HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS
FOR THE 9 MONTHS ENDED 31st December 2003

COMMENTARY

INTRODUCTION

These accounts have been compared to budget version 5, the final version which was approved by the Council in December.

The results up to the end of December have been boosted by two material factors, viz. a further revenue grant from the Department of Health for £205,000 and a revaluation of the premises which has resulted in a boost to our reserves of £452,000.

The revenue grant was provided following our request for assistance with the recruitment and training of partners and further legal costs charged by Bircham Dyson Bell.

The premises were revalued at £1,700,000. This compared to our previous revaluation of £1,300,000 less accumulated depreciation. Of the £1,700,000, £500,000 refers to land. The balance of £1,200,000 is depreciated over 50 years, although we are obliged to revalue again in 5 years, with an interim valuation in 3 years. £1,100,000 of the total valuation refers to Park House and £600,000 refers to 20 Stannary Street.

DETAILED SUMMARY

After nine months of the financial year, we budgeted an operating deficit of £1,241,287. The actual result for the period was a deficit of £1,241,084, a saving on budget of £203. Effectively therefore, the organisation is on budget after 9 months. A surplus is anticipated in the final quarter to reduce the operating deficit to the budget of £(923,933).

The operating deficit is boosted by the unbudgeted unrealised gains on the investment portfolio, which have now risen to £263,024 in the 9-month period, and the building revaluation surplus of £452,000. This means that the opening reserves are diminished by £526,060 at this time (see balance sheet).

After 9 months income totalled £4,855,639 with overheads at £6,096,723, thus giving the operating deficit of £1,241,084. Whilst this deficit was almost the same as budget, the mix of variances between income and expenditure is worth noting. Registration income is £319,770 below budget. This is occasioned by less than anticipated income over most professions but, as shown page 3, was due to much less International Scrutiny and Grandparenting fees than budgeted and also reductions in Registration and Readmission Fees.

Significant reductions in International Scrutiny Fees were Medical Laboratory Scientific Officers (£36,000), Occupational Therapists (£39,000), Radiographers (£9,000) and Speech and Language Therapists (£11,000). The main source of Grandparenting reductions were Chiropodists (£109,000) and Physiotherapists (£34,000). Chiropodists were down £48,000 on registrations, Paramedics down £20,000 on registrations and readmissions, Radiographers down £9,000 on readmissions and Speech and Language Therapists down £12,000 on registrations. These shortfalls total £327,000 which is reduced to about £320,000 by some favourable variances.

Investment income is £7,000 above budget and Grants £205,000 up as discussed above.

Overall income is a net £107,539 below budget.

Departmental Expenditure at £6,096,723 is £107,742 better than budget. Most departments have savings (the operations budget is £135,000 better than budget compensating for the lack of activity in international scrutiny and grandparenting), but there are overspends in Chief Executive (higher than budgeted travel costs), Administration (temporary staff, security, printing and stationery, net of underspends on most other expense codes), Legal Services (Bircham Dyson Bell costs somewhat mitigated by an underspend on Fitness to Practise legal costs) and Human Resources (Legal Expenses: Employment law).

OVERHEADS

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Council and committee expenses, Property services, Computer services, Communications and Partners, all within budget overall. Staff travelling and Property services are only marginally over budget. Office services are overspent due to printing and stationery and postage. Payroll expenses are overspent mainly due to increased temporary staff costs, staff recruitment and other payroll expenses, which tends to cover one-off payments (for whatever reason) to leavers. Specific departmental expenses are overspent and under spent over a number of the items in the cost centre. The main adverse variance is due to Bircham Dyson Bell as mentioned earlier.

BALANCE SHEET

The balance sheet reflects the revalued Land and Buildings, the Computer Equipment (relating to both the operational hardware and the LISA system) and Office Furniture and Equipment. To this is added the Investment Portfolio at a valuation of £1,235,776, resulting in Total Fixed Assets. Working capital is a negative £711,420: this includes a debtor for the Department of Health grant of £205,000 which was received in January. The bank overdraft was showing at £91,285 and whilst the facility is in place until June is now unlikely to be used significantly. Deferred income (i.e. income received but not yet due to be released to the Income and Expenditure Account) currently stands at £2,719,845. The Net Assets are £1,152,028 which is represented by the Capital Grant Receivable (released to the Income and Expenditure Account) of £669,646 and the Accumulated Fund of £482,382 (£1,008,442 at the beginning of the financial year less the net deficit for the year to date).

CASH FLOW

The cash flow statement indicates the cash movement from 1st April 2003 to the current month. The cash movement when compared with the deficit can often be significantly different. To arrive at the cash movement, all non cash items, e.g. depreciation, are removed and balance sheet movements taken into consideration. The net cash outflow from operating activities for the first nine months of the financial year was £500,822.

The two other areas of cash movement are return on investments and capital expenditure and financial investments. Investment income is mainly made up of dividends from the HPC's portfolio of shares together with some interest on the business reserve account. The LISA system comprises the majority of the £511,741 spent on fixed assets. Our stockbrokers sold a significant number of shares due to the upturn in the market and our cash requirements earlier in the year, hence the £366,665 of proceeds of sale of investments.

The overall decrease in cash was £596,209 reflected in the cash movement on the balance sheet from 31st March 2003 until the end of December (bank balance at the end of March of £504,924 compared with an overdraft of £91,285 at the end of December.)

CONCLUSION

The cash flow problems which manifested themselves earlier in the year are now largely solved and the overdraft facility whilst in place is unlikely to be used significantly.

It is encouraged that operationally we are now on budget with only three months left of the year and with the added bonus of the reserves being boosted by the new grant and the revaluation of the property.

Operationally overheads are being properly controlled although income (especially grandparenting and international scrutiny fees) remains less than forecast.

PAUL BAKER
Finance Director
January 2004