

Council, 1 July 2014

Finance Report

Executive summary and recommendations

**Introduction**

The report sets out the main activities of the Finance Department since the last meeting of Council. It includes statistical information and highlights key work undertaken.

**Decision**

The Council is asked to discuss the report.

**Background information**

None

**Resource implications**

The resources for the Department are set out in the annual workplan and budget 2014-15.

**Financial implications**

None

**Appendices**

Finance Report

**Finance Department Report and  
Management Information Pack**  
Andy Gillies, Finance Director  
June 2014

## 1. Core processes

The department's main focus in May and June has been the preparation and audit of the 2013-14 Annual Report and Accounts. Also:

- salary changes for 2014-15 were processed in April
- our accounting software suppliers visited in June to check and correct access rights in the system. Changes have been made to ensure only necessary access is available to each member of the department and segregation of duties is maintained
- Month 1 and 2 management accounts have been produced. The Month 2 accounts are attached
- there have been no significant issues with payments to staff or suppliers.

## 2. Projects

The business case for the Finance Systems Upgrade project (Sage and PRS) was approved by EMT. The Direct Debit review project will shortly begin initiating. A project has been established to achieve compliance with the Information Commissioner's Office's model Freedom of Information Act publication scheme, which Finance will lead.

## 3. Treasury

At the end of May 2014, we had total cash and deposits of £13.7m, of which £1.9m was held in short term accounts at Lloyds and NatWest, earning up to 1.25%. The following have been invested for longer periods at fixed rates:

<b>Bank</b>	<b>Deposit amount £m</b>	<b>Term Months</b>	<b>Maturity date</b>	<b>Interest rate %</b>
Santander	1.5	12	11 July 2014	1.40
Barclays	1.0	6	21 July 2014	0.54
Barclays	1.0	9	20 October 2014	0.71
Barclays	1.0	12	20 January 2015	0.85
NatWest	2.0	12	20 January 2015	0.656
Santander	2.0	12	3 February 2015	1.00
Lloyds	2.5	12	1 April 2015	1.10
<b>Total</b>	<b>11.0</b>			

All of the banks we use meet the minimum credit rating in the investment policy.

#### 4. Procurement

Tenders have been received and contracts are being finalised with the successful bidders for secure printing services, recording and transcription services and the M&E consultant for the 186 KPR project. Bids have been received and are being evaluated for the HR & Partners system.

#### 5. Audits

The National Audit Office's final audit of the 2013-14 accounts is substantially complete and has been successful. The draft Annual Report and Accounts and the NAO's audit completion report are also on the agenda and both will have been discussed by the Audit Committee on 24 June.

#### 6. Staffing

We have appointed to the Management Accountant post which had been filled on an agency basis since August 2013. The new postholder is due to start on July 21 and comes from a finance business partner role in a large facilities management company. We have also filled the fixed term contract Transactions Officer post.

#### 7. Management Accounts for May 2014

##### Income and expenditure

The month 2 management accounts show an operating surplus for the first 2 months of 2014-15 of £103k. The budgeted position after 2 months was an operating deficit of £469k, so the actual operating result is £572k better than expected. The £572k includes:

- *Adverse variance of £159k on income.* Income is 4% behind budget overall (£4,176k actual income vs £4,336k budget). Variances on scrutiny fees may be due to timing differences on the budget, but the renewal fee, which is 86% of the income budget, should accrue evenly through the year and that line has a 2% adverse variance.
- *Favourable variance of £176k on payroll costs.* This is caused by vacant posts and is a permanent saving.
- *Favourable variance of £555k on non-payroll costs.* All departments except for Major Projects are showing underspends on non-payroll costs. (Major Projects' budgets are not yet uploaded so their apparent overspend can be disregarded). However, results in the first months of the year are often affected by timing differences carried over from the previous year end, so the non-payroll underspend cannot be counted on as a permanent saving at this stage.

The Fitness to Practise department identified that their 2014-15 budget for the fixed price legal services contract was included without VAT. The gross full year understatement is £650k, but FTP estimate that the net effect, including adjustments on other cost lines, is that the department's budget would be overspent by £230k overall.

**Balance sheet and cash flow**

The balance sheet and the cash flow statement show a cash outflow of £2.4m over the first two months of the year, and a corresponding £2.3m reduction in the deferred income balance. The cash flow forecast prepared with the 2014-15 budget anticipated a cash outflow of £1.3m in the first two months.

The shortfall relates mainly to fee receipts. As shown by the cash flow graph, fee receipts of £3.2m were anticipated, but only £1.8m has been received in the first two months. Physiotherapists were in renewal over the year end, and many had in fact paid their fees before the end of 2013-14. However, the cash flow forecast assumed that £2m cash would be received from physiotherapists in April and May.

**Management Accounts**  
**31 May 2014**  
Andy Gillies, Finance Director

## Management Accounts

May 2014

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**Commentary for Core Departments  
Income & Expenditure YTD May 2014.**

**Income**

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Total Income</b>	4,176,229	4,335,558	159,329	(4%)	Income is 4% behind budget (£159k) overall. Renewal fees are <b>£78k (2%)</b> behind budget. Graduate registration fees, readmission fees and UK scrutiny fees are also behind budget by <b>15%, 48%</b> and <b>58%</b> respectively, but the budgets for those items have been spread evenly through the year so the shortfall may be seasonal variation. International scrutiny fees are <b>£62k</b> ahead of budget year to date. By profession, main variances are Radiographers <b>£5k</b> ahead of budget offset by Physiotherapists ( <b>£34k</b> ), Paramedics ( <b>£29k</b> ) and Occupational Therapists ( <b>£25k</b> ) behind budget.

**Expenditure**

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Chair</b>	7,424	14,690	7,266	49%	<b>£7k</b> Underspent, underspends largely due to timing differences in Council Committee costs .
<b>Chief Executive</b>	56,053	64,125	8,072	13%	<b>(£4k)</b> Payroll overspend due to misposting, to be corrected in period 3. <b>£5k:</b> Underspends in Travel & Subsistence <b>£10k</b> Professional fees underspends to end of period 2.
<b>Council</b>	18,365	32,843	14,478	44%	<b>£14k</b> underspends largely due to accruals from prior year relating to council and committee costs yet to be matched.
<b>Communications</b>	176,986	254,536	77,550	30%	<b>£20k</b> payroll underspends due to 3 vacant posts <b>£55k net</b> underspend in Campaigns, Internal Comms, Meet the HCPC events and Web; largely due to timing differences.
<b>Education</b>	181,371	227,178	45,807	20%	<b>£7k</b> Payroll underspend due to one vacant post - Education Officer <b>£27k</b> Partners savings: underspends largely due to 21% lower than budgeted approval visits and a 50% lower than budgeted annual monitoring days. <b>£7k</b> Travel & Subsistence: underspends attributable to reduced number of assessment days and approval visits.
<b>Facilities Management</b>	377,766	471,720	93,954	20%	<b>£6k</b> payroll savings including one vacant post (now filled). <b>£38k</b> underspends on office services: small equipment < £1k was <b>£11k</b> underspent while printing & stationery and other office services were both underspent by <b>£11k</b> and <b>£16k</b> respectively. <b>£35k</b> underspends on property related expenses where £9k underspends is directly attributable to 33 Stannary Street. <b>£12k</b> underspends on professional fees.
<b>Finance</b>	160,069	185,306	25,237	14%	<b>£2k</b> Payroll: Underspends due to timing differences re: temporary staff costs recovery. <b>£13k</b> Professional fees: Underspends on procurement-related legal advice <b>£10k</b> , and other professional fees <b>£3k</b> . <b>£8k</b> Specific dept Costs: Underspends on bank charges due to timing differences



## Expenditure

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Fitness to Practise</b>	1,818,671	1,983,463	164,792	8%	<b>£31k</b> Underspends in payroll due to vacant posts. <b>(£8k)</b> Overspends on office services: ytd overspends on printing & stationery <b>(£7k)</b> and net £1k in other office services related costs <b>£78k</b> underspend on partners. <b>£6k</b> net underspend on professional fees. <b>£41k</b> underspend on small projects. <b>£19k</b> net underspend on specific dept costs. VAT omission from legal services budget understates cost by £650k gross over full year; estimated net effect including adjustments on other lines is overspend of £230k
<b>Human Resources</b>	67,781	116,249	48,468	42%	<b>£39k</b> underspends on payroll: <b>£27k</b> underspends relating to staff recruitment costs, <b>£6k</b> underspends relating to payroll contingency and HR dept staff cost underspends of £6k. <b>£10k</b> Underspends on professional fees: Legal expenses <b>£6k</b> and other professional fees <b>£5k</b> .
<b>Human Resources Partners</b>	61,208	137,006	75,798	55%	<b>£77k</b> underspend on partner recruitment and training costs: <b>(£3k)</b> overspends on staff costs due to temp cover and overtime coming over budget .
<b>IT Department</b>	534,180	598,801	64,621	11%	<b>£10k</b> underspends on payroll due to vacant posts <b>£59k</b> underspends on software support & maintenance, and managed web/internet services <b>(£3k)</b> overspend on staff training, due to timing differences
<b>Major Projects</b>	58,739	0	<b>(58,739)</b>	#DIV/0!	Budget does not yet include projects not yet formally approved
<b>Operations Office</b>	86,531	123,259	36,728	30%	<b>£16k</b> payroll: due to 2 vacancies compared to budget (Personal Assistant and Business Analyst). Specific Department Costs: Underspends <b>£14k i.e. £11k</b> training and <b>£3k</b> other specific dept costs. <b>£6k</b> professional fees: Variance due to timing differences and unmatched accruals from prior year
<b>Policy</b>	48,832	43,117	<b>(5,715)</b>	<b>(13%)</b>	<b>(£6k)</b> - Overspends in staffing, due to omissions in the budget.
<b>Registration</b>	395,430	503,179	107,749	21%	<b>£39k</b> Underspends in staffing due to vacant posts <b>£34k</b> underspend on Office services <b>£36k</b> Underspends on Partners: Timing difference
<b>Secretariat</b>	23,363	48,592	25,229	52%	<b>£18k</b> underspends in Staffing, includes permanent saving on maternity cover, and misposting with CEX which will reverse
	<b>4,072,767</b>	<b>4,804,063</b>	<b>731,296</b>	<b>15%</b>	
<b>Depreciation</b>	126,660	124,918	<b>(1,742)</b>	<b>(1%)</b>	Minor Variance

## Income and Expenditure

Accounting Period

[Period 2 14-15](#)

Cost Centre Code

[All Cost Centres](#)

Cost Centre Name

[All Cost Centres](#)

Department Name

[All Departments](#)

	Movement in period	Movement YTD	Budget YTD	Variance YTD	% Variance YTD
Graduate Registration fees	108,180	219,806	258,882	39,076	15
Readmission fees	14,220	31,715	61,423	29,708	48
Renewal fees	1,835,816	3,673,631	3,751,797	78,166	2
International scrutiny fees	81,500	196,700	134,903	(61,797)	(46)
Grandparenting fees	0	0	0	0	
UK scrutiny fees	30,316	54,378	128,553	74,175	58
<b>Registration Income</b>	<b>2,070,032</b>	<b>4,176,229</b>	<b>4,335,558</b>	<b>159,329</b>	<b>4</b>
Cheque/credit card write offs	0	0	0	0	
<b>Total Income</b>	<b>2,070,032</b>	<b>4,176,229</b>	<b>4,335,558</b>	<b>159,329</b>	<b>4</b>
Chair	4,665	7,424	14,690	7,266	49
Chief Executive	32,555	56,053	64,125	8,072	13
Council & Committee	26,767	18,365	32,843	14,478	44
Communications	124,154	176,986	254,536	77,550	30
Education	89,912	181,371	227,178	45,807	20
Facilities Management	275,433	377,766	471,720	93,954	20
Finance	67,648	160,069	185,306	25,237	14
Fitness to Practise	1,382,785	1,818,671	1,983,463	164,792	8
Human Resources	40,462	67,781	116,249	48,468	42
Human Resources Partners	65,876	61,208	137,006	75,798	55
IT Department	440,386	534,180	598,801	64,621	11
Major Projects	25,945	58,739	0	(58,739)	
Operations Office	57,112	86,531	123,259	36,728	30
Policy	28,557	48,832	43,117	(5,715)	(13)
Registration	188,394	395,430	503,179	107,749	21
Secretariat	12,010	23,363	48,592	25,229	52
<b>Operating expenditure</b>	<b>2,862,661</b>	<b>4,072,767</b>	<b>4,804,063</b>	<b>731,296</b>	<b>15</b>
<b>Operating Surplus/(Deficit)</b>	<b>(792,628)</b>	<b>103,462</b>	<b>(468,505)</b>	<b>(571,967)</b>	<b>(122)</b>
Depreciation	63,162	126,660	124,918	(1,742)	(1)
Costs Relating to Herbal Medicine	0	0	0	0	
Payroll costs for secondment to DOH	0	0	0	0	
Investment Income	14,814	19,102	0	(19,102)	
Impairment on Freehold land and buildings	0	0	0	0	
Impairment of Intangible Assets	0	0	0	0	
<b>Total surplus/(deficit)</b>	<b>(840,976)</b>	<b>(4,096)</b>	<b>(593,423)</b>	<b>(589,327)</b>	<b>(99)</b>

## Operating expenditure split between payroll and non-payroll costs

Accounting Period [Period 2 14-15](#)  
 Cost Centre Name [All Cost Centres](#)  
 Department Name [All Departments](#)

	Total movement in period	Payroll costs				Non-payroll costs				Total costs			
		Movement YTD	Budget YTD	Variance YTD	% Variance YTD	Movement YTD	Budget YTD	Variance YTD	% Variance YTD	Movement YTD	Budget YTD	Variance YTD	% Variance YTD
Chair	4,665			0		7,424	14,690	7,266	49	7,424	14,690	7,266	49
Chief Executive	32,555	45,491	41,919	(3,572)	(9)	10,562	22,206	11,644	52	56,053	64,125	8,072	13
Council & Committee	26,767					18,365	32,843	14,478	44	18,365	32,843	14,478	44
Communications	124,154	90,341	110,570	20,229	18	86,645	143,966	57,321	40	176,986	254,536	77,550	30
Education	89,912	113,535	120,670	7,135	6	67,836	106,508	38,672	36	181,371	227,178	45,807	20
Facilities Management	275,433	35,033	41,440	6,407	15	342,733	430,280	87,547	20	377,766	471,720	93,954	20
Finance	67,648	88,993	90,623	1,630	2	71,076	94,683	23,607	25	160,069	185,306	25,237	14
Fitness to Practise	1,382,785	522,525	553,816	31,291	6	1,296,146	1,429,647	133,501	9	1,818,671	1,983,463	164,792	8
Human Resources	40,462	46,726	86,070	39,344	46	21,055	30,179	9,124	30	67,781	116,249	48,468	42
Human Resources Partners	65,876	26,686	23,313	(3,373)	(14)	34,522	113,693	79,171	70	61,208	137,006	75,798	55
IT Department	440,386	87,437	97,051	9,614	10	446,743	501,750	55,007	11	534,180	598,801	64,621	11
Major Projects	25,945			0		58,739	0	(58,739)		58,739		(58,739)	
Operations Office	57,112	60,340	76,725	16,385	21	26,191	46,534	20,343	44	86,531	123,259	36,728	30
Policy	28,557	43,281	36,829	(6,452)	(18)	5,551	6,288	737	12	48,832	43,117	(5,715)	(13)
Registration	188,394	240,774	280,162	39,388	14	154,656	223,017	68,361	31	395,430	503,179	107,749	21
Secretariat	12,010	22,306	40,545	18,239	45	1,057	8,047	6,990	87	23,363	48,592	25,229	52
<b>Operating expenditure</b>	<b>2,862,661</b>	<b>1,423,468</b>	<b>1,599,733</b>	<b>176,265</b>	<b>2</b>	<b>2,649,301</b>	<b>3,204,331</b>	<b>555,030</b>	<b>5</b>	<b>4,072,769</b>	<b>4,804,064</b>	<b>731,295</b>	<b>15</b>

## Statement of Financial Position

Account by Category

[All Categories](#)

Accounting Period

[Period 2 14-15](#)

	Balance	Prior Year Balance To Close
<b>Non-current assets</b>		
Land & buildings, at cost or valuation	3,187,979	3,185,000
Land & buildings depreciation	(3,250)	0
	<u>3,184,729</u>	<u>3,185,000</u>
Computer equipment, at cost	445,772	465,457
Computer equipment depreciation	(280,529)	(287,164)
	<u>165,243</u>	<u>178,293</u>
Office furniture and equipment, at cost	357,891	357,891
Office equipment depreciation	(239,251)	(230,958)
	<u>118,640</u>	<u>126,933</u>
Intangible assets	5,426,981	5,363,658
Intangible depreciation	(4,208,840)	(4,106,773)
	<u>1,218,141</u>	<u>1,256,885</u>
<b>Total non-current assets</b>	<u>4,686,753</u>	<u>4,747,110</u>
<b>Current assets</b>		
Other current assets	240,829	618,960
Cash & cash equivalents	13,662,140	16,038,062
	<u>13,902,969</u>	<u>16,657,022</u>
<b>Total assets</b>	<u>18,589,722</u>	<u>21,404,132</u>
<b>Current liabilities</b>		
Trade and other payables	632,573	806,716
Other liabilities	1,469,659	1,767,589
Deferred income	13,476,662	15,814,904
	<u>15,578,894</u>	<u>18,389,209</u>
<b>Total assets less liabilities</b>	<u>3,010,828</u>	<u>3,014,923</u>
General fund b/fwd	(3,014,923)	(2,166,787)
This period surplus/deficit	4,096	(725,227)
Grant income	0	(122,909)
General fund c/fwd	<u>(3,010,828)</u>	<u>(3,014,923)</u>

**Management Accounts to 31 May 2014**  
**Summary of Capital Expenditure**

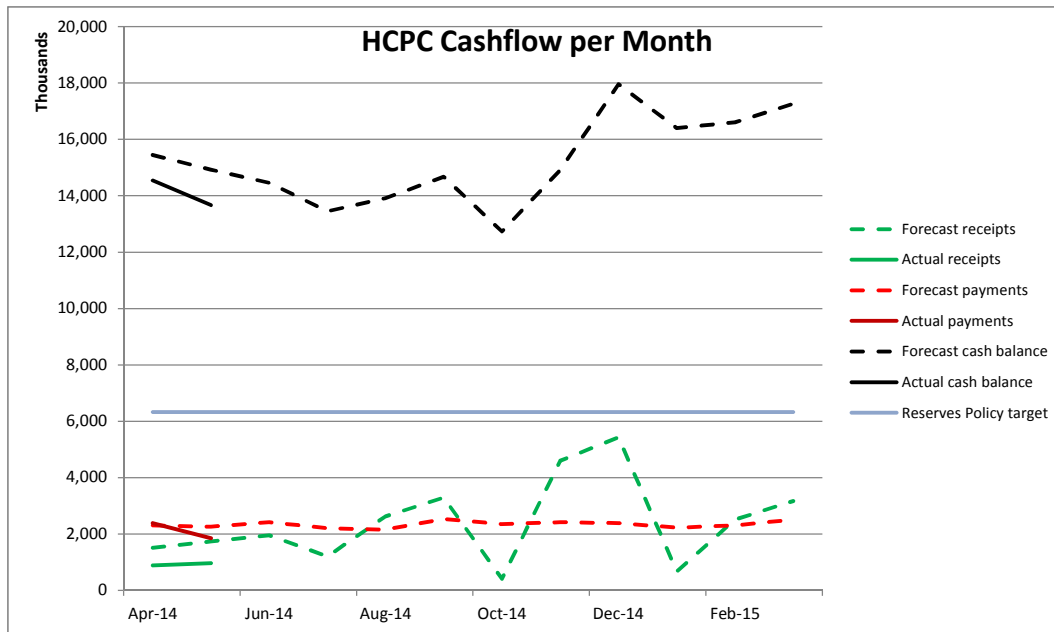
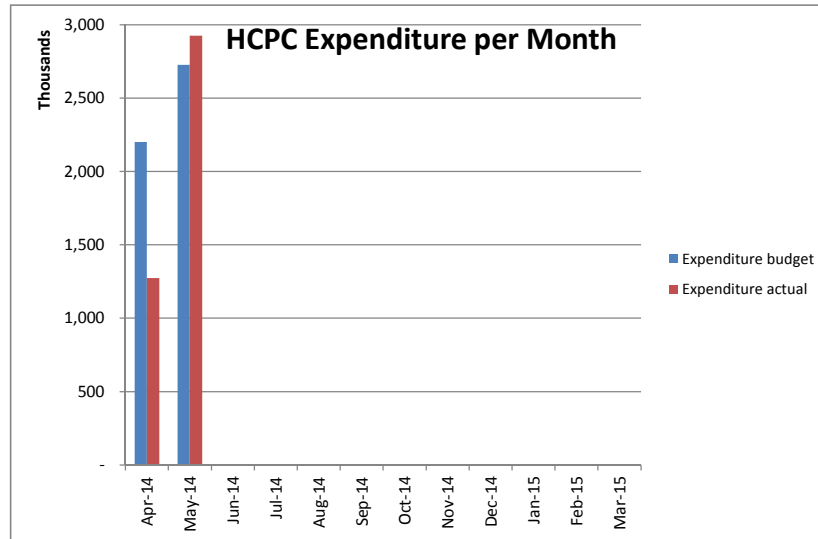
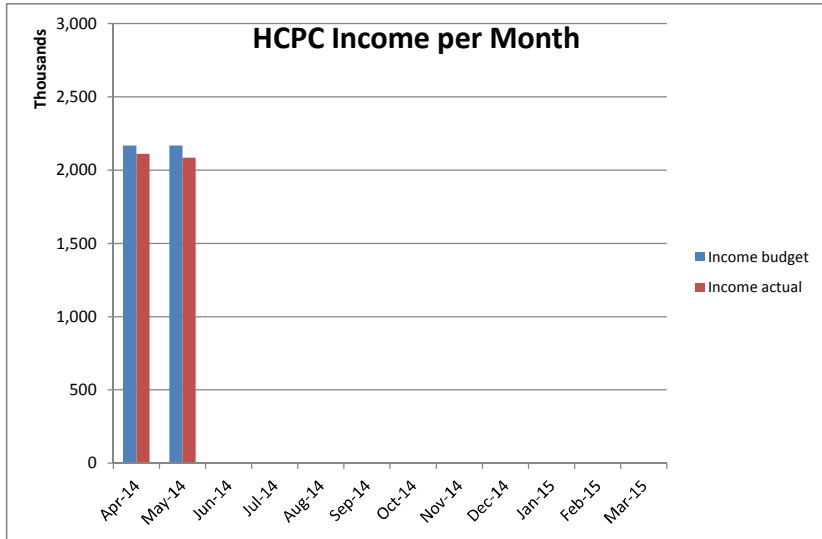
	<b>Actual YTD £</b>	<b>Budget 2014/15 Full Year £</b>
<u>Office Equipment</u>		
Coffee machines	-	10,000
Installation Air Condition Stannary Street	-	10,000
Replacement Colour Copier	-	14,000
Replacement B&W Copier	-	12,000
	-	<b>46,000</b>
<u>Information Technology</u>		
Software Licences	13,273	43,075
Hardware replacement (servers, switches & drives)	-	23,397
Hardware new services & starters	-	124,000
	<b>13,273</b>	<b>190,472</b>
<u>Major Projects</u>	<b>53,030</b>	<b>2,683,399</b>
<b>Total Capital Expenditure</b>	<b>66,303</b>	<b>2,919,871</b>

	<b>Actual YTD £</b>	<b>Budget 2014/15 Full Year £</b>
<b>Summary of Project Expenditure</b>		
<b>Capital expenditure</b>		
MP63 HR & Partners System & Process Review Phase 1	-	5,508
MP64 Education System Build Project	49,619	513,567
MP67 NetRegulate Changes 2013	432	
MP70 Project 186 Kennington	2,979	
Other Other projects, budgeted but not initiated	-	2,164,324
	<b>53,030</b>	<b>2,683,399</b>

**Management Accounts to 31 May 2014****Cash Flow Statement****From 1 April 2014**

	<b>Year to date budget £</b>	<b>Year to date actual £</b>
Operating surplus/(deficit)	(468,505 )	103,462
Decrease/(increase) in debtors & prepayments	247,775	378,131
Increase/(decrease) in creditors		(472,072 )
(Decrease)/increase in deferred income	(1,092,187 )	(2,338,242 )
<b>Net cash in/(out)flow from operating activities</b>	<b>(1,312,917 )</b>	<b>(2,328,721 )</b>
<b>Return on investments and servicing of finance</b>		
Investment Income		19,102
<b>Taxation</b>		0
<b>Capital expenditure and financial investments</b>		
Purchase of tangible assets		(66,303 )
<b>Financing</b>		
Income from DOH		0
<b>Increase/(decrease) in cash</b>	<b>(1,312,917 )</b>	<b>(2,375,921 )</b>
Cash at 1 April 2014	16,243,000	16,038,062
Cash at end of period	14,930,083	13,662,140
<b>Cash movement</b>	<b>(1,312,917 )</b>	<b>(2,375,921 )</b>

**Management Accounts to 31 May 2014**  
**Graphs**



The increase in budgeted and actual expenditure budget in May includes the reprofiling of insurance premiums and software licence fees which are paid at the start of the financial year. Those have been charged in full in May.

April expenditure was also reduced by the reversal of accruals made for the 2013-14 year end, and the omission of an accrual at the April month end for the legal services contract. Both April and May's costs on the legal services contract were charged in May.

**Management Accounts to 31 May 2014**  
**Graphs - cumulative**

