

Finance Department Report

General

Since the last Committee Meeting, the Finance department has produced the management accounts up to January 2010.

Supplier payments

At the end of January, 95% by value of the £186K Creditor payments (January Aged Creditor Listing) were in the 30 days or less category.

Fee adjustments and income receipts handling

At the end of January, 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 was no backlog on credit card reconciliations against a two day backlog target.

Income Collection cycle

Direct debit collections of Registrants' fees (cover approximately 80% of registrants) are processed by the Finance Dept, with collections made two months in advance. RA, PA and OR collections occurred in January. PO, CS and SL collections are scheduled for February. Most of the income comprises of Renewal fees collected.

Funds under Management

At the end of January 2010, the Business Reserve account balance was £0.7M, earning an interest rate of 0.055% per annum. £2.5M 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 3 months (maturing early March 2010) at fixed rates: £0.5M invested in Barclays money market account earning 0.52% and £1.5M in Lloyds TSB money market account earning 1.1%.

The investment portfolio (excluding £124k portfolio cash) at the end of January was valued at £1.80M. The investment portfolio value including cash & money market instruments was £1.93M. This compares £1.51m at the start of the financial year.

Pensions

In January, there were 61 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

In the draft budget for 2010/11 there are a few Sage accounting system enhancements which have been identified to be implemented in 2010/11 financial year.

Significant Financial Projects/Issues (next few months)

- Annual budget (including projects) has been prepared in revised draft form.
- 5 Year plan is currently undergoing a re-draft and will be submitted for review after the budget for 2010/11 has been approved.
- 2011 Fees project is in review and is dependant on registrant volume assumptions.
- NAO visited HPC in February and completed a substantive review of the financial accounts from April to December 2009. This excluded the revenue allocation model which will take place in March 2010. This will enable a faster audit close after year end.
- HPC is currently in the process of transferring 22/26 Stannary Street property from the subsidiary company in preparation of winding-up of 22/26 Stannary Street Limited.

Consolidated Accounts to 31 January 2010
Income and Expenditure Account - By Activity

	Year to Date				Note
	Actual £	Budget £	Variance £ %		
Income by Activity					
Registration fees	752,655	431,410	321,245	74.46	A
Readmission fees	112,295	375,433	(263,138)	(70.09)	B
Renewal fees	10,285,237	10,691,570	(406,332)	(3.80)	C
International scrutiny fees	549,122	774,081	(224,959)	(29.06)	D
Grandparenting fees	38,845	110,089	(71,244)	(64.71)	E
UK scrutiny fees	510,129	427,560	82,569	19.31	
Registration Income	12,248,283	12,810,142	(561,859)	(4.39)	
Cheque/credit card write offs	(1,672)	0	(1,672)	0.00	
Total Income	12,246,611	12,810,142	(563,531)	(4.40)	

Expenditure by Activity

Payroll	4,299,299	4,434,832	135,533	3.06	F
Travel and subsistence	178,190	180,373	2,183	1.21	
Council and committee expenses	244,994	328,957	83,963	25.52	G
Property services	288,512	361,625	73,113	20.22	H
Office services	965,109	909,370	(55,739)	(6.13)	
Computer services	712,821	895,317	182,496	20.38	I
Communications	528,999	588,883	59,884	10.17	J
Partners	1,808,990	1,874,994	66,004	3.52	
Professional fees	2,771,799	2,687,196	(84,603)	(3.15)	
Projects	86,000	133,283	47,283	35.48	K
Specific departmental costs	448,987	426,155	(22,832)	(5.36)	
Operating expenditure	12,333,699	12,820,985	487,286	3.80	
Operating Surplus/(Deficit)	(87,088)	(10,842)	(76,246)	(703.22)	
Investment income	120,951	136,410	(15,459)	(11.33)	
Unrealised gains/(losses)	209,554	0	209,554	0.00	
Total surplus/(deficit)	243,418	125,568	117,850	93.85	

	Year end position			
	9 mth F'cast £	Budget £	Variance £ %	
	677,581	504,257	173,324	34.37
	329,383	458,569	(129,186)	(28.17)
	12,775,974	13,004,002	(228,029)	(1.75)
	601,440	936,600	(335,160)	(35.78)
	50,400	141,540	(91,140)	(64.39)
	488,342	514,842	(26,500)	(5.15)
	14,923,120	15,559,811	(636,691)	(4.09)
	(3,000)	0	(3,000)	0.00
	14,920,120	15,559,811	(639,691)	(4.11)

	5,140,531	5,322,934	182,403	3.43
	201,110	218,531	17,421	7.97
	320,856	416,036	95,180	22.88
	373,897	418,634	44,737	10.69
	1,076,433	1,010,408	(66,025)	(6.53)
	835,945	942,716	106,771	11.33
	611,907	718,938	107,031	14.89
	2,266,051	2,190,322	(75,729)	(3.46)
	3,249,025	3,236,492	(12,533)	(0.39)
	468,657	570,797	102,140	17.89
	572,375	502,478	(69,897)	(13.91)
	15,116,787	15,548,285	431,498	2.78
	(196,667)	11,525	(208,193)	(1,806.40)
	175,000	175,000	0	0.00
	300,000	0	300,000	0.00
	278,333	186,525	91,807	49.22

Notes to the Income and Expenditure Account - by Activity

Note	Narrative
A	The favourable variance of £321K was due to an increase in graduates taking the discounted renewal fee.
B	The unfavourable variance of £263K was due to a decrease in the number of registrants lapsing when their renewal was due.
C	Renewal fee income was £406K below budget. This is due to a decrease in the number of International applications and an increase in the number of graduates taking a discounted renewal fee.
D	The unfavourable variance of £225K was due to a decrease in international applications being received during the year. We budgeted for 2230 applications to be received. We have forecasted this figure now to be 1432.
E	The unfavourable variance of £71K was due to a decrease in Grandparenting applications being received from the Practitioner Psychologists. We budgeted for 375 applications to be received, where as the forecasted figure is likely to be 120 applications.
F	Payroll had a favourable variance of £136K. Basic Pay and National Insurance had a favourable variance of £92K and £32k respectively. These were caused by staff leaving and some budgeted positions not being filled.
G	The favourable variance of £84K was due to only one FTP committee being held, instead of three and a decrease in the number of council members making up the council than was originally budgeted for.
H	Property services was showing a favourable variance of £73K. This was due to a favourable variance of £26K for business rates due to an budget overestimation. This was also a delay in redecorating the mezzanine and 20 Stannary Street, which is a saving of £12K.
I	Computer services was showing a favourable variance of £81K mainly due to the delay in the on-line renewals project and the delay in depreciating the On-line renewals asset.
J	Communications was showing a favourable variance of £60K mainly due to a saving on the printing of Standards of Proficiency of £17K and Market research of £24K. Both items have been delayed until the next financial year.
K	The favourable variance is due to non reversing differences in the Practitioner Psychologists and Fee rise projects, totalling £92K. The remaining difference was due to timing differences.

Consolidated Accounts to 31 January 2010
Income and Expenditure Account - By Function

	Year to Date				Note
	Actual £	Budget £	Variance £ %		
Income by Profession					
Arts Therapists	160,058	149,590	10,468	7.00	
Biomedical Scientists	1,434,116	1,564,875	(130,759)	(8.36)	1
Chiropractors	765,723	776,928	(11,205)	(1.44)	
Clinical Scientists	277,992	259,813	18,180	7.00	
Dietitians	422,856	421,836	1,020	0.24	
Occupational Therapists	1,949,011	1,972,147	(23,136)	(1.17)	
Operating Department Practitioners	585,560	541,806	43,755	8.08	
Orthoptists	82,372	85,415	(3,043)	(3.56)	
Paramedics	916,385	897,220	19,165	2.14	
Physiotherapists	2,785,124	2,832,786	(47,662)	(1.68)	
Prosthetists & Orthotists	61,346	58,525	2,822	4.82	
Practitioner Psychologists	368,365	582,105	(213,740)	(36.72)	2
Radiographers	1,645,594	1,877,849	(232,255)	(12.37)	3
Speech and Language Therapists	793,780	789,249	4,532	0.57	
Registration Income	12,248,283	12,810,142	(561,859)	(4.39)	
Cheque/credit card write offs	(1,672)	0	(1,672)	0.00	
Total Income	12,246,611	12,810,142	(563,531)	(4.39)	

	Year end position			
	9mth F'cast £	Budget £	Variance £ %	
	189,417	179,507	9,910	5.52
	1,753,981	1,877,850	(123,870)	(6.60)
	922,728	932,314	(9,586)	(1.03)
	342,787	311,775	31,012	9.95
	518,152	506,203	11,949	2.36
	2,352,908	2,366,576	(13,669)	(0.58)
	701,890	650,167	51,723	7.96
	97,559	102,498	(4,939)	(4.82)
	1,107,190	1,076,664	30,526	2.84
	3,284,861	3,399,344	(114,482)	(3.37)
	67,514	70,229	(2,715)	(3.87)
	663,093	886,166	(223,073)	(25.17)
	1,942,637	2,253,418	(310,781)	(13.79)
	978,402	947,098	31,304	3.31
	14,923,120	15,559,811	(636,691)	(4.09)
	(3,000)	0	(3,000)	0.00
	14,920,120	15,559,811	(639,691)	(4.11)

Expenditure by Activity

Chair	45,776	41,190	(4,585)	(11.13)	
Chief Executive	267,716	268,631	915	0.34	
Council, Committee and PLG	303,210	361,089	57,879	16.03	
Communications	963,441	853,673	(109,767)	(12.86)	4
Depreciation	281,809	377,342	95,533	25.32	
Education	540,522	612,187	71,665	11.71	5
Facilities Management	687,849	784,564	96,714	12.33	6
Finance	536,552	532,849	(3,704)	(0.70)	
Fitness to Practise	4,955,149	4,623,626	(331,523)	(7.17)	7
Human Resources	321,958	305,733	(16,225)	(5.31)	
Human Resources Partners	290,517	348,335	57,818	16.60	8
IT Department	670,840	776,300	105,461	13.59	
Operations Office	352,561	366,466	13,905	3.79	
Policy & Standards	204,995	313,535	108,540	34.62	9
Major Projects	220,852	362,903	142,051	39.14	10
Registration	1,476,144	1,643,403	167,259	10.18	11
Secretariat	213,810	249,160	35,350	14.19	
Operating expenditure	12,333,699	12,820,985	487,286	160.66	
Operating Surplus/(Deficit)	(87,088)	(10,842)	(76,246)	(703.22)	- 5 -
Investment income	120,951	136,410	(15,459)	(11.33)	
Unrealised gains/(losses)	209,554	0	209,554	0.00	

	49,433	49,433	(0)	(0.00)
	370,631	322,357	(48,274)	(14.98)
	384,948	447,701	62,753	14.02
	1,096,052	1,076,199	(19,852)	(1.84)
	366,473	452,804	86,331	19.07
	657,589	766,271	108,682	14.18
	872,075	911,698	39,624	4.35
	601,323	635,442	34,119	5.37
	5,979,165	5,581,599	(397,565)	(7.12)
	432,755	367,517	(65,238)	(17.75)
	326,343	375,611	49,268	13.12
	897,255	944,125	46,870	4.96
	430,827	450,977	20,150	4.47
	262,140	418,597	156,457	37.38
	322,178	420,197	98,019	23.33
	1,800,783	2,023,511	222,728	11.01
	266,818	304,247	37,429	12.30
	15,116,787	15,548,285	431,499	2.78
	(196,667)	11,525	(208,192)	1,806.37
	175,000	175,000	0	0
	300,000	0	300,000	0

Notes to the Income and Expenditure Account - by Function

Note	Narrative
1	The unfavourable variance of £130K was mainly due to a decrease in international applications £45K and a decrease in readmission fees £48K.
2	The unfavourable variance of £214K was mainly due to a decrease in international and Grandparenting applications being received
3	The unfavourable variance of £232K was due to a decrease in international applications of £108K. There was also an unfavourable variance of £157K on the renewal fees due to a decrease in applications and a timing difference on the fees rise.
4	The unfavourable variance of £110K was due to an overspend of £28K in brochures and £19K overspend in Campaigns. This was due to the additional work done in relation to the psychologists. There was an overspend in payroll of £25K due to temporary staff being employed whilst perm staff are recruited.
5	The favourable variance of £72K is due a delay in staff being recruited during the year, a saving of £43K. Also, there is a favourable variance due to a decrease in visits done this year.
6	The favourable variance of £97K mainly due to a decrease in Gas and Electricity costs £25K and a £20K decrease in the cost of general insurance.
7	The unfavourable variance of £332K was due to a increase in the number of allegations being received and the increase in the length of hearings. This included unfavourable variances on room hire £51K, panels £238K and Transcript writers £44k. There was also an unfavourable variance of £39K in other legal costs due to the increase in high court appeals.
8	The favourable variance of £57K was due to a decrease in the costs of partner recruitment (a saving of £35K). There was also an over accrual made in partner training brought forward from last year.
9	The favourable variance of £108K was due to the delay in Market research, saving £24K and the delay in recruiting staff, a saving of £52K. Also due to a delay in Standards of Proficiency there is a favourable variance of £17K.
10	The favourable variance of £142K was due to a saving of £84K on the Psychologists project. Also there was a timing difference on the Hearing Aid Dispensers £17K and It external hosting transfer to a new provider £34K projects.
11	The favourable variance of £167K was due to a saving on the International and Grandparenting assessment fees £137K. There was also a saving on payroll of £42K due to delay in recruiting replacement staff.

Statement of Financial Position

	31 January 2010		31 March 2009	
	£	£	£	£
<u>Non-current Assets</u>				
Property, Plant & Machinery				
Land & buildings, at cost or valuation	3,148,184		2,636,853	
Depreciation	<u>(34,539)</u>		<u>0</u>	
		3,113,646		2,636,853
Computer Equipment, at cost	591,540		644,060	
Depreciation	<u>(478,074)</u>		<u>(504,679)</u>	
		113,466		139,381
Office furniture and equipment, at cost	389,832		406,348	
Depreciation	<u>(353,941)</u>		<u>(372,679)</u>	
		35,891		33,669
Intangible assets	2,905,245		2,568,790	
Depreciation	<u>(1,965,877)</u>		<u>(1,784,455)</u>	
		939,369		784,335
<u>Total Non-current Assets</u>		<u><u>4,202,371</u></u>		<u><u>3,594,238</u></u>
<u>Current assets</u>				
Other current assets	187,100		354,207	
Financial assets	1,681,164		1,347,418	
Cash & Cash Equivalents	<u>4,630,162</u>		<u>5,341,865</u>	
	<u>6,498,427</u>		<u>7,043,490</u>	
<u>Total assets</u>		<u><u>10,700,798</u></u>		<u><u>10,637,728</u></u>
<u>Current Liabilities</u>				
Trade and other payables	(185,162)		(945,164)	
Other Liabilities	(1,276,194)		(1,670,261)	
Deferred Income	<u>(7,719,791)</u>		<u>(7,106,069)</u>	
	<u>(9,181,147)</u>		<u>(9,721,494)</u>	
<u>Total asset less liabilities</u>		<u><u>1,519,651</u></u>		<u><u>916,234</u></u>
<u>General reserve</u>				
General fund b/fwd	702,287		1,077,308	
(Deficit)/surplus for the year	243,418		(375,021)	
Grant income	<u>360,000</u>		<u>-</u>	
General fund c/fwd	1,305,705		702,287	
<u>Revaluation reserve</u>				
Reserve b/fwd	213,946		421,746	
Movements in the year	-		(207,799)	
Reserve c/fwd	<u>213,946</u>		<u>213,947</u>	
		<u><u>1,519,651</u></u>		<u><u>916,234</u></u>

**Summary of Project Expenditure
Ten months to 31 January 2010**

Project Number		Year to Date			Year End Position		
		Actual £	Budget £	Variance £	9 Mth F'Cast £	Budget £	Variance £
	Capital expenditure						
P3	Practitioner Psychologists	14,666	100,000	85,334	15,000	100,000	85,000
P4	Hearing Aid Council	2,177	35,000	32,823	55,000	55,000	0
P34	Online Renewals	265,019	300,482	35,463	300,012	300,481	469
P31	Vetting & Barring System (VBS)	0	5,000	5,000	15,000	15,000	0
P35	Registration Fee Rise 2011	0	0	0	0	0	0
P36	FTP Case Management System Phase 1	38,386	89,667	51,281	134,000	134,000	0
P37	Renewals Cycle Review	0	11,750	11,750	0	11,750	11,750
P38	IT external hosting transfer to new provider	8,738	15,000	6,263	15,000	15,000	0
P39	Revalidation	0	0	0	0	0	0
P27	Finance System Upgrade	0	0	0	0	100,000	100,000
	Total Project Capital Expenditure	328,986	556,899	227,913	534,012	731,231	197,219
	Operating expenditure						
P3	Practitioner Psychologists	59,508	143,760	84,252	57,917	143,760	85,843
P4	Hearing Aid Council	4,078	20,833	16,755	14,410	27,310	12,900
P34	Online Renewals	120,668	127,552	6,884	112,969	127,552	14,583
P31	Vetting & Barring System (VBS)	273	5,408	5,135	28,225	28,225	0
P35	Registration Fee Rise 2011	0	8,000	8,000	0	8,000	8,000
P36	FTP Case Management System Phase 1	10,968	10,400	(568)	14,906	11,400	(3,506)
P37	Renewals Cycle Review	0	0	0	0	0	0
P38	IT external hosting transfer to new provider	12,017	46,950	34,933	73,950	73,950	0
P39	Revalidation	13,340	0	(13,340)	19,800	0	(19,800)
	Total Project Operating Expenditure	220,852	362,903	142,051	322,178	420,197	98,019

**Summary of Capital Expenditure
Ten months to 31 January 2010**

Office Services

Renovation work to 22-26 Stannery Street. Phase 2	480,963	358,475	(122,488)
Renovation work to 22-26 Stannery Street. Phase 1 (final payment)	30,368	0	(30,368)
Additional photocopier for FTP	0	6,000	6,000
Replace Park House Boiler	13,139	10,000	(3,139)
Replace Park House water tank	2,613	6,600	3,987
Access control on additional doors	0	3,525	3,525
Induction loop for Reception and portable unit for hearings, etc.	4,234	0	(4,234)

Information Technology

Laptop refresh	0	25,000	25,000
Server replacements/upgrades	2,510	0	(2,510)
New/replacement computers	22,049	3,960	(18,089)
PRS Enhancements	4,959	6,800	1,841
	29,518	35,760	6,242

Major Projects

328,986	556,899	227,913
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Total Capital Expenditure

889,821	977,259	87,438
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Year End Position		
9 Mth F'Cast	Budget	Variance
£	£	£
481,000	575,000	94,000
31,000	0	(31,000)
0	6,000	6,000
13,139	15,000	1,861
2,613	10,000	7,387
13,000	9,400	(3,600)
5,000	5,000	0
545,752	620,400	74,648

50,000	50,000	0
10,000	10,000	0
20,000	9,500	(10,500)
4,959	6,800	1,841
84,959	76,300	(8,659)

534,012	731,231	197,219
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1,164,723	1,427,931	263,208
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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
Opening Balance 1st		5,342	4,558	3,949	2,990	3,293	3,073	4,846	5,416	5,132	4,316	4,630	4,630
Receipts													
Registration Income		1,142	1,138	1,176	1,227	1,180	1,173	1,351	1,218	1,350	1,293		
Investment Income		0	7	9	3	18	12	3	10	9	2		
Investment Sales		24	24	29	58	(53)	34	8	10	0	21		
Deferred Income Movements		48	(925)	(630)	378	(34)	1,576	657	(94)	(767)	849		
Bank Loan		0	0	0	0	0	0	0	0	0	0		
Miscellaneous Income		0	(3)	0	0	0	0	1	0	0	0		
Total Cash Receipts		1,214	241	584	1,666	1,111	2,795	2,020	1,144	592	2,165	0	0
Payments													
Operational													
Expenditure		353	1,719	1,235	1,154	1,252	1,267	1,544	1,154	1,418	1,237		
Depreciation		(33)	(31)	(35)	(35)	(38)	11	(28)	(29)	(33)	(30)		
Aged Cred / Accrual Movements		1,535	(873)	135	157	(84)	(103)	(20)	280	(9)	136		
Debtor Movements		75	(42)	(16)	(5)	(44)	(24)	(29)	(60)	(37)	458		
Payments to Creditors		1,930	773	1,319	1,271	1,086	1,151	1,467	1,345	1,339	1,801	0	0
Exceptional													
Capital Expenditure		46	30	141	92	223	203	(28)	71	65	50		
Capital Write-off		0	0	0	0	0	0	0	0	0	0		
Investment Purchases		22	47	83	0	22	28	11	12	4	0		
Loan Repayments		0	0	0	0	0	0	0	0	0	0		
DOH Income		0	0	0	0	0	(360)	0	0	0	0		
Taxation		0	0	0	0	0	0	0	0	0	0		
Total Payments		68	77	224	92	245	(129)	(17)	83	69	50	0	0
Closing Balance	5,342	4,558	3,949	2,990	3,293	3,073	4,846	5,416	5,132	4,316	4,630	4,630	4,630
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		(439)	151	80	(77)	30	396	342	732	422	138		

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.