

People and Resources Committee

Meeting Date	19 September 2025
Title	Finance Report – July 2025
Author(s)	James Afolabi, Financial Planning and Analysis Manager. Alan Keshtmand, Head of Finance and Commercial.
Executive Sponsor	Alastair Bridges, Executive Director of Resources

Executive Summary

	July 2025 Year to Date (YTD)			Full Year		
	Actuals	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)
Total Expenditure	13,882	14,042	160	45,336	44,473	863
Surplus/(Deficit) – Excluding Exceptional Legal Costs	1	(153)	154	180	12	(168)
Exceptional Legal Costs	97	97	0	1,500	1,500	0
Surplus/(Deficit) – Including Exceptional Legal Costs	(96)	(250)	154	(1,320)	(1,488)	(168)

1. Financial Performance (year-to-date)

- **Surplus:** break-even position when excluding exceptional legal costs (deficit of £96k when including these costs).
- **Income:** actual income of £13.9 million is closely in line with July forecast.
- **Expenditure:** actual expenditure of £13.9 million is £160k lower compared to the forecast of £14.0 million.

2. Full-year forecast vs budget

- **Surplus:** breakeven position of £12k, which is £168k lower than the budgeted surplus of £180k.
- **Income:** adverse variance of £1.0m is mainly due to a decrease in international applications income of £2.2m (from budget of 7,500 to forecast of 3,900), which is partially offset by the 6% increase in income fees of £1.2m (effective from 29 April 2025).
- **Expenditure:** forecast of £44.5 million is £863k lower than budget. Key drivers include the decrease in direct costs associated with lower international applications and lower payroll costs. **Note.** Forecast includes contingency fund of £275k.

3. Major Projects and Investments

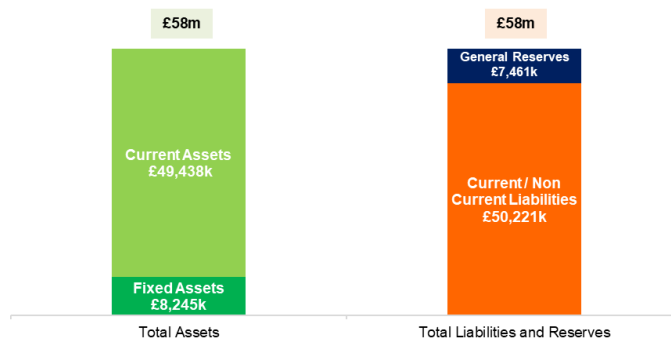
2025-26 Budget	2025-26 Forecast	Committed Spend to Date	Actuals to Date
£2.3m	£1.8m	£0.6m	£0.2m

The finance report highlights the full year budget of £2.3 million (includes £579k carried over from previous year) reducing by £500k to a forecast of £1.8 million, mainly due to the deferral of the international assessment programme.

4. Risks and Opportunities

- **Risks:** several key risks, including a further decline in international income (lower volumes than forecast) and potential increase in IT costs (mostly software licences).
- **Opportunities:** potential upside from additional investment income through utilising favourable bank rates, additional rental income and cost efficiencies related to the associated direct costs of international applications.

5. Balance Sheet and Reserves



- **Reserves:** General reserves stand at £7.5 million, with Realisable Net Assets of £4.7 million, representing just over a month of operating expenditure.

6. Employee FTEs

Employment Type	31 July 2025 Actuals	31 July 2025 Forecast	Variance
Permanent/FTC	366	394	(28)
Agency	9	4	3
Total FTE	375	398	(23)

The report highlights a shortfall in FTEs when compared to the forecast, particularly within Case Progression and Communication departments. There is a slight increase in FTEs in the Legal Services department due to ongoing exceptional legal cases.

Conclusion

The break-even position for July 2025 year to date (excluding exceptional legal costs) reflects an improvement compared to both forecast and actuals for previous months. We currently hold a modest unallocated corporate contingency of £275k; however, the overall financial position remains constrained, with several risks requiring close management, particularly around the continued decline in international applications (actual volumes for August are the lowest recorded for the year to date - 244 actual volumes vs 343 forecast).

Recommendations

- Review cost efficiencies through reducing operational requirements associated with international applications.
- Maintain a strong presumption against any additional unbudgeted expenditure.

Action required	1. The Committee is asked to review the information provided and seek clarification on any areas. 2. The Committee is asked to consider and approve the proposal or recommendation.
Previous consideration	Previous finance report (April 2025) provided to the Committee in June 2025.
Next steps	Update to the Council on 16 October 2025.
Financial and resource implications	The implications are set out in the report.
Associated strategic priority/priorities	Build a resilient, healthy, capable and sustainable organisation
Associated strategic risk(s)	5.a The resources we require to achieve our strategy are not in place or are not sustainable
Risk appetite	Financial – measured
Communication and engagement	Not applicable
Equality, diversity and inclusion (EDI) impact and Welsh language standards	No direct implications.
Other impact assessments	Not applicable
Reason for consideration in the private session of the meeting (if applicable)	Not applicable

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Finance Report

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2. Income and Expenditure (by Category)
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Executive Summary

	July 2025 Year to Date (YTD)			Full Year		
	Actuals	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)
Total Expenditure	13,882	14,042	160	45,336	44,473	863
Surplus/(Deficit) – Excluding Exceptional Legal Costs	1	(153)	154	180	12	(168)
Exceptional Legal Costs	97	97	0	1,500	1,500	0
Surplus/(Deficit) – Including Exceptional Legal Costs	(96)	(250)	154	(1,320)	(1,488)	(168)

Note. To view the full year Budget profile for 2025-26, please refer to 'Appendix 7 – 2025–26 Budget Profile'.
'Exceptional Legal Costs' is funded from ring-fenced reserves.

July 2025 Year to Date

- Break-even position compared to the forecast deficit of **£153k** (when excluding exceptional legal costs funded from reserves).
- Actual expenditure of £14.0m is **£160k** favourable compared to forecast of £14.1m, mainly due to decrease in legal costs.

Budget vs Forecast (Full Year)

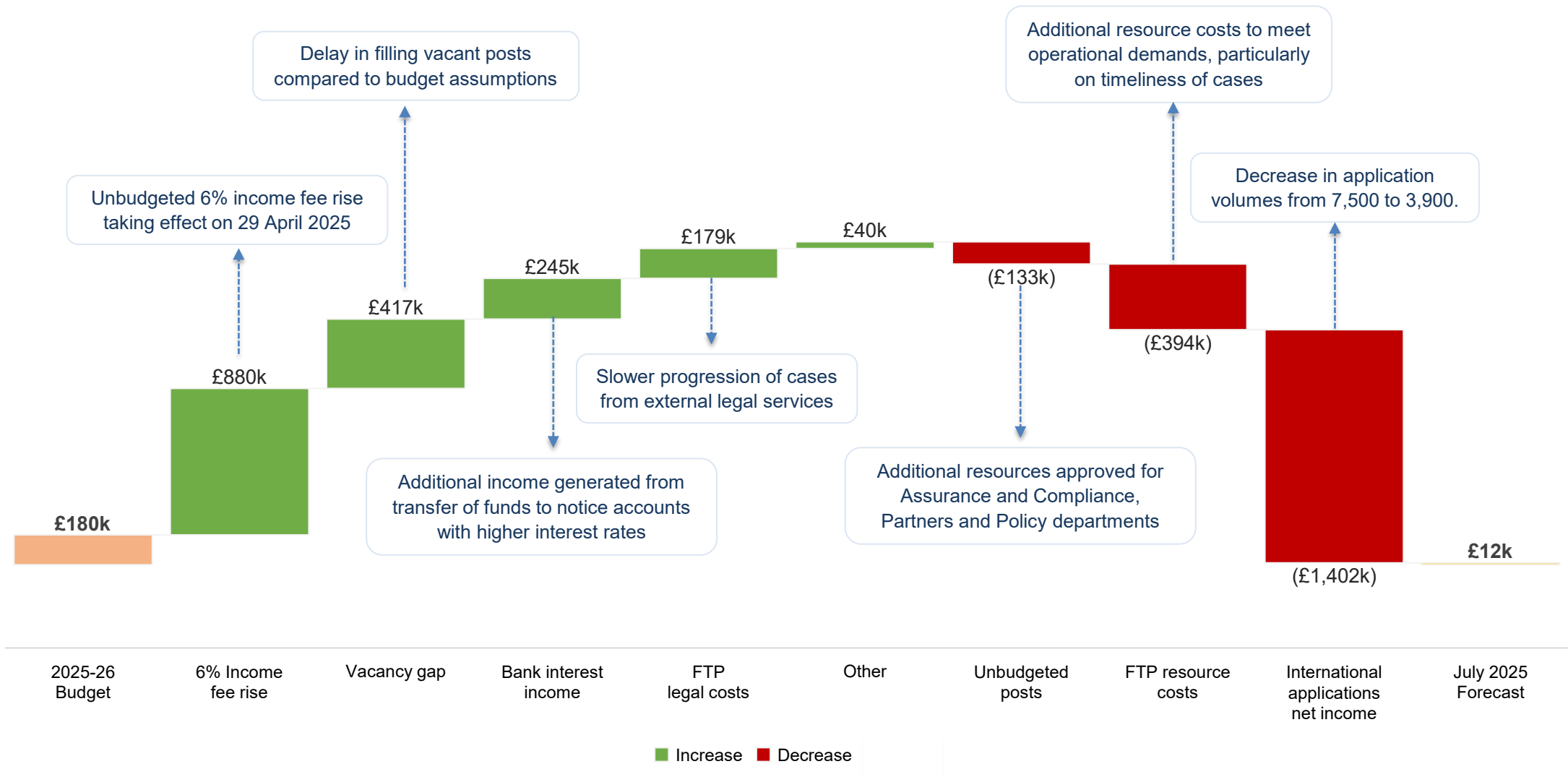
- Following a detailed Q1 financial review and discussions with budget holders, the full year forecast indicates a small surplus of £12k (includes contingency of £275k).
- Income: **£1.0m** adverse, driven by lower international applications, with volumes reduced from 7,500 to 3,900 (based on the last 6 months from February 2025). Partly offset by higher registration income from the 6% fee rise and increased bank interest.
- Expenditure: **£863k** favourable, mainly due to lower direct costs from reduced international applications and lower payroll costs from unfilled vacant posts.

Summary Figures – July 2025 (YTD)

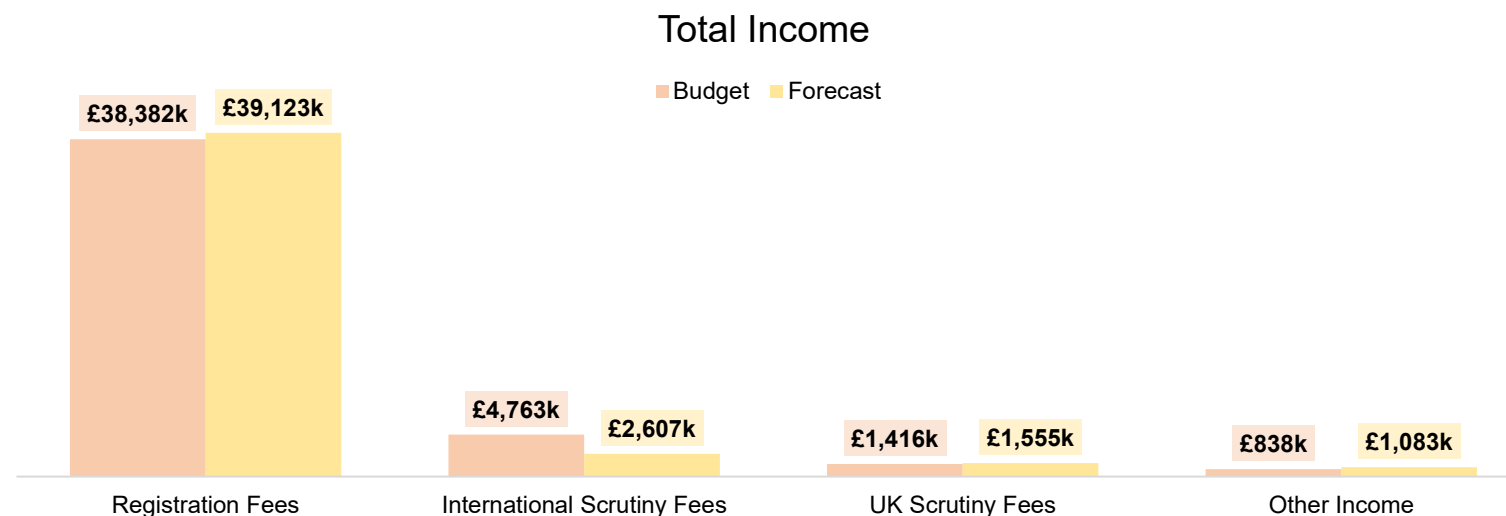
	July 2025 YTD			Full Year		
	Actuals	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Registration Income	13,494	13,483	11	44,561	43,285	(1,276)
Grant Income	39	39	0	117	117	0
Other Income	350	367	(17)	838	1,083	245
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)
Payroll Costs	6,339	6,343	4	20,168	19,834	334
Other Staff Costs	289	278	(11)	1,052	876	176
Non-Payroll Costs	7,169	7,335	166	23,360	23,178	182
Total Operating Expenditure	13,797	13,956	159	44,580	43,888	692
Exceptional Costs	85	86	1	756	585	171
Total Expenditure	13,882	14,042	160	45,336	44,473	863
Surplus/(Deficit) – Excluding Exceptional Legal Costs	1	(153)	154	180	12	(168)
Exceptional Legal Costs	97	97	0	1,500	1,500	0
Surplus/(Deficit) – Including Exceptional Legal Costs	(96)	(250)	154	(1,320)	(1,488)	(168)

'Other Staff Costs' includes Temporary Staff, Training, Recruitment Fees and Other Employee Costs e.g. Life Assurance Costs.

Key Movements (2025-26 Budget vs July Forecast)



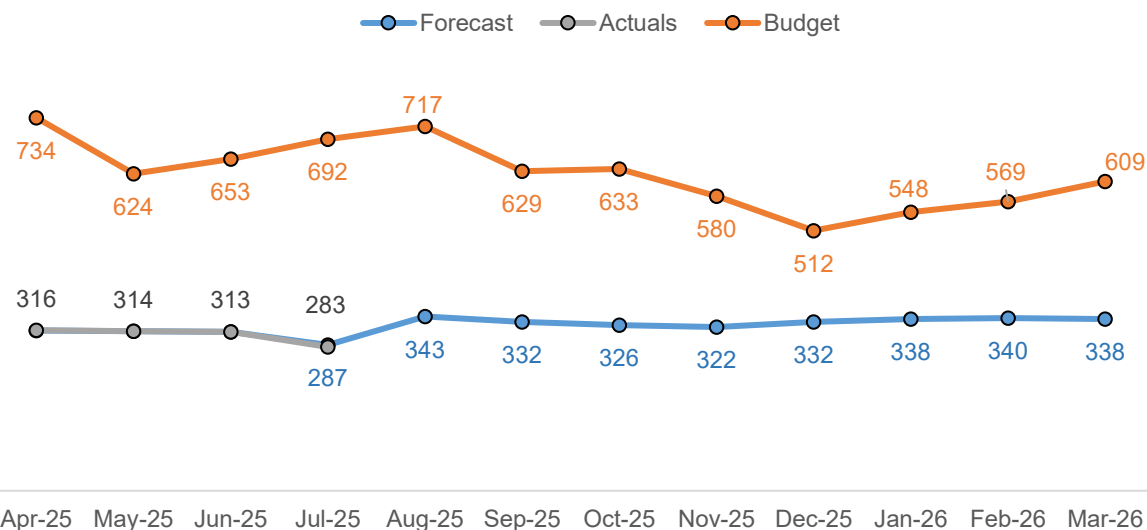
Total Income – Full Year Budget vs July Forecast



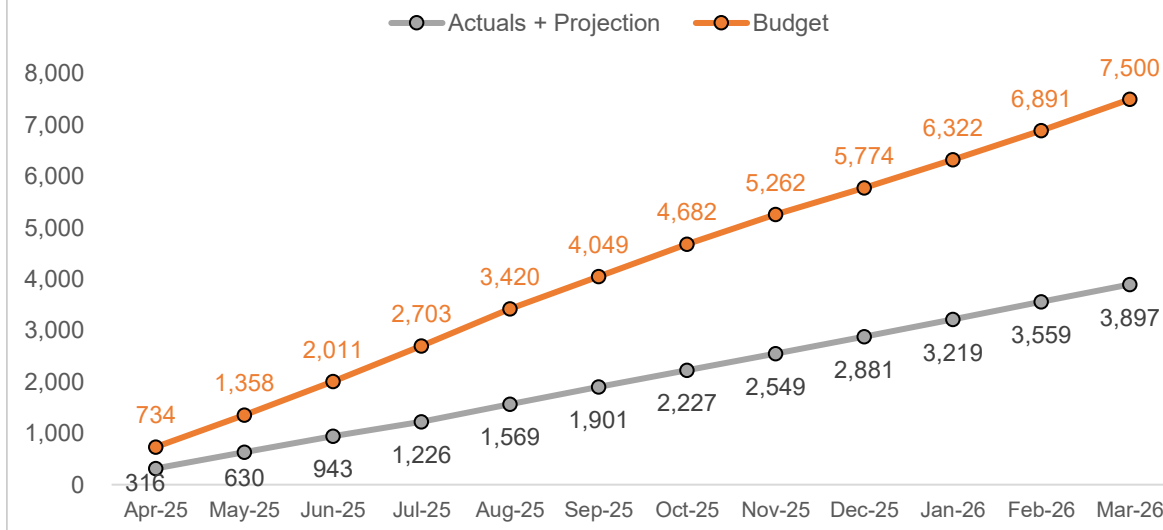
	July 2025 YTD			Full Year		
	Actuals	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Registration Fees	12,200	12,206	(6)	38,382	39,123	741
International Scrutiny Fees	802	809	(7)	4,763	2,607	(2,156)
UK Scrutiny Fees	492	468	24	1,416	1,555	139
Other Income	350	367	(17)	838	1,083	245
Grant Income	39	39	0	117	117	0
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)

International Income – July 2025 (YTD)

International Application Volumes (per period)



International Application Volumes (cumulative)

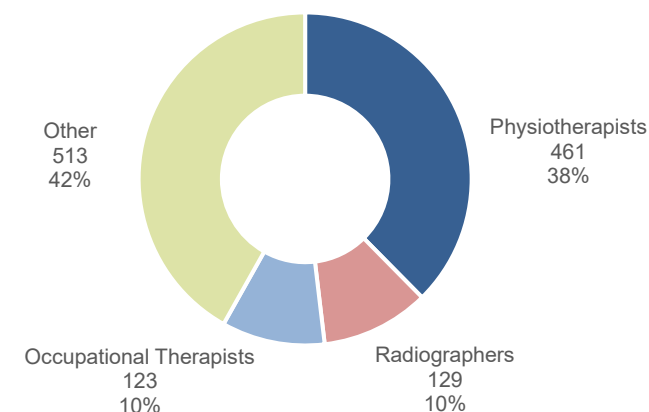


Note. 'Actuals + Projection' based on actual volumes for YTD plus forecast for subsequent periods.

- July 2025 Period Only:** Actual number of international applications of 283, which is in line with the forecast of 287. This marks another consecutive month where actual volumes have fallen short of budget expectations, continuing the significant downward trend observed since February 2025.
- July 2025 Full Year:** In response to the ongoing six month decline in international applications, the July forecast has been adjusted down to 3,900 compared to the budget figure of 7,500.

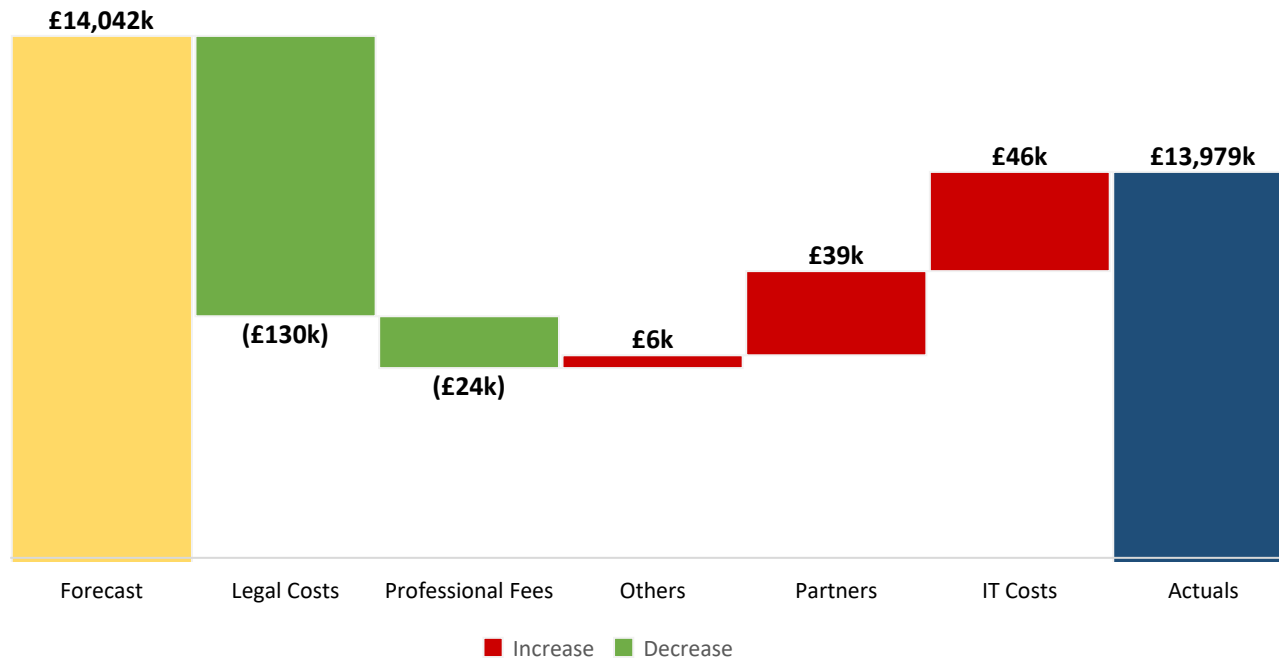
Financial vs Operational Reporting: There will be a slight difference in the reported volumes of international applications, related to recognising applications based on received payments (financial) versus the number of applications processed (operational).

International Application volumes (By Profession)



Expenditure – July 2025 (YTD) Actuals vs Forecast (by Category)

Actuals vs Forecast (July 2025 YTD)



Total year to date expenditure of £14.0m is closely aligned to forecast with key variances as follows:

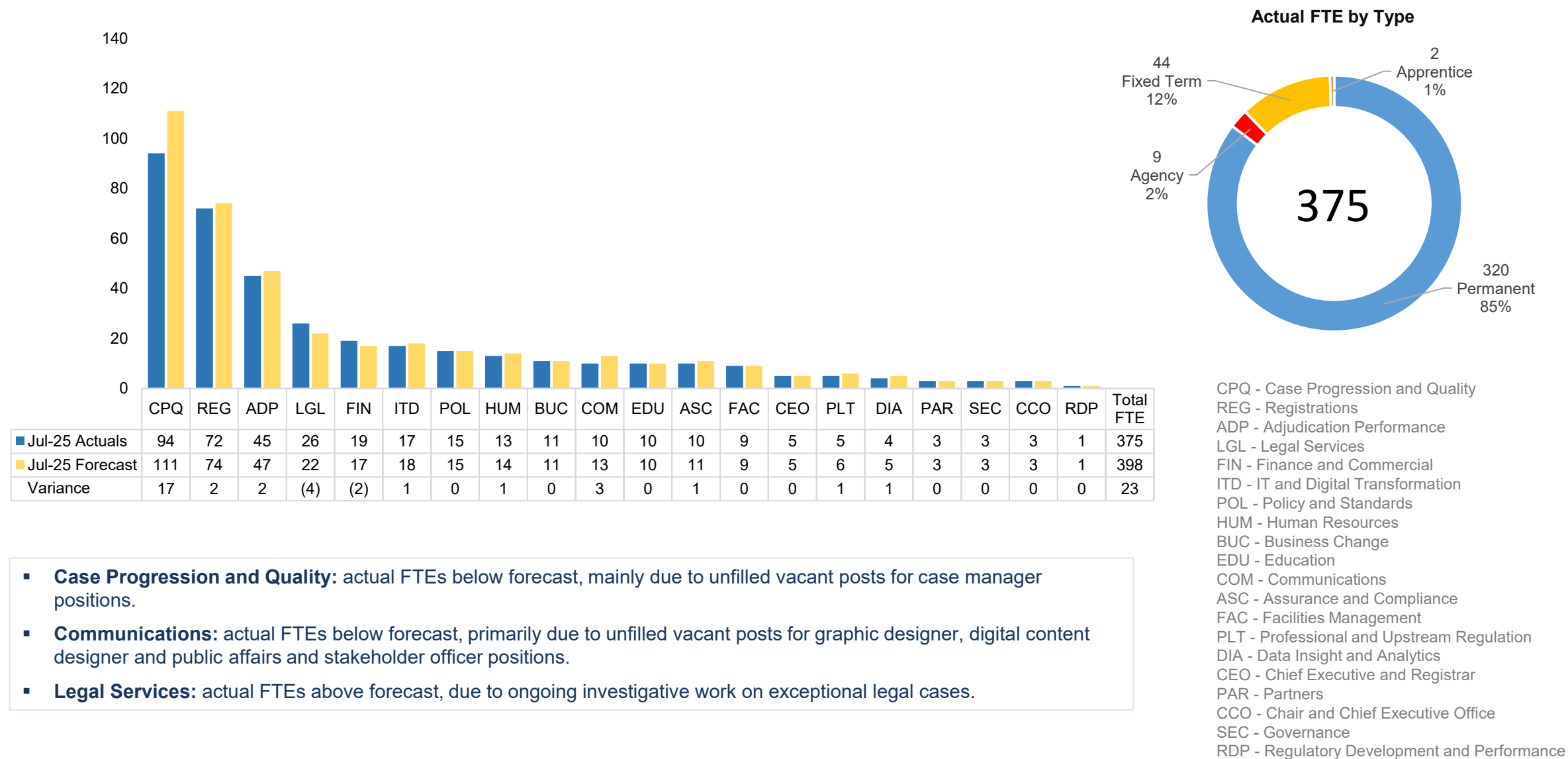
- **Legal Costs:** £130k favourable, reflecting reduced case progression activity due to temporary capacity constraints with one of our external legal providers.
- **Professional Fees:** £24k favourable, driven by lower than anticipated IT consultancy spend year to date.
- **Partners Costs:** £39k adverse, primarily due to higher training costs period to date and an increased number of review days compared to forecast.
- **IT Costs:** £46k adverse, attributable to the alignment ('true-up') of software licence costs in July. This adjustment will be reflected in the August forecast.

Note.

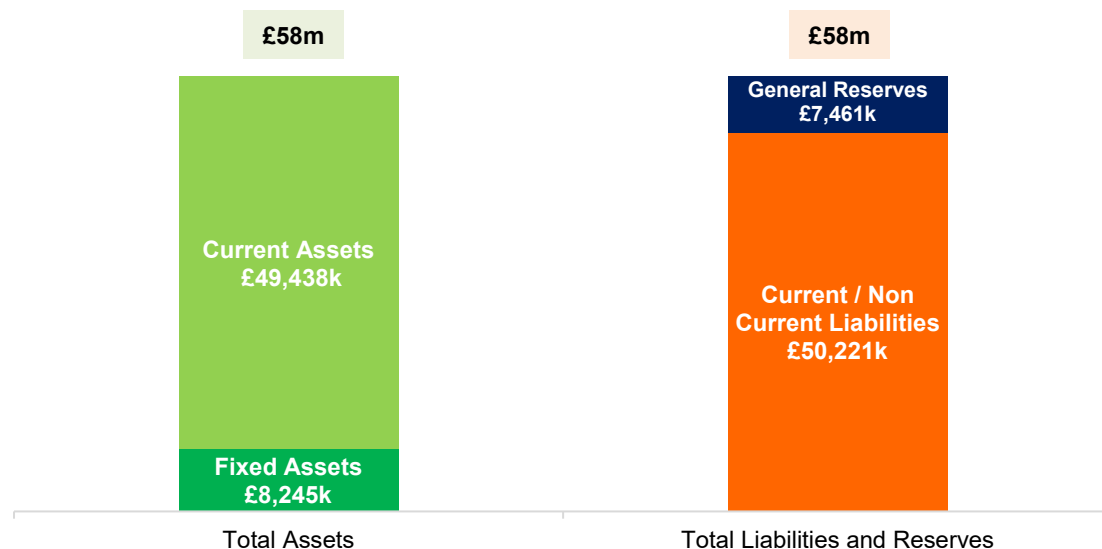
Key variances above £20k.

To view the full year forecast, please refer to 'Appendix 2 – Income and Expenditure July 2025 YTD (by Category)'.

Employee FTEs as at 31 July 2025



Balance Sheet and Reserves as at 31 July 2025



- **Current Assets:** mainly comprise cash and cash equivalents of around £25m and account receivables of around £25m.
- **Liabilities:** mostly relate to deferred income of around £46m as a result of registrants paying their fees in advance.
- **General Reserves (or Net Assets):** approximately £7.5m.
- **Positive Realisable Net Assets:** approximately £4.7m, calculated by taking our reserves position of £7.5m less our 'intangible assets' of around £2.8m (representing just over one month of total operating expenditure).

Note. The reserves policy requires us to hold positive Realisable Net Assets

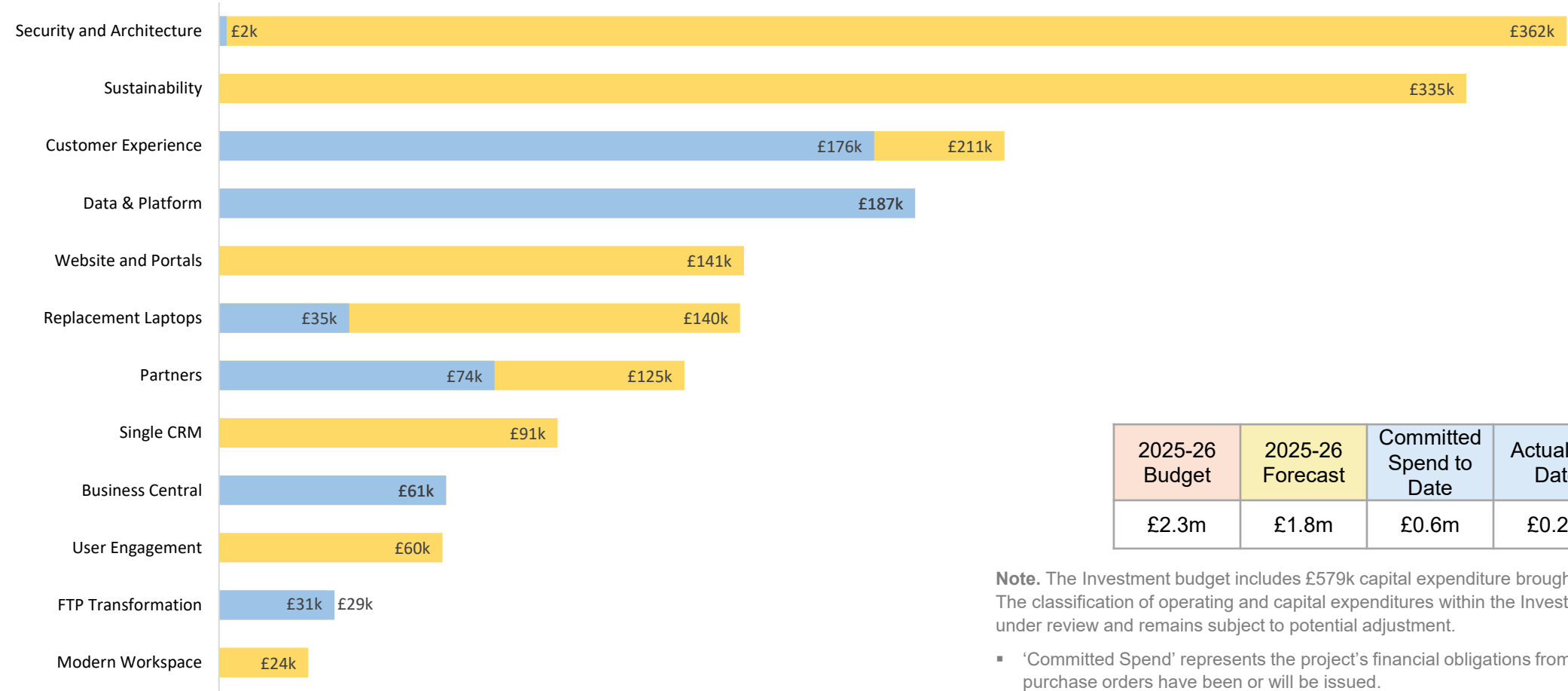
	31 July 2025 Actuals	31 July 2025 Forecast	Variance
	£'000	£'000	£'000
General Reserves	7,461	7,307	154
Realisable Net Assets	4,748	4,675	72

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 unforecast increases in expenditure and/or losses in income.

Investments Portfolio 2025-26

Investments Portfolio 2025-26

Forecast Committed Spend



2025-26 Budget	2025-26 Forecast	Committed Spend to Date	Actuals to Date
£2.3m	£1.8m	£0.6m	£0.2m

Note. The Investment budget includes £579k capital expenditure brought forward from 2024-25. The classification of operating and capital expenditures within the Investment Portfolio is currently under review and remains subject to potential adjustment.

- 'Committed Spend' represents the project's financial obligations from agreed contracts, where purchase orders have been or will be issued.
- 'Actuals' refers to costs that have been invoiced / accrued and entered into our financial records.

Risks and Opportunities

Risks

Low	Medium	High
	Decrease in International Income: further decline if volumes fall below forecast average of 325	Microsoft ESA: increase in renewal cost for Microsoft enterprise subscription from January 2026 (£60k)
	SMS Verification: additional costs as a result of SMS traffic volume (£70k)	

Opportunities

Low	Medium	High
Increase in International Income: additional application volumes later in the year	FTP Vacancies: further phasing from delays in recruitment for roles across FTP	Registrations: cost efficiencies through reducing operational requirements associated with international applications
Investment Income: additional income from utilising favourable rates by transferring funds to our notice accounts.	SMS Verification: recoup some excess costs resulting from SMS pumping through cyber security insurance (£70k)	Additional Rental Income: Rental of office and hearing room space to other organisations
Legacy telephony contract: Decrease in telephony costs as we move to new provider (£30k)	Cleaning Services: potential savings from changes to office cleaning frequency (£30k)	Test of Competence: Deferral of costs related to the phasing of implementing additional assessment criteria and reviews

Note. Low/Medium/High Risk categories relate to the likelihood of the risk or opportunity materialising.

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APPENDICES

Appendix 1 – Income and Expenditure (By Department)

	July 2025 YTD			Full Year 2025-26			Full Year Forecast	Notes
	Actuals	Forecast	Variance	Budget	Forecast	Variance	Actuals	
	£'000	£'000	£'000	£'000	£'000	£'000	%	
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)	31%	
Fitness to Practise	6,890	7,059	169	21,737	21,954	(217)	31%	1
IT and Digital Transformation	1,356	1,362	6	4,210	4,168	42	33%	
Registrations	1,279	1,279	0	4,832	4,053	779	32%	7
Chief Executive and Registrar	626	627	1	1,801	1,881	(80)	33%	2
Finance and Commercial	551	552	1	1,751	1,751	0	31%	
Facilities Management	414	414	0	1,389	1,321	68	31%	4
Human Resources	361	370	9	1,412	1,386	26	26%	
Depreciation	315	315	0	1,144	1,074	70	29%	5
Communications	287	292	5	1,068	1,070	(2)	27%	
Policy and Standards	281	281	0	957	988	(31)	28%	
Business Change	261	264	3	851	861	(10)	30%	
Assurance and Compliance	244	241	(3)	699	752	(53)	32%	3
Education	195	196	1	609	609	0	32%	
Chair, Council and Committees	128	126	(2)	354	345	9	37%	
Professional and Upstream Regulation	122	119	(3)	418	348	70	35%	6
Major Projects	120	120	0	230	221	9	54%	
Data Insight and Analytics	105	110	5	306	295	11	36%	
Partners	94	81	(13)	259	283	(24)	33%	
Governance	83	61	(22)	292	267	25	31%	
Chair and Chief Executive Office	51	53	2	158	158	0	32%	
Regulatory Development and Performance	34	34	0	103	103	0	33%	
Total Operating Expenditure	13,797	13,956	159	44,580	43,888	692	31%	
Contingency	0	0	0	455	275	180	0%	
Other Costs	85	86	1	301	310	(9)	27%	
Total Expenditure	13,882	14,042	160	45,336	44,473	863	31%	
Surplus/(Deficit) – Ex. Exceptional Costs	1	(153)	154	180	12	(168)	8%	
Exceptional Legal Costs	97	97	0	1,500	1,500	0		
Surplus/(Deficit) – In. Exceptional Costs	(96)	(250)	154	(1,320)	(1,488)	(168)		

Note: 'Other Costs' include Corporation Tax and Transformation Costs.

Budget vs Forecast

- Note 1: (Fitness to Practise) £217k** adverse variance due to:
 - Additional resources required to meet increased operational demands, particularly in improving the timeliness of FTP investigations.
 - This is offset by a decrease in legal cost due to revised case referrals as a result of resource constraints with our legal provider.
- Note 2: (Chief Executive and Registrar) £80k** adverse variance due to release of vacancy gap built in the budget.
- Note 3: (Assurance and Compliance) £53k** adverse variance mainly attributed to additional posts approved after budget was finalised. This was funded by general contingency.
- Note 4: (Facilities Management) £68k** favourable variance due to unfilled vacant post as well as reduced repairs and maintenance costs than originally anticipated.
- Note 5: (Depreciation) £70k** favourable variance due to timing of capitalised costs (budget phased equally across the year).
- Note 6: (Professional and Upstream Regulation) £70k** favourable variance due to timing of recruiting a new Head of Professional and Upstream Regulation.
- Note 7: (Registrations) £779k** favourable variance is mainly attributable to lower direct costs associated with the decrease in international applications (assessors fees and test of competence).

Appendix 2 – Income and Expenditure July 2025 YTD (by Category)

	July 2025 YTD			Full Year			Full Year Forecast
	Actuals	Forecast	Variance	Budget	Forecast	Variance	% of Actuals
	£'000	£'000	£'000	£'000	£'000	£'000	%
Total Income	13,883	13,889	(6)	45,516	44,485	(1,031)	31%
Payroll	6,339	6,343	4	20,168	19,834	334	32%
Legal Costs	2,972	3,187	215	9,682	9,528	154	31%
Partners	1,633	1,594	(39)	5,800	5,223	577	31%
IT Costs	940	894	(46)	2,624	2,796	(172)	34%
Professional Fees	760	784	24	1,670	2,438	(768)	31%
Depreciation	315	315	0	1,144	1,074	70	29%
Temporary Staff	151	138	(13)	456	258	198	59%
Staff Related Costs	138	140	2	596	618	(22)	22%
Property Costs	129	125	(4)	423	396	27	33%
Office Services	126	146	20	649	461	188	27%
Utilities	107	104	(3)	341	335	6	32%
Corporation Tax	85	86	1	201	210	(9)	40%
Other Costs	76	69	(7)	1,192	864	328	9%
Communication Costs	56	57	1	143	201	(58)	28%
Travel & Subsistence	41	41	0	225	190	35	22%
Council Committee	14	19	5	22	47	(25)	30%
Surplus/(Deficit) – Excluding Exceptional Costs	1	(153)	154	180	12	(168)	8%
Exceptional Legal Costs	97	97	0	1,500	1,500	0	
Surplus/(Deficit) – Including Exceptional Costs	(96)	(250)	154	(1,320)	(1,488)	(168)	

Note. 'Other Costs' includes Bank Charges and Contingency. 'Staff Related Costs' includes Training, Recruitment Fees and Life Assurance Costs.

Appendix 3 – Balance Sheet (as at 31 July 2025)

	31 July 2025 Actuals	31 July 2025 Forecast	Variance	31 March 2026 Forecast
	£'000	£'000	£'000	£'000
Property, Plant & Equipment	5,531	5,513	18	6,008
Intangible Assets	2,714	2,632	82	3,034
Total Fixed Assets	8,245	8,145	100	9,042
Current Assets				
Trade and Other Receivables	24,522	23,295	1,227	24,920
Cash and Cash Equivalents	24,916	25,767	(851)	25,018
Total Current Assets	49,438	49,062	376	49,938
Total Assets	57,683	57,207	476	58,981
Current Liabilities				
Deferred Income	45,685	44,738	(947)	47,859
Trade and Other Payables - other liabilities	4,433	5,058	625	5,049
Total Current Liabilities	50,118	49,796	(321)	52,908
Non-Current Liabilities	104	104	0	104
Total Liabilities	50,221	49,900	(321)	53,012
NET ASSETS	7,461	7,307	154	5,969
Opening Reserves	5,557	5,557	0	5,557
Ring Fenced Reserves	1,903	1,903	0	400
Surplus/(Deficit)	1	(153)	154	12
GENERAL RESERVES	7,461	7,307	154	5,969
Realisable Net Assets	4,748	4,675	72	2,935

Appendix 4 – Key Contracts (as at 31 July 2025)

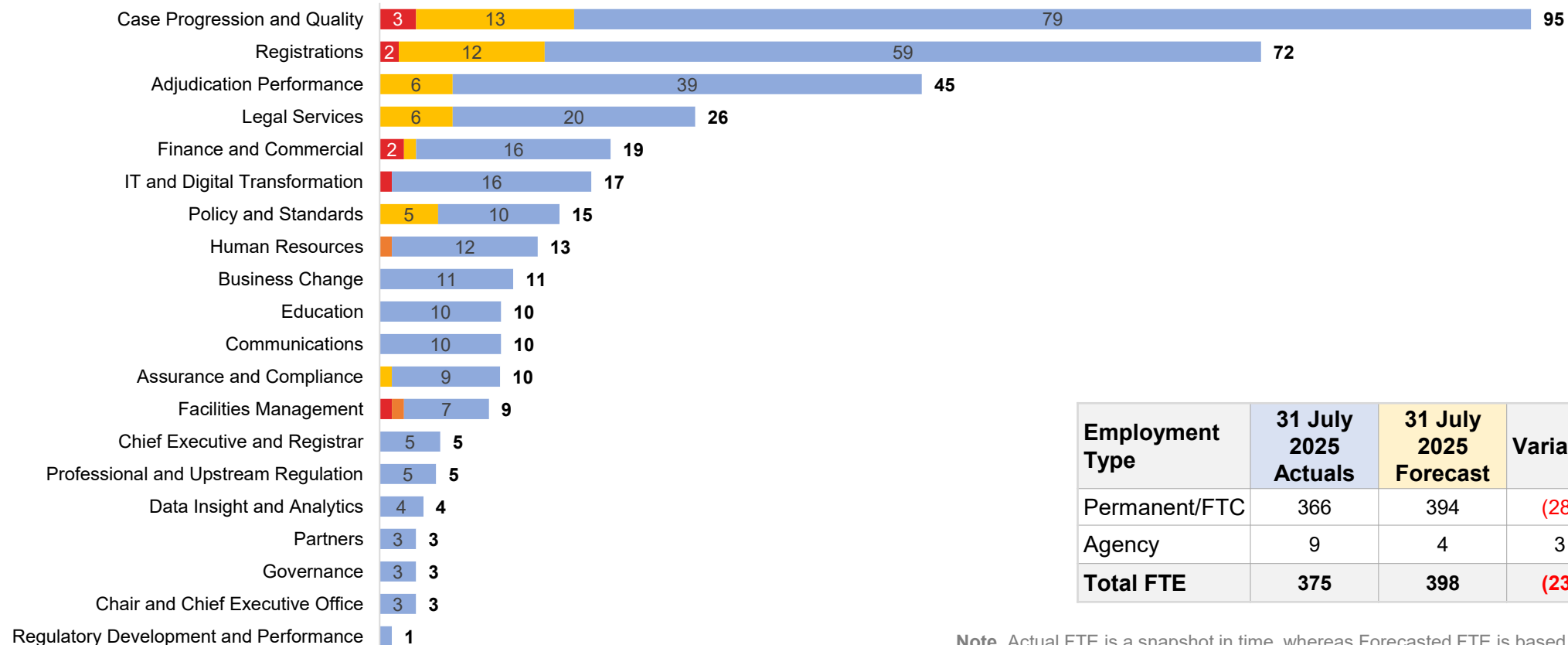
Department	Contract Title/Name	Description of service	Contract Value	Contract Length	Supplier	Procurement Route
Information Technology	Cloud-based telephony platform and customer contact solution	Implementation of a new cloud-based telephony and customer contact solution to replace existing telephony platform.	£236,000	36 months	Kocho	Direct Award
Information Technology	Provision of S4 Object Storage	130TB committed data storage capacity	£75,000	24 months	Exponential-e Ltd	Contract Renewal
Facilities Management	Cleaning Services	Comprehensive cleaning services for all used facilities within the HCPC main office	£211,000	36 months	Apollo Cleaning	Public Tender
Finance	Insurance Agreement	General insurance contract covering property, liability, professional indemnity, travel and engineering	£98,000	12 months	Lockton	Contract Extension
Finance	Workday Adaptive Planning – Software Licences	Annual subscription cost to use the Adaptive Planning tool. Licence fees cover access for authorised users, ongoing software updates, security and technical support as part of the SaaS (Software-as-a-Service) model.	£77,000	36 months	Workday	Direct Award
Finance	Implementation of Workday Adaptive Planning Application	Implementation of financial planning and analysis (FP&A) application to improve management reporting and enhance financial planning	£76,000	12 months	ICit Business Intelligence	Direct Award

Note. List of key contracts above £50k

Appendix 5 – FTEs (as at 31 July 2025)

Actual FTE by Employment Type

■ Agency ■ Apprentice ■ Fixed Term ■ Permanent



Employment Type	31 July 2025 Actuals	31 July 2025 Forecast	Variance
Permanent/FTC	366	394	(28)
Agency	9	4	3
Total FTE	375	398	(23)

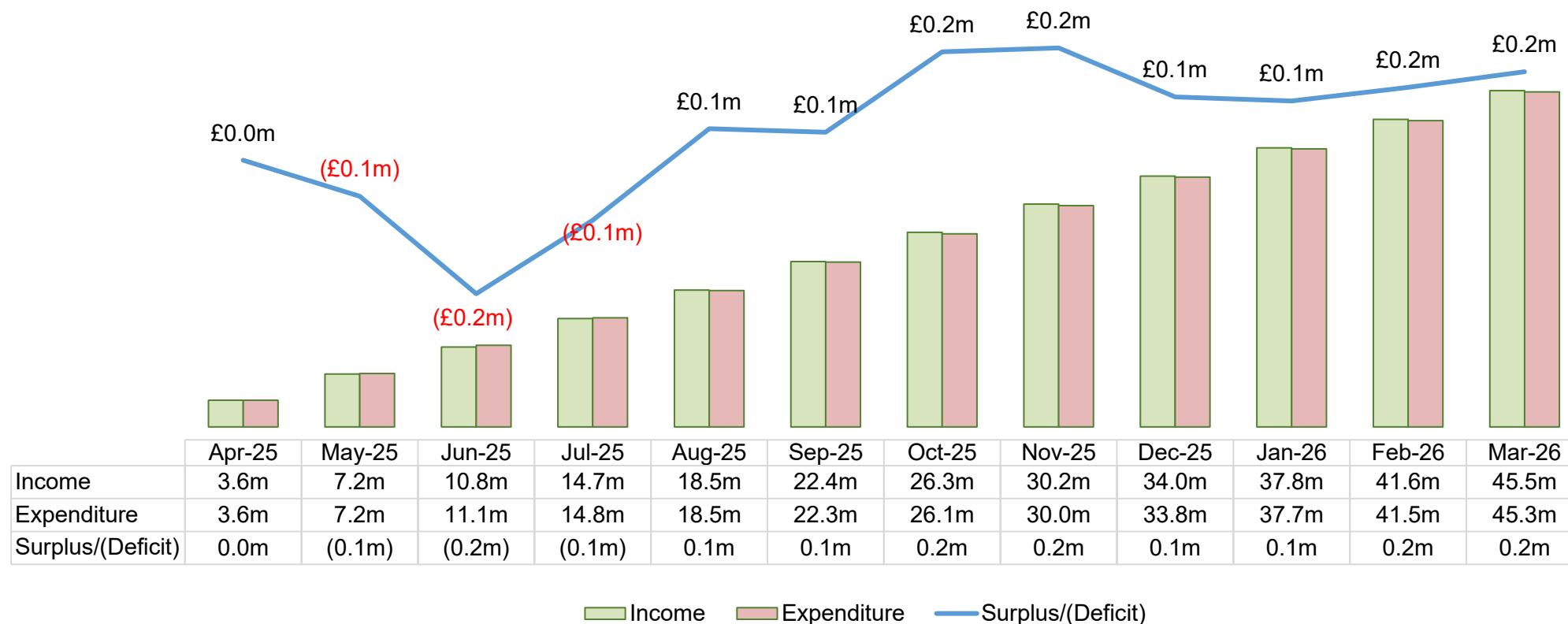
Note. Actual FTE is a snapshot in time, whereas Forecasted FTE is based on an annual view. For example, if an employee was hired on a 6-month contract at the beginning of the financial year, forecasted FTE would be shown as 0.5, however, Actuals will be shown as 1.0.

Appendix 6 – Contingency (as at 31 July 2025)

Description	£'000
2025-26 Budget Contingency	455
Additional resource requirements for Assurance and Compliance, Partners and Policy departments	(115)
FTP resource and operational build-up to address BAU activities and case timeliness	(215)
Contingency increase	150
Total Contingency Available	275

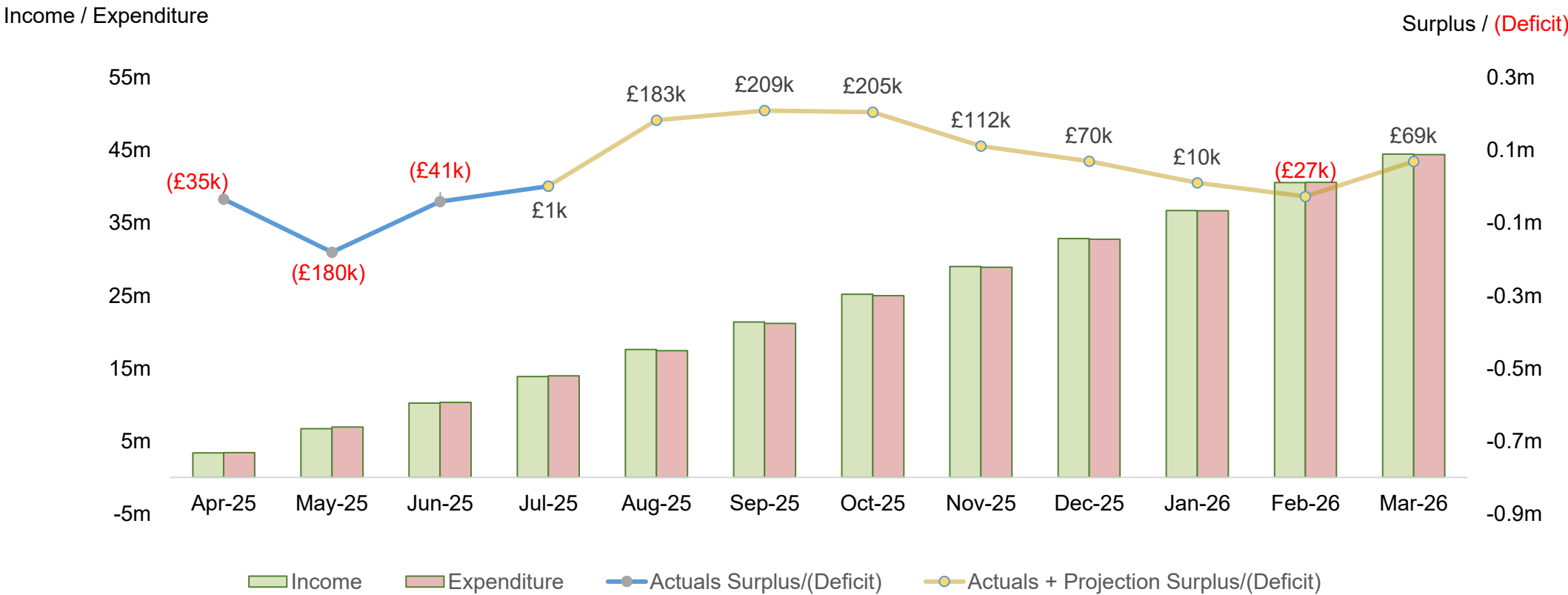
Appendix 7 – 2025–26 Budget Profile

2025-26 Budget (Running Total)



Appendix 8 – 2025-26 Full Year Projection (By Period)

2025-26 Projection (Running Total)



Note. Actual + Projection is based on July 2025 YTD actuals plus forecast
Surplus/Deficit figures excludes exceptional legal costs funded from reserves.
The above shows a breakeven projection if we take the July 2025 year-to-date position with the forecasts for the rest of the year.

Appendix 9 – Cashflow Forecast (as at 31 July 2025)

