

# **HEALTH PROFESSIONS COUNCIL**

## **MANAGEMENT ACCOUNTS FOR THE 4 MONTHS ENDED 31<sup>st</sup> July 2004**

### **COMMENTARY**

#### **INTRODUCTION**

These accounts have been compared to budget version 3, which was agreed by the Finance and Resources Committee on 17<sup>th</sup> March 2004. There has been a slight change to the format of the management accounts for 2004/05, with investment income disclosure at the bottom of the summary.

#### **DETAILED SUMMARY**

After four months of the financial year, we budgeted an operating deficit of £304,305. The actual result for the period was a deficit of £278,229, a favourable variance of £26,076. Over the financial year the budgeted deficit will become a surplus as the final professions pay the increased renewal fees.

After 4 months income totalled £3,054,139 with overheads at £3,332,368, thus giving the operating deficit of £278,229.

#### **INCOME**

Registration income is £92,946 above budget. For this years budget, HPC took a pessimistic view to registration fees, international scrutiny fees and grandparenting scrutiny fees. At this early stage it looks like HPC was too pessimistic as registration fees (£84,103 above budget), international scrutiny fees (£92,162 above budget) and grandparenting scrutiny fees (£74,451 above budget) are all significantly above budget. The reverse side of this is that HPC has overstated renewal fee income. During the financial year 2003-04 a large number of registrants deregistered. This number was significantly higher than previous years and was mainly due to an increase in registrants voluntarily deregistering. This has clearly affected renewal fee income, with this type of income down on budget by £152,231.

This is most significantly highlighted when we consider Chiropodist income. Total income for Chiropodists is £219,389 against a budget of £132,921 a favourable variance of £86,468. This is made up of increased grandparenting income, which has a knock-on effect by increasing registration fee income, successful grandparenting applicants paying a registration fee.

Investment income is £17,703 above budget, due to deposits on the money market and some large dividend payments early in the financial year.

#### **DEPARTMENTS**

Departmental expenditure at £3,332,368 is £66,872 in excess of budget. Most of the departments have savings, but three departments have overspends: Registration, Administration and Fitness to Practise. Registration is overspent due to the increased number of registrant assessments but this is funded by the increase in international and grandparenting scrutiny fees. Fitness to practise is in excess of budget due to the number of legal cases and inevitable costs for lawyers, shorthand writers etc. Administration is currently over budget due to the building refurbishment work. This is being monitored closely so that any overspend can be minimalized. Also, the registrations appeal process will incur costs that were

unbudgeted, the most significant costs being the lawyers present at the appeals (Bircham Dyson Bell).

## OVERHEADS

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Payroll, Council and Committee Expenses, Office Services, Computer Services and Communications all within budget overall. Staff travelling and subsistence is overspent due to the increased number of events that are being attended by staff. This increases the costs for fares and subsistence (hotel costs, etc). Partners are overspent due to the increased activity in applications and costs for registration assessors as mentioned earlier. Specific departmental expenses are overspent due to legal expenses (Kingsley Napley and Bircham Dyson Bell) as mentioned earlier.

## BALANCE SHEET

There has been very little activity in the opening four months to affect the balance sheet. Working capital is £1,045,345, showing HPC in a good financial position. This has reduced over the first quarter as none of the larger professions have paid renewal fees. Deferred income (i.e. income received but not yet due to be released to the Income and Expenditure Account) currently stands at £4,551,473. This is a reduction from March 2004 as some of the then deferred income has been realised as income in the first four months. The Net Assets are £728,755 which is represented by the Capital Grant Receivable (being released to the Income and Expenditure Account) of £523,161 and the Accumulated Fund of £205,594 (£443,987 at the beginning of the financial year less the net deficit for the year to date). The current deficit is budgeted to peak in July 2004 and will then improve as HPC will begin to make a surplus in the months after July 2004. During the month of July HPC made a small surplus.

## CASH FLOW

The cash flow statement indicates the cash movement from 1<sup>st</sup> April 2004 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 four months of the financial year was a decrease of £764,430. The reason for this, as mentioned in the balance sheet, is due to a large amount of income being released from deferred income.

There have been no major movements in investments or capital expenditure.

The overall decrease in cash was £793,812 reflected in the cash movement on the balance sheet from 31<sup>st</sup> March 2004 until the end of July (bank balance at the end of March of £2,407,980 compared with £1,614,168 at the end of July.)

## CONCLUSION

Income is above budget due to increased registration fees and application fees. Some of these gains are offset by an overestimate of renewal fees, in particular, no. of deregistered registrants. Unfortunately the new profession ODP's will not be paying in September so income for this profession will be less than budgeted.

On the whole, overheads are in line with budget with the cost of registrant assessors increasing due to the increased activity of applications. The Fitness to Practise department will be over budget for the year due to the level of cases and registration appeals as mentioned earlier. An anticipated "latest estimate" for Fitness to Practise is currently in the course of preparation. HPC will endeavour to find savings to offset these overspends. The department of communications have agreed to make a saving of £100K - £150K to mitigate some of these overspends.

HPC is in a good financial position, in particular cash balances, and over the financial year the organisation will begin to make surpluses thus increasing its reserves.

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**August 2004**