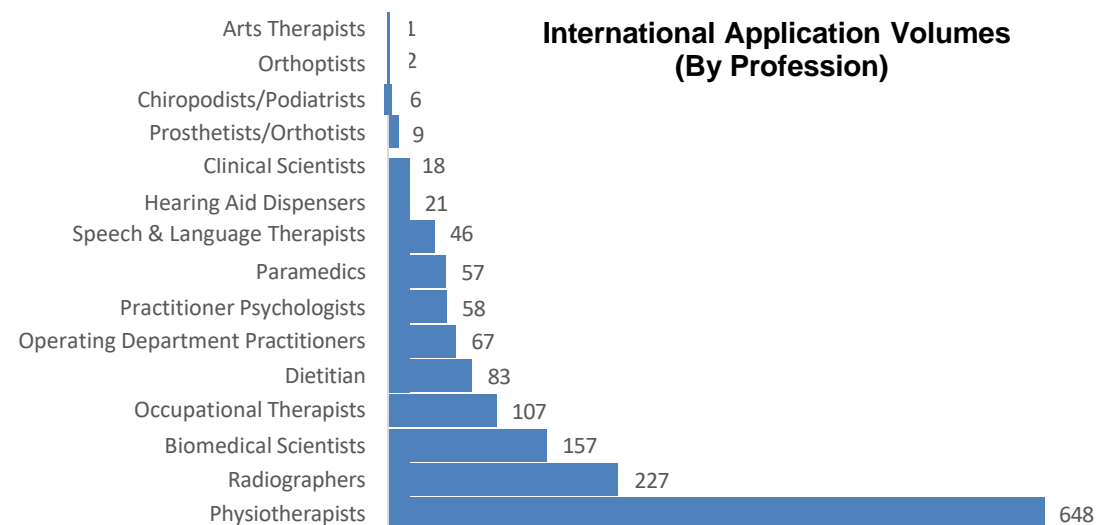


Note. Budget profile based on 2023–24 actuals (average of 500 applications per month).

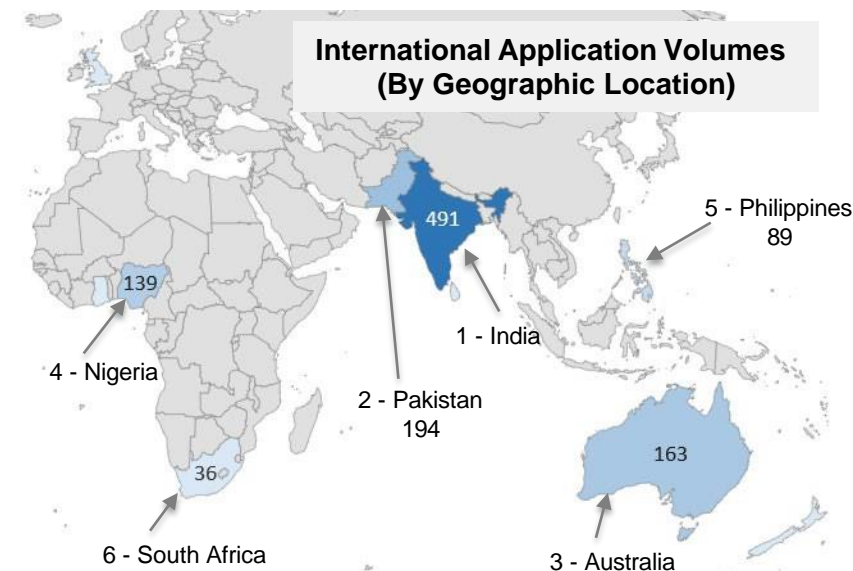
- **May 2024 Period Only:** Actual number of international applications of 763 was 180 higher than the budget of 583.
- **May 2024 YTD:** Actual number of international applications of 1,507 was 534 higher than budget of 973, which is a favourable variance of £324k.
- **Full Year Projection:** If the current run rate of 754 applications per month continues, we could see a 51% increase in applications for the financial year, taking us from 6,000 applications assumed in the budget, to 9,000 applications.

Financial vs Operational Reporting: There will be a slight difference in the reported volumes of international applications, related to recognising applications based on received payments (financial) versus the number of applications processed (operational).

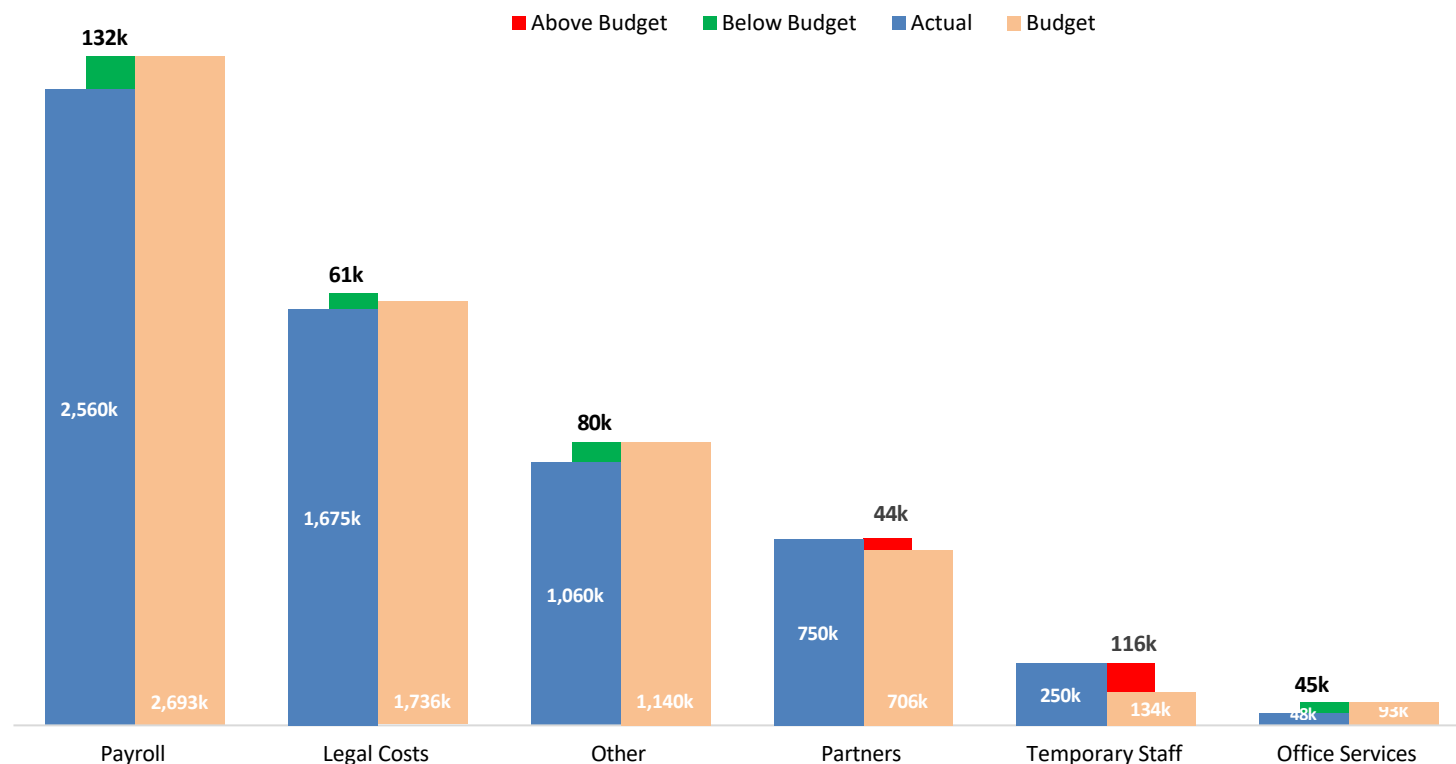
International Application Volumes (By Profession)



International Application Volumes (By Geographic Location)

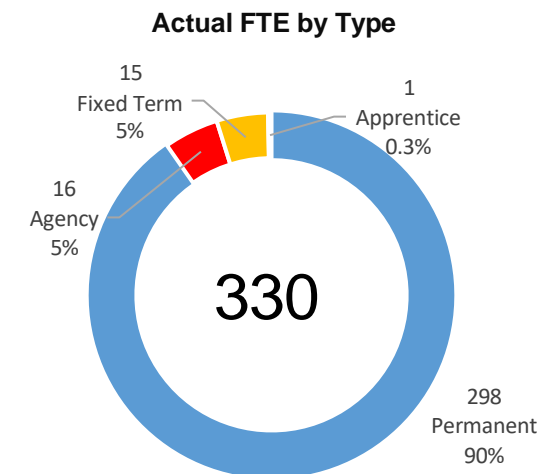


Key Variances by Category – May 2024 YTD



- **Payroll:** Underspend of **£132k** due to unfilled vacant posts.
- **Legal Costs:** Underspend of **£61k** mainly due to fewer legal instructions compared to budget, which is likely to be the timing of costs rather than actual bankable savings, as the number of incoming FTP referrals remains at higher levels.
- **Partners:** Overbudget by **£44k** due to an increase of **£85k** in international assessors' fees, associated with higher volumes of international applications, partially offset by a decrease in FTP partner costs of **£33k**.
- **Temporary Staff:** Overbudget by **£116k**, mostly related to an increase in FTP temporary staff compared to budget.
- **Office Services:** Underspend of **£45k** due to timing of general insurance, room hire and health and safety costs.
- **Other Costs:** Please refer to 'Appendix 3 – Expenditure May 2024 YTD (by Category)' for a full breakdown.

Employee FTEs as at 31 May 2024



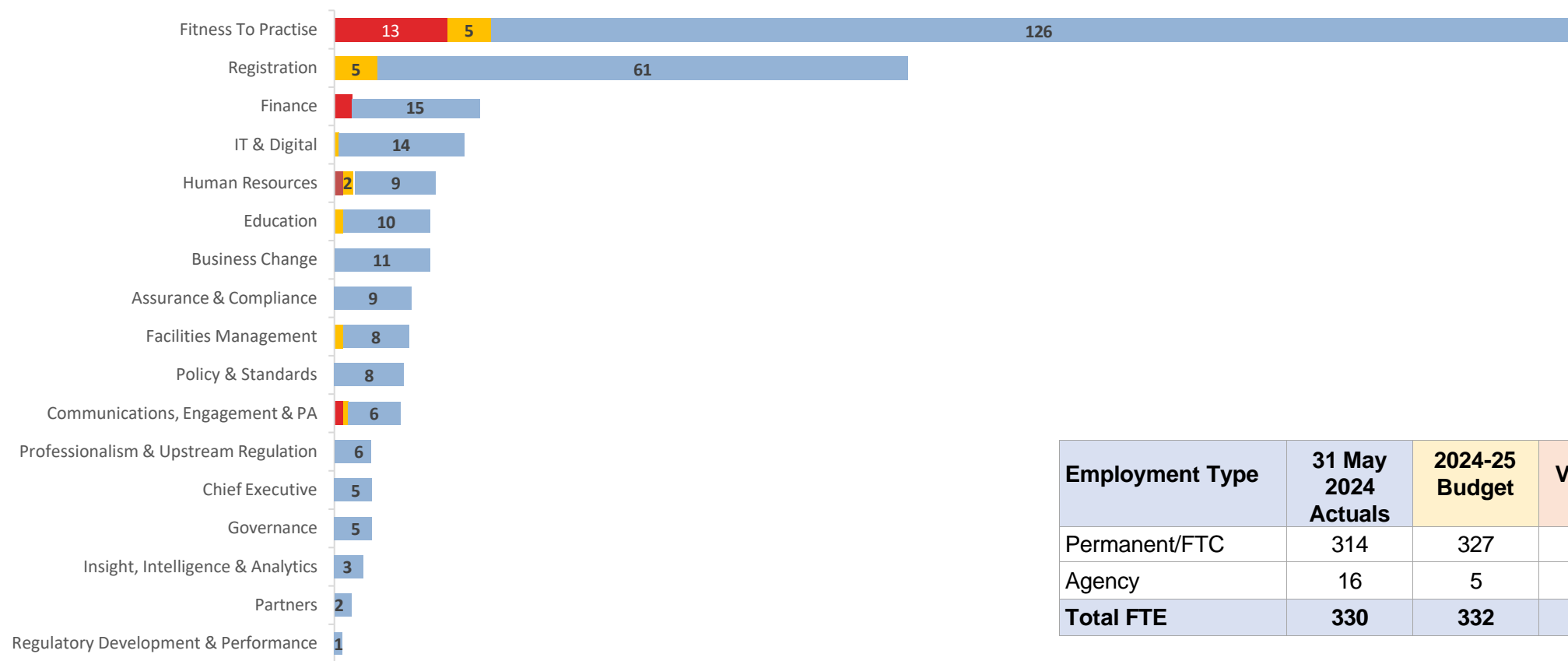
FTP - Fitness To Practise, REG - Registration, FIN - Finance, ITD - IT & Digital, HUM - Human Resources, BUC - Business Change, EDU - Education, ASC - Assurance & Compliance, FAC - Facilities Management, POL - Policy & Standards, COM - Communications, Engagement & PA, PUR - Professionalism & Upstream Regulation, CEX - Chief Executive, SEC - Governance, IIA - Insight, Intelligence & Analytics, PAR - Partners, RDP - Regulatory Development & Performance

- **Registration (REG):** Additional two FTEs, as a temporary measure, until we transition to the new operating model.
- **Assurance & Compliance (ASC) and Governance (SEC):** Internal transfer of resources from Governance to Assurance and Compliance.
- **Facilities Management (FAC):** Additional one FTE related to temporary increase in Senior Facilities Officers' working hours.

Employee FTEs as at 31 May 2024

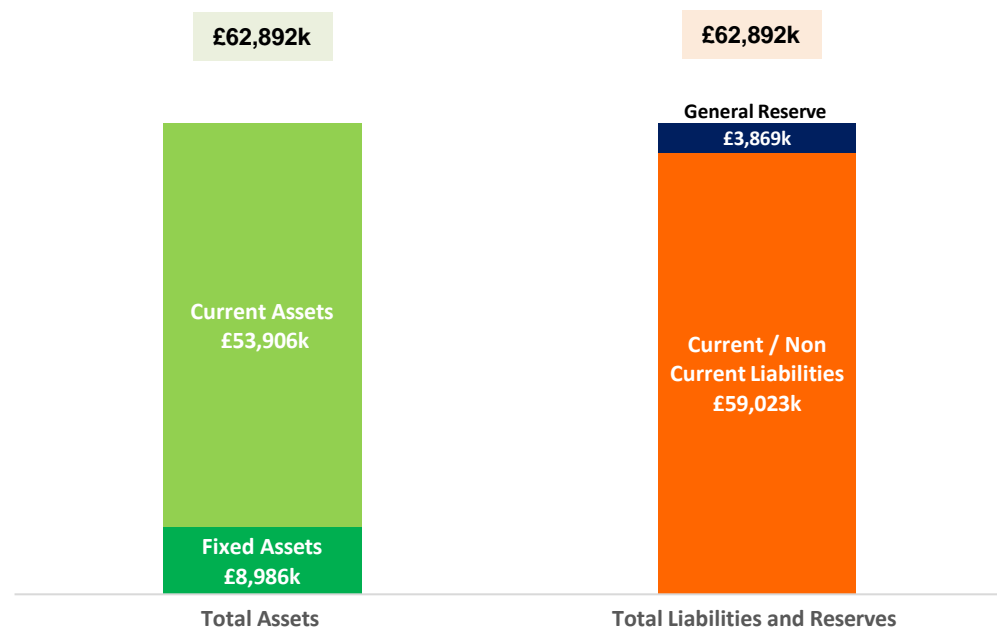
Actual FTE by Employment Type

■ Agency ■ Apprentice ■ Fixed Term ■ Permanent



Employment Type	31 May 2024 Actuals	2024-25 Budget	Variance
Permanent/FTC	314	327	13
Agency	16	5	(11)
Total FTE	330	332	2

Balance Sheet and Reserves as at 31 May 2024



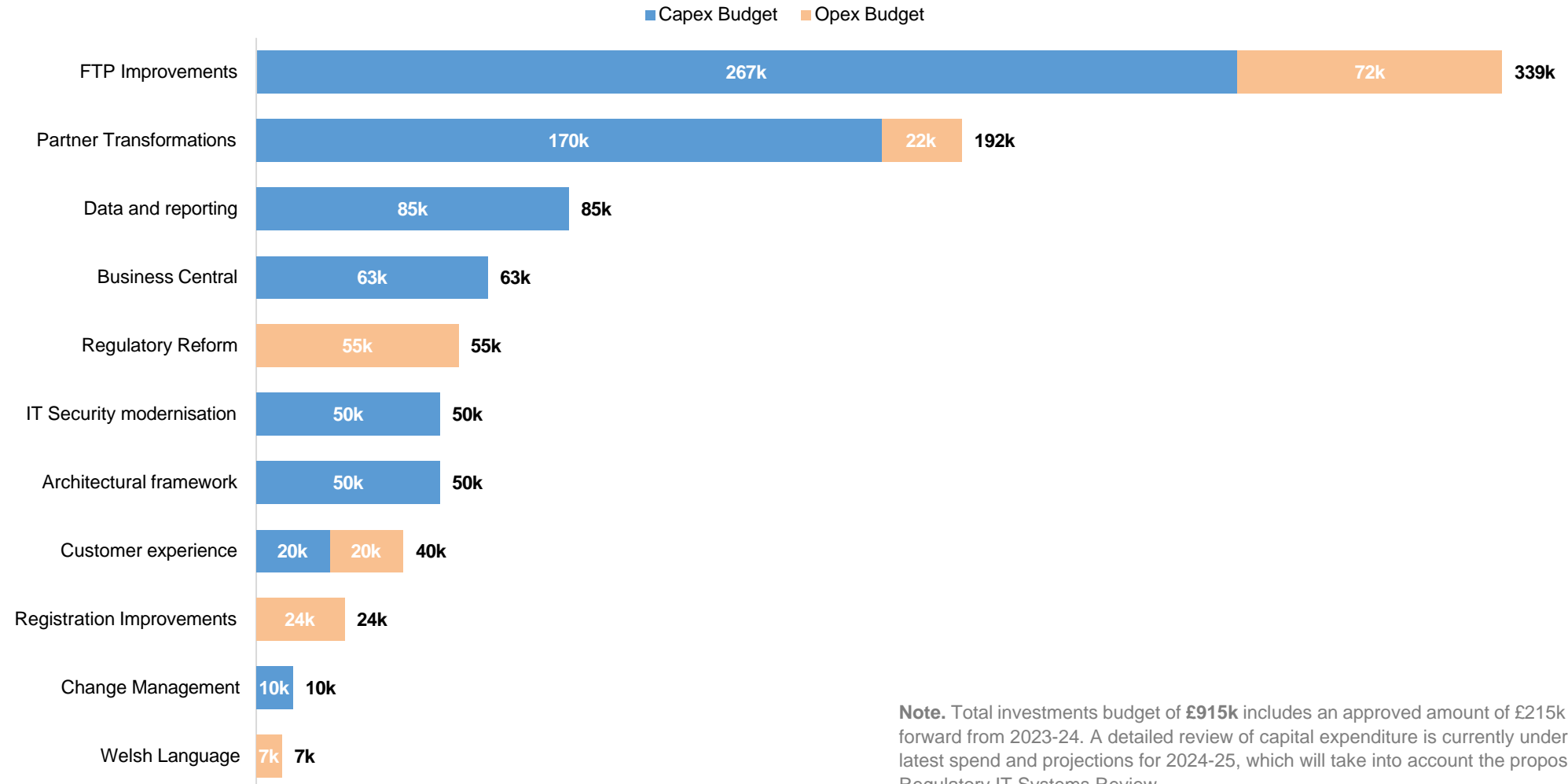
- **Current Assets:** mainly comprise 'cash and cash equivalents' of around £30m and 'account receivables' of around £24m.
- **Liabilities:** mostly relate to 'deferred income' of approximately £54m as a result of registrants paying their fees in advance.
- **General Reserves (or Net Assets):** were approximately £3.9m. **Note.** Subject to change with potential year-end adjustments from the 2023-24 external audit.
- **Realisable Net Assets:** were approximately £0.5m, calculated by taking our reserves position of approximately £3.9m less our 'intangible assets' of approximately £3.4m. This represents less than one week of our total operating expenditure of approximately £6.3m. **Note.** The HCPC's reserves policy requires us to hold positive Realisable Net Assets
- To view the full Balance Sheet Statement, please refer to 'Appendix 4 – Balance Sheet'.

	31-May 2024 Actuals	31-Mar 2025 Budget	Variance
	£'000	£'000	£'000
Opening Reserves	3,713	2,903	810
Revaluation Reserve (Land and Buildings)	(184)	382	(566)
Surplus/(Deficit)	340	186	154
General Reserves	3,869	3,471	398

Realisable Net Assets	484	118	366
Expenditure (May-24 YTD)	6,343	6,502	159

Operating Reserves (Realisable Net Assets): are essentially the accumulation of surpluses without restrictions that are liquid (as opposed to invested in fixed assets). Having adequate reserves increases our ability to absorb or respond to temporary changes, such as the unanticipated event of significant unbudgeted increases in expenditure and/or losses in income.

Major Projects 2024-25 Budgeted Spend



Note. Total investments budget of **£915k** includes an approved amount of £215k brought forward from 2023-24. A detailed review of capital expenditure is currently underway to capture latest spend and projections for 2024-25, which will take into account the proposals around the Regulatory IT Systems Review.

Risks and Opportunities

Risks

Low	Medium	High
Regulatory Reform: Project resource costs upon initiation (£1.3m)	Legal Provisions: Cover historic costs and claims (£1.8m)	Temporary Staff Costs: Additional cover required for unfilled vacancies in Fitness to Practise directorate (£130k)
	Operating Reserves: Build-up of depleted reserves (£1m)	Data Storage Costs: Increase due to growing number of users (£40k)
	Partners Target Operating Model: Implement tighter financial controls and process improvements (£0.5m)	
	International Application Costs: Associated costs with projected increase in volumes are covered through international scrutiny fees (£ - TBC)	

Opportunities

Low	Medium	High
BAU Project Spend: Savings from conducting one research project instead of two (£ - TBC)	Software Licence Costs: Review of individual user requirements may reduce BAU costs (£ - TBC)	Income Fee Increase: Regular adjustments to fees to account for inflation and rising operational costs (£1m)
AI Regulation and Technology Adoption: Potential grant funding from Department for Science, Innovation and Technology (DSIT) of £10m for regulators (£ - TBC)	Legal Costs: Reduction in case to answer rate will mean fewer cases assigned to external legal providers (£ - TBC)	Investment Income: The HCPC holds significant cash balances, with the potential to earn additional interest income (£200k)
	Increase in International Income: Early indications show 51% projected increase (£1.9m)	

May 2024 Finance Report

APPENDICES

Appendix 1.1 – Income & Expenditure (By Department)

	May 2024 YTD			Full Year Budget	Full Year Actuals		
	Actuals	Budget	Variance			Budget	Actuals
	£'000	£'000	£'000			£'000	%
Registration Income	6,499	6,312	187	39,804	16%		
Other Income	184	106	78	635	29%		
Total Income	6,683	6,418	265	40,439	17%		
Fitness to Practise	3,063	3,108	45	19,206	16%		
Registrations	704	605	(99)	3,819	18%		
Facilities Management	250	284	34	1,566	16%		
Depreciation	192	184	(8)	1,044	18%		
Communications	135	158	23	1,018	13%		
Assurance and Compliance	95	85	(10)	512	19%		
Policy and Standards	86	119	33	711	12%		
Governance	76	101	25	605	13%		
Major Projects	2	33	31	200	1%		
Other	1,693	1,769	76	10,461	16%		
Total Operating Expenditure	6,296	6,446	150	39,142	16%		
Operating Surplus/(Deficit)	387	(28)	415	1,297	30%		
Transformation Costs	0	30	30	179	0%		
Contingency	0	0	0	773	0%		
Corporation Tax	47	26	(21)	159	30%		
Total Expenditure	6,343	6,502	159	40,253	16%		
Total Surplus/(Deficit)	340	(84)	424	186	183%		

Note. Departments with variances of £25k and above are highlighted in Appendix 1.1. For a breakdown of 'Other' departments, please refer to 'Appendix 1.2 – Income & Expenditure (Other Departments)'.

Appendix 1.2 – Income & Expenditure (Other Departments)

	May-24 YTD			Full Year	Full Year Budget
	Actuals	Budget	Variance	Budget	Actuals
	£'000	£'000	£'000	£'000	%
IT and Digital Transformation	557	571	14	3,427	16%
Chief Executive and Registrar	283	281	(2)	1,687	17%
Finance & Commercial	245	254	9	1,356	18%
Human Resources	208	212	4	1,297	16%
Business Change	122	137	15	823	15%
Education	104	112	8	625	17%
Professional and Upstream Regulation	59	63	4	392	15%
Chair, Council and Committees	35	43	8	249	14%
Data Insight and Analytics	34	39	5	253	13%
Partners	30	41	11	254	12%
Regulatory Development and Performance	16	16	0	98	16%
Total Operating Expenditure	1,693	1,769	76	10,461	16%

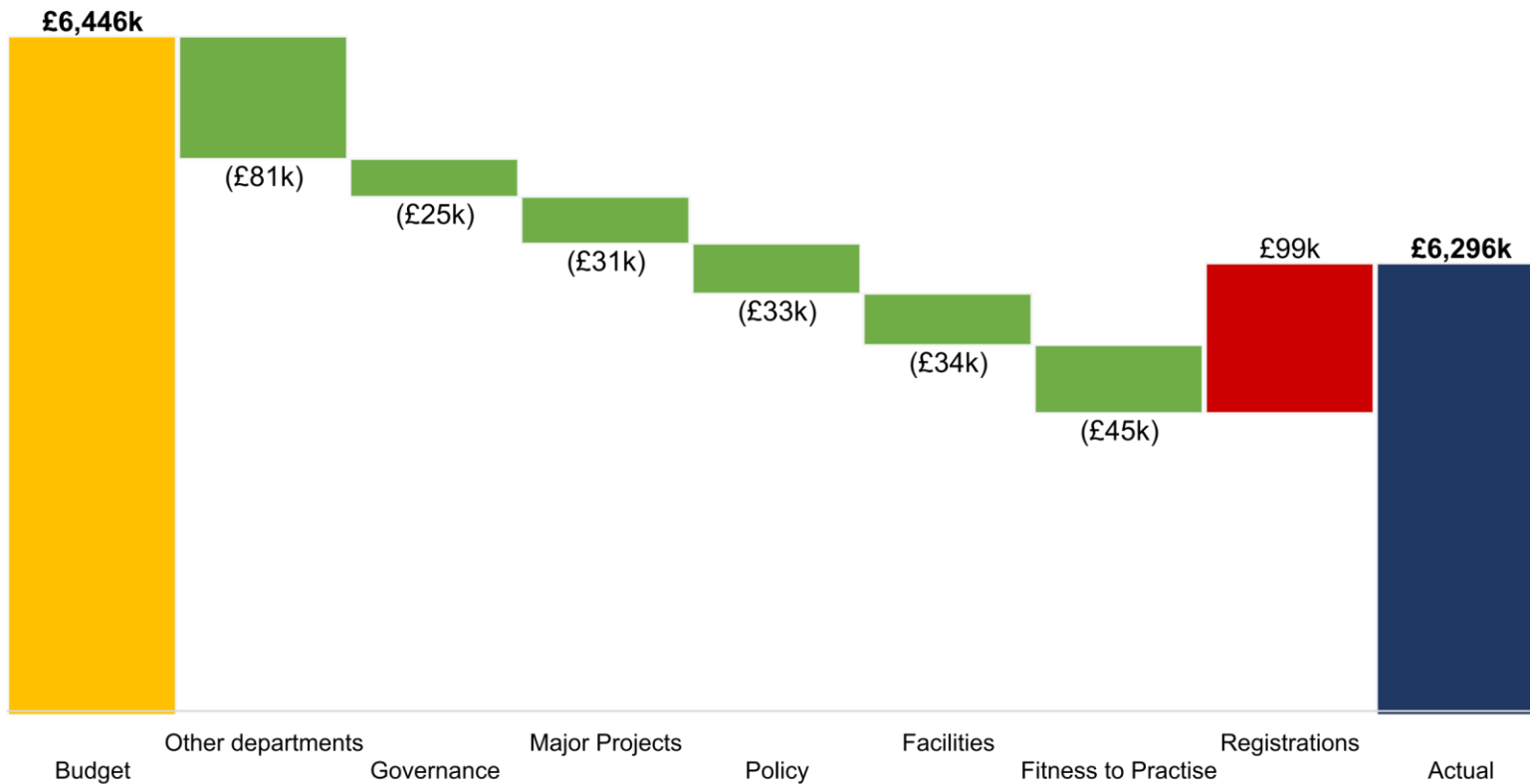
Note. Departments with variances of £25k and below are highlighted in Appendix 1.2.

Appendix 1.3 – Income and Expenditure (Prior Period)

	Actuals April 2024	Budget April 2024	Variance
	£'000	£'000	£'000
Registration Income	2,711	2,793	(82)
International Income	465	250	215
Other Income	90	53	37
Total Income	3,266	3,096	169
Fitness to Practise	1,584	1,529	(55)
Registrations	357	297	(60)
Human Resources	88	106	18
Governance	36	52	16
Other Departments	1,227	1,225	(2)
Total Expenditure	3,292	3,209	(82)
Surplus/(Deficit)	(26)	(113)	87

Note. April 2024 financials, being the first period of the 2024-25 financial year, is mostly comprised of actuals and estimates compared to budgeted spend.

Appendix 2 – Key Variances by Department (May 2024 YTD)



- **Registration: (£99k)** adverse variance mainly due to additional international assessors' costs (covered by the international scrutiny fees income).
- **Fitness to Practise: £45k** favourable mostly due to timing of legal and partner costs of £95k, which is partially offset by £50k increase in staff costs.
- **Facilities Management: £34k** favourable mainly due to delay in filling Health & Safety, Environment and Quality (HSEQ) Manager position.
- **Policy and Standards: £33k** underspend due to timing of research projects ('Research into the interaction between AI and our registrants' and 'Professional Boundaries').
- **Major Projects: £31k** underspend due to timing of projects, which will be rephased as part of upcoming forecast exercise.
- **Governance: £25k** favourable due to transfer of resources to Assurance & Compliance.

Appendix 3 – Expenditure May 2024 YTD (by category)

	May 2024 YTD			Full Year	Full Year Budget
	Actuals	Budget	Variance	Budget	Actuals
	£'000	£'000	£'000	£'000	%
Payroll	2,560	2,693	133	17,157	15%
Legal Costs	1,675	1,736	61	10,354	16%
Partners	750	706	(44)	4,229	18%
IT Costs	353	353	0	2,117	17%
Temporary Staff	250	134	(116)	236	106%
Depreciation	192	212	20	1,210	16%
Other Costs	29	120	91	1,670	2%
Staff Related Costs	103	82	(21)	490	21%
Professional Fees	102	115	13	611	17%
Property Costs	82	91	9	528	16%
Utilities	60	61	1	366	16%
Communication Costs	56	56	0	393	14%
Office Services	48	93	45	590	8%
Corporation Tax	47	27	(20)	159	30%
Council Committee	35	13	(22)	78	45%
Travel & Subsistence	1	10	9	65	2%
Total Expenditure	6,343	6,502	159	40,253	16%

Note. 'Other Costs' includes Bank Charges and Contingency.

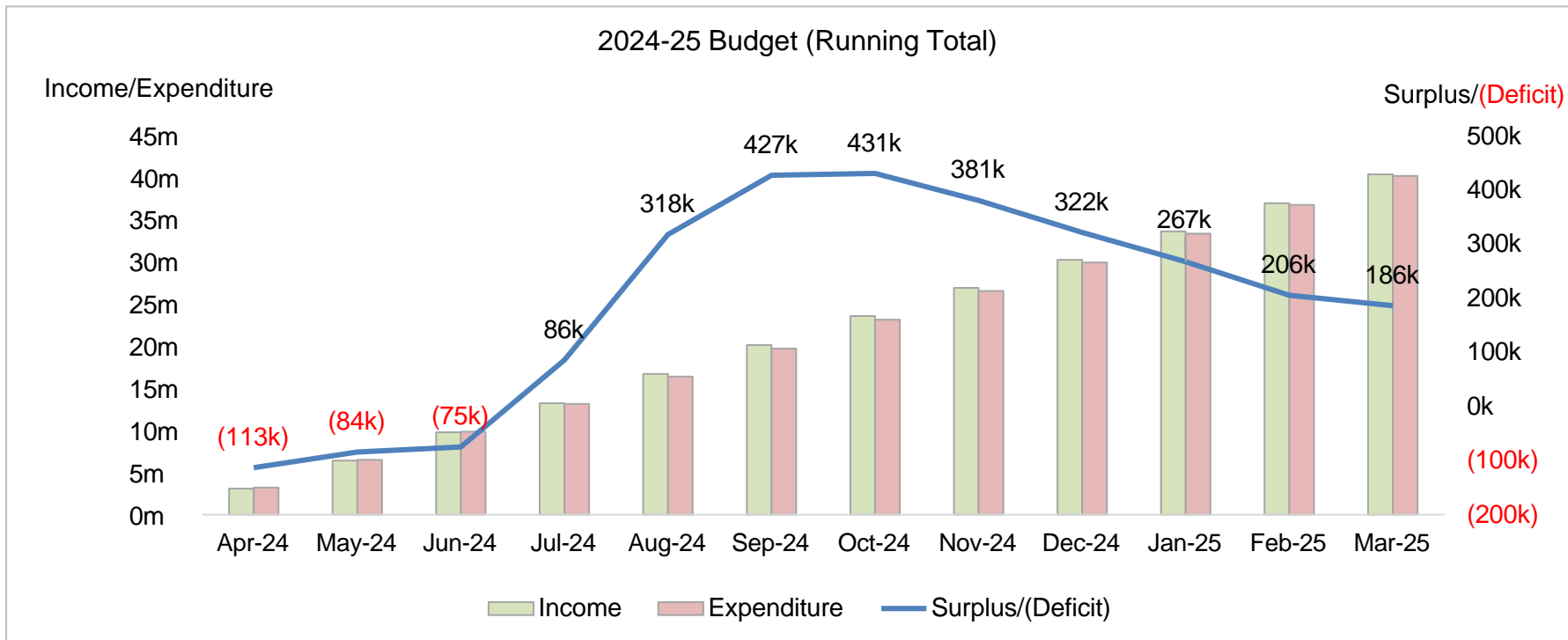
Appendix 4 – Balance Sheet (as at 31 May 2024)

	31 May 2024 Actuals	31 Mar 2025 Budget	Variance
	£'000	£'000	£'000
Property, Plant and Equipment	5,601	6,079	(478)
Intangible Assets	3,385	3,353	32
Total Fixed Assets	8,986	9,432	(446)
Current Assets			
Trade and Other Receivables	24,303	11,924	12,379
Cash and Cash Equivalents	29,603	14,556	15,047
Total Current Assets	53,906	26,480	27,426
Total Assets	62,892	35,912	26,980
Current Liabilities			
Deferred Income	54,477	27,665	26,812
Trade and Other Payables	4,464	4,741	(277)
Total Current Liabilities	58,941	32,406	26,535
Non-current Liabilities	82	35	47
Total Liabilities	59,023	32,441	26,582
NET ASSETS	3,869	3,471	398
Opening Reserves	3,713	2,903	810
Revaluation Reserve	(184)	382	(566)
Surplus/(Deficit)	340	186	154
GENERAL RESERVES	3,869	3,471	398

Appendix 5 – Key Contracts (May 2024 YTD)

Department	Description of Service	Contract Value	Supplier	Procurement Route
Fitness to Practise	Case Management & Legal Services	£5,760,000	Capsticks and Blake Morgan	Contract Extension Process
Fitness to Practise	Recording & Transcription Services	£375,000	MWC and Ubiqus	Contract Extension Process
Information Technology	Website Content Management System and Hosting	£219,455	Optimizely AB	New Tender Process (SSR/Direct Award)
Information Technology	HCPC Service Desk Ticket Management Software	£73,425	SolarWinds	New Tender Process (SSR/Direct Award)
Information Technology	Hypercare Support for Education System	£25,920	Synchronicity Technology Solutions	New Tender Process (SSR/Direct Award)

Appendix 6 – 2024–25 Budget Profile



- The 2024-25 budget assumes a deficit position in the first quarter, followed by a steady surplus trend for the remainder of the year.
- Income is budgeted to be lower for Q1 compared to later periods, whilst expenditure remains relatively consistent across the periods. The budgeted income for 2024-25 was profiled based on prior year actuals.
- The general trend seen in prior years suggests an increase in income from Q2, due to it being a busier period with a greater influx of UK graduate applications, reaching its peak around October. This is followed by a decline in applications from November.