

HEALTH PROFESSIONS COUNCIL
MANAGEMENT ACCOUNTS
FOR THE 5 MONTHS ENDED 31st August 2003
COMMENTARY

INTRODUCTION

These accounts have been compared to the original, un-amended budget.

The deficit before unrealised gains on investments of £217,167 is £760,866 against a budgeted deficit of £884,115. This is better than budget by £123,249. A relatively high deficit is budgeted for at this early stage as the increased income from registration fees did not come into effect until 9th July 2003. Also some of the larger professions will not be paying their renewal fees until later in the financial year.

Income total for the period is £2,712,630, against a budget of £2,880,926, an adverse variance of £168,296 (5.84%). Operating expenses total £3,473,496 against a budget of £3,765,041, a favourable variance of £291,545 (7.74%).

INCOME

Registration income is £1,646,148 against a budget of £1,823,426 an adverse variance of £177,278 (9.72%). The adverse variance is due to processing less international and grandparenting fees as initially budgeted. This has a knock on effect on the number of registration fees taken (applicants becoming registrants). Also in July, no money was taken from the 1st to 9th of July, due to training and data migration to enable the LISA system to go live on the 9th July. The registration departments as a whole have been extremely busy over July and August dealing with telephone calls and this has had an adverse effect on the number of receipts taken onto the system in these months. In light of this, a support team has been introduced, mainly to deal with renewal payments and UK applications.

Restoration fees are currently under budget by 59.18%. The budget is based on the pattern of fees from last year. It is anticipated that over the rest of the year the amount of restoration fees will catch up with the budgeted amount.

There was a possibility that the Paramedics would not pay their renewal fees. After meetings with their unions this problem was largely resolved and direct debits have been collected and cheques are continuing to be received in respect of the renewal fees.

Investment income excluding unrealised gains is above budget by 33.88%. This is due to some large dividends in the opening 3 months of the financial year. The stock market has shown a recovery over the last 5 months, which is indicated by the unrealised gain of £217,167.

Department of Health revenue grant is £1,029,664 against a budget of £1,030,000. The DoH revenue grant has been fully spent for 2003/04, with the final invoice for payment sent in August.

EXPENDITURE

Operating Expenses total £3,473,496 against a budget of £3,765,041 a favourable variance of £291,545 (7.74%). Most departments are within budget with some relatively large savings within communications, IT and operations. The communications department has savings for the launch event in Edinburgh and listening event in Jersey, also any student/graduate

communications program will not begin until the second half of the financial year. Within IT the depreciation associated with LISA was budgeted to begin in July, but in reality the LISA system will not begin to be depreciated until September. The majority of the favourable variance within operations is due to international and grandparenting assessment fees. As mentioned earlier, there have been fewer applications processed and hence less assessment fees have been paid.

Human resources expenditure is £176,930, against a budget of £147,812 an adverse variance of £29,118 (19.70%). This is due to the partner recruitment and training program costing more than envisaged (travel and subsistence of interviewers).

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Payroll, Staff travelling and subsistence, Council and committee expenses, Office services, Computer services, Partners, Communications and Specific departmental expenses, all within budget overall. The only group that is overspent is Property Services, but the amount is relatively small 1.18%.

BALANCE SHEET

Further expenditure on the LISA project will not be funded by the DoH, hence £753,351 will be the final figure for capital grant receivable. This grant is released into the income and expenditure account to match the depreciation charge.

The increase in computer equipment cost reflects the development of the registration system and the increase in office furniture is due to the office refurbishment and replacement of furniture.

The DoH debtor reflects the final invoice to be paid. It is expected that this will be settled in September.

HPC's working capital as at 31st August 2003 is £ (1,616,098). This has led to the overdraft facility requirement which is being put in place in July.

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 for the first five months of the financial year was £1,114,199, mainly due to the decrease in creditors and deferred income.

The two other areas of cash movement are returns on investment and capital expenditure and financial investments. Investment income is mainly made up of dividends from HPCs portfolio of shares. As mentioned in the balance sheet, the LISA system is continuing to be developed and this makes up the majority of the £470,726 spent on fixed assets. Carr Sheppards Crosthwaite on our behalf have bought and sold a significant number of shares due to the upturn in the market.

The overall decrease in cash was £1,381,298 reflected in the cash movement on the balance sheet from 31st March 2003 (Bank balance £504,924 compared with £ (876,374) as at 31st August 2003).

CONCLUSION

HPC has currently a temporary cash flow problem which has been alleviated by the overdraft facility. This is reflected in an increase in current liabilities and higher cash movement than the deficit of income and expenditure. This will be a short term problem, and once some of

the larger professions in the 2nd half of the financial year pay the increased registration fee, the overdraft facility will not be required.

After 5 months some trends are emerging. It appears that the income budget has been set too high, in particular with regard to international and grandparenting application fees and the knock-on effect on registration fees. Several areas of expenditure appear to be set too high. Some of the expenditure is linked to income e.g. registrant assessment fees, but there are other areas that appear to be set too high e.g. Council and committee expenses. With this in mind, a revised budget (version 4) has been produced and if agreed will be reported against from September onwards.

Richard Ballard
Management Accountant
September 2003

HEALTH PROFESSIONS COUNCIL

**Management Accounts
For the 5 months ended 31st August 2003**

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 31 AUGUST 2003
DETAILED SUMMARY

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
INCOME					
Professions					
Arts Therapists	19,452	20,624	(1,172)	(5.68)	52,615
Chiropodists	128,053	205,383	(77,330)	(37.65)	881,986
Clinical Scientists	36,142	40,230	(4,088)	(10.16)	165,193
Dietitians	68,870	74,023	(5,153)	(6.96)	181,672
Medical Laboratory Scientific Officers	218,932	241,383	(22,451)	(9.30)	874,345
Orthoptists	13,118	13,831	(713)	(5.16)	60,070
Occupational Therapists	271,536	280,868	(9,332)	(3.32)	1,123,894
Paramedics	100,748	104,661	(3,913)	(3.74)	444,455
Physiotherapists	419,647	448,683	(29,036)	(6.47)	1,209,505
Prosthetists & Orthotists	8,072	8,244	(172)	(2.09)	35,500
Podographers	256,653	267,377	(10,724)	(4.01)	683,798
Speech and Language Therapists	104,925	118,119	(13,194)	(11.17)	459,433
New Professions	0	0	0	0.00	60,000
Registration Income	1,646,148	1,823,426	(177,278)	(9.72)	6,232,466
Investment Income (Excluding Unrealised Gains)	36,818	27,500	9,318	33.88	66,000
	1,682,966	1,850,926	(167,960)	(9.07)	6,298,466
Department of Health Revenue Grant	1,029,664	1,030,000	(336)	(0.03)	1,030,000
Department of Health Capital Grant Released	0	0	0	0.00	188,338
					0
TOTAL INCOME	2,712,630	2,880,926	(168,296)	(5.84)	7,516,804
					0
EXPENDITURE					
Departments					
President	22,401	25,667	3,266	12.72	61,600
Council	70,056	83,016	12,960	15.61	268,331
Chief Executive	80,605	82,586	1,981	2.40	198,205
Education and Policy	354,991	355,175	184	0.05	487,819
Operations	470,905	602,601	131,696	21.85	1,613,447
Directors	157,097	183,211	26,114	14.25	470,030
IT Department	227,408	312,007	84,599	27.11	919,131
Finance	128,000	142,768	14,768	10.34	359,134
Administration	1,033,804	1,027,822	(5,982)	(0.58)	1,575,027
Legal Services	427,120	424,651	(2,469)	(0.58)	855,894
Human Resources	176,930	147,812	(29,118)	(19.70)	261,499
Communications	324,179	377,725	53,546	14.18	1,091,728
Operating Expenses	3,473,496	3,765,041	291,545	7.74	8,161,845
TOTAL EXPENDITURE	3,473,496	3,765,041	291,545	7.74	8,161,845
SURPLUS/(DEFICIT) (Excluding Unrealised Gains)	(760,866)	(884,115)	123,249	13.94	(645,041)
Investment - Unrealised Gains / (Losses)	217,167	0	217,167	0.00	0
SURPLUS/(DEFICIT)	(543,699)	(884,115)	340,416	38.50	(645,041)

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 31 AUGUST 2003

DETAILED SUMMARY

	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Income					
Registration fees	78,337	124,282	(45,945)	(36.97)	569,493
Registration fees (part year)	18,462	0	18,462	0.00	0
Restoration fees	31,046	76,052	(45,006)	(59.18)	258,600
Retention fees	1,293,689	1,287,951	5,738	0.45	4,129,890
EU Application fees	161,827	215,258	(53,431)	(24.82)	639,400
Confirmation letter fees	4,275	5,083	(808)	(15.90)	5,083
Grandparenting fees & other	58,512	114,800	(56,288)	(49.03)	630,000
	<u>1,646,148</u>	<u>1,823,426</u>	<u>(177,278)</u>	<u>(9.72)</u>	<u>6,232,466</u>

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 31 AUGUST 2003

		INVESTMENT & OTHER INCOME				
CODE		Paul Baker				
BUDGET MANAGER		Actual	Budget	Variance	Variance	Annual
		£	£	£	%	Budget
						£
Income						
Bank interest - Business Reserve		2,076	2,500	(424)	(16.96)	6,000
Portfolio income		30,081	25,000	5,081	20.32	60,000
P & L on disposal of investments (Realised)		4,661	0	4,661	0.00	0
		36,818	27,500	9,318	33.88	66,000
P & L on disposal of investments (Unrealised)		217,167	0	217,167	0.00	0

HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 31 AUGUST 2003

OVERHEAD TOTAL

Code	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Payroll					
Basic	612,061	626,185	14,124	2.26	1,514,594
Overtime	15,416	14,788	(628)	(4.25)	34,600
National Insurance	73,755	90,241	16,486	18.27	218,955
Pension costs	79,776	99,447	19,671	19.78	242,726
Medical insurance	436	417	(19)	(4.56)	1,000
Staff recruitment	20,563	15,000	(5,563)	(37.09)	15,000
Temporary staff	94,535	79,388	(15,147)	(19.08)	154,200
Other payroll expense	12,260	0	(12,260)	0.00	0
	908,802	925,466	16,664	1.80	2,181,075
Staff travelling and subsistence					
Fares	8,866	9,127	261	2.86	21,900
Car expenses and car park	1,950	2,146	196	9.13	5,150
Subsistence	5,354	8,262	2,908	35.20	19,825
Entertaining	464	2,739	2,275	83.06	6,575
Conferences	16,051	11,233	(4,818)	(42.89)	24,000
Lecturing	994	4,168	3,174	76.15	10,000
	33,679	37,675	3,996	10.61	87,450
Council and committee expenses					
Allowances	65,633	73,715	8,082	10.96	205,780
Travelling and subsistence	62,891	87,277	24,386	27.94	239,008
Conference expenses	4,361	1,875	(2,486)	(132.59)	4,500
Training	0	5,600	5,600	100.00	30,000
	132,885	168,467	35,582	21.12	479,288
Property services					
Business rates	2,244	3,750	1,506	40.16	9,000
Water	477	321	(156)	(48.60)	770
Electricity	4,562	4,167	(395)	(9.49)	10,000
Gas	299	313	14	4.61	750
Cleaning contractors	6,732	10,750	4,018	37.38	25,800
Cleaning materials	4,006	3,250	(756)	(23.26)	7,800
Waste disposal	1,518	1,083	(435)	(40.17)	2,600
Repairs and maintenance	2,000	10,417	8,417	80.80	25,000
Maintenance contracts	2,433	2,083	(350)	(16.80)	5,000
Security	52,804	55,000	2,196	3.99	55,000
Building Refurbishment	622,342	600,000	(22,342)	(3.72)	600,000
Property depreciation	10,833	10,833	0	0.00	26,000
	710,250	701,967	(8,283)	(1.18)	767,720

OVERHEAD TOTAL

Code	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Office services					
Printing and stationery	116,742	110,417	(6,325)	(5.73)	265,000
Photocopying	1,436	4,583	3,147	68.67	11,000
Microfilming	176	0	(176)	0.00	0
Postage	55,141	55,000	(141)	(0.26)	155,000
Telephone	8,146	20,833	12,687	60.90	50,000
Telephone system maintenance	0	1,333	1,333	100.00	3,200
Mobile telephone	1,322	1,481	159	10.74	3,550
Fax	1,472	625	(847)	(135.52)	1,500
Couriers	1,175	833	(342)	(41.06)	2,000
Office equipment < £500	7,813	10,500	2,687	25.59	25,200
Office equipment rental	1,808	0	(1,808)	0.00	0
Office equipment maintenance	0	0	0	0.00	0
Staff catering	4,098	5,208	1,110	21.31	12,500
Other office services	15,061	8,333	(6,728)	(80.74)	20,000
Depreciation of office equipment	29,595	29,167	(428)	(1.47)	70,000
	243,985	248,313	4,328	1.74	618,950
Computer services					
Hardware < £500	2,061	2,771	710	25.62	6,650
Hardware maintenance	2,397	7,500	5,103	68.04	18,000
Software	3,173	6,084	2,911	47.85	14,600
Software maintenance	18,019	8,125	(9,894)	(121.77)	19,500
Software development	0	0	0	0.00	0
Systems support	4,456	19,858	15,402	77.56	72,860
Internet development	0	0	0	0.00	0
Internet maintenance	8,813	5,000	(3,813)	(76.26)	12,000
Computer media and sundries	4,259	4,583	324	7.07	11,000
Disaster contingency plan	3,043	3,542	499	14.09	8,500
Computer training	0	3,458	3,458	100.00	8,300
Other computer services costs	6,932	3,375	(3,557)	(105.39)	8,100
IT Security - Backup Offsite etc	1,057	6,042	4,985	82.51	14,500
IT Hardware Disposals	(2,535)	0	2,535	0.00	0
Hardware depreciation	39,560	114,347	74,787	65.40	418,300
	91,235	184,685	93,450	50.60	612,310
Communications					
Advertising	50	0	(50)	0.00	150,000
Annual Reports (Design, Distribute)	13,038	15,000	1,962	13.08	190,000
Brochures (Design, Distribute)	39,848	40,000	152	0.38	155,000
HPC Launch Event	36,232	47,000	10,768	22.91	47,000
Grandparenting Communications	4,528	8,333	3,805	45.66	20,000
Listening Events	6,081	18,000	11,919	66.22	36,000
Lobbying	175	4,167	3,992	95.80	10,000
PR Advisors	15,649	18,750	3,101	16.54	45,000
Market Research	31,914	30,000	(1,914)	(6.38)	75,000
Registrant Comms & Internal	37,733	34,000	(3,733)	(10.98)	62,000
Translations	3,517	3,333	(184)	(5.52)	8,000
Students / Graduates	0	20,000	20,000	100.00	55,000
Standards of Proficiency (Design,Prod,Dist)	65,606	66,150	544	0.82	66,150
Welsh Language Scheme	1,355	6,250	4,895	78.32	15,000
	255,726	310,983	55,257	17.77	934,150

OVERHEAD TOTAL

Code	Actual £	Budget £	Variance £	Variance %	Annual Budget £
Partners					
Partners Recruitment	64,477	36,000	(28,477)	(79.10)	54,000
Partners Training	36,842	25,000	(11,842)	(47.37)	50,000
Legal & Medical Assessments	9,488	12,500	3,012	24.10	30,000
Grandparenting Assessments	0	90,999	90,999	100.00	409,500
International Reg Assessments	146,151	173,161	27,010	15.60	415,584
International Applicant Interviews	2,099	4,084	1,985	48.60	9,800
Mediation - Panels	342	667	325	48.73	3,000
Panels (Allowance & Travel)	30,852	20,833	(10,019)	(48.09)	50,000
Screening - Panels (Allow & Travel)	0	4,444	4,444	100.00	20,000
Visitors	14,148	15,074	926	6.14	36,179
JVC Costs	27,858	30,590	2,732	8.93	95,864
	332,257	413,352	81,095	19.62	1,173,927
Specific departmental expenses					
Accountancy assistance	0	0	0	0.00	0
Archive storage	3,971	4,583	612	13.35	11,000
Auditors' fees	11,969	8,969	(3,000)	(33.45)	21,525
Bank charges & interest	21,055	27,919	6,864	24.59	60,000
Books and publications	363	0	(363)	0.00	0
Conferences	0	0	0	0.00	0
General insurance	11,980	12,500	520	4.16	32,250
Legal insurance	15,313	21,875	6,562	30.00	52,500
Health and safety	2,755	1,333	(1,422)	(106.68)	3,200
Legal expenses	336,077	331,334	(4,743)	(1.43)	620,000
Other professional fees	52,470	41,182	(11,288)	(27.41)	52,000
Pension administration	446	2,500	2,054	82.16	6,000
Staff functions	1,645	750	(895)	(119.33)	5,250
Staff Handbook	0	1,667	1,667	100.00	4,000
Personal Performance Consultancy	2,448	2,708	260	9.60	6,500
Investors in People	0	4,000	4,000	100.00	7,000
Good Citizen Scheme	0	833	833	100.00	2,000
Quality ISO 2002	1,452	0	(1,452)	0.00	21,000
HPC Processes	0	0	0	0.00	20,000
Reward Data	0	4,000	4,000	100.00	5,000
Subscriptions to professional bodies	1,672	1,855	183	9.87	4,450
Proficiency Standards - QAA & Newchurch	270,442	270,000	(442)	(0.16)	270,000
Professional Liaison Groups	2,708	10,000	7,292	72.92	48,000
Legal - Disc Trans Writer	8,362	6,375	(1,987)	(31.17)	15,300
Taxation advice	1,266	5,000	3,734	74.68	20,000
Training	18,283	14,750	(3,533)	(23.95)	20,000
	764,677	774,133	9,456	1.22	1,306,975
OVERHEAD TOTAL	3,473,496	3,765,041	291,545	7.74	8,161,845

HEALTH PROFESSIONS COUNCIL

BALANCE SHEET
as at 31st August 2003

	£	£	March 2003	
			£	£
FIXED ASSETS				
Tangible fixed assets				
Land & buildings, at cost or valuation	1,300,000		1,300,000	
Depreciation	<u>(45,500)</u>		<u>(34,667)</u>	
Net book value		1,254,500		1,265,333
Computer Equipment, at cost	1,881,348		1,487,688	
Depreciation	<u>(303,413)</u>		<u>(266,597)</u>	
Net book value		1,577,935		1,221,090
Office furniture and equipment, at cost	322,794		256,485	
Depreciation	<u>(80,596)</u>		<u>(51,001)</u>	
Net book value		242,198		205,485
		<hr/>		<hr/>
Total tangible fixed assets		3,074,634		2,691,908
Investments		1,383,052		1,322,147
		<hr/>		<hr/>
TOTAL FIXED ASSETS		4,457,686		4,014,055
CURRENT ASSETS				
DOH Debtor	176,509		95,336	
Other debtors and prepayments	177,082		712,010	
Bank balances and cash	<u>0</u>		<u>504,924</u>	
	353,590		1,312,270	
CURRENT LIABILITIES				
Amounts falling due within one year				
Bank overdraft	876,374		0	
Creditors and accrued expenses	<u>1,093,314</u>		<u>1,325,969</u>	
		(1,616,098)		(13,699)
DEFERRED INCOME				
Registration fees in advance	68,985		63,982	
Retention fees in advance	<u>1,554,509</u>		<u>2,174,581</u>	
		(1,623,494)		(2,238,563)
		<hr/>		<hr/>
NET ASSETS		1,218,094		1,761,793
		<hr/> <hr/>		<hr/> <hr/>
Represented by:				
Capital Grant Receivable - LISA System		753,351		753,351
Accumulated Fund at 1 April 2003		1,008,442		2,416,615
Surplus/(Deficit) for the period		<u>(543,699)</u>		<u>(1,408,173)</u>
		<u>1,218,094</u>		<u>1,761,793</u>
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HEALTH PROFESSIONS COUNCIL

MANAGEMENT ACCOUNTS TO 31 AUGUST 2003

CASH FLOW STATEMENT

From 1st April 2003 - 31st August 2003

	£
Deficit	(760,866)
Depreciation of tangible fixed assets	79,988
Gain on disposal of investments	(4,661)
Gain on disposal of hardware (insurance claim)	(2,535)
Investment income	(32,157)
Decrease in debtors	453,756
Decrease in creditors	(232,655)
Decrease in deferred income	(615,069)
Net cash outflow from operating activities	<u>(1,114,199)</u>
Returns on investment and servicing of finance	
Investment Income	32,157
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(470,726)
Disposal Income (insurance claim)	10,547
Purchase of investments	(8,274)
Sale of investments	169,197
Decrease in Cash	<u>(1,381,298)</u>
Cash at 31st March 2003	504,924
Cash at 31st July 2003	(876,374)
Cash Movement	<u>(1,381,298)</u>

HPC Cash Flow Forecast: September 03 - March 04

	31st Aug 03	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	Total 7 Mths
Opening Balance 1st		-876,331	-981,425	-497,045	248,151	466,697	399,918	939,277	
Receipts									
Fees		435,397	1,570,768	1,316,943	733,250	501,554	1,155,730	737,469	6,451,112
Grants		176,509							176,509
Investment Cash		200,000							200,000
Total Receipts	0	811,906	1,570,768	1,316,943	733,250	501,554	1,155,730	737,469	6,827,621
Payments									
Operational									
Payments to Creditors		625,000	894,388	379,747	332,704	386,333	434,372	374,211	3,426,755
Wages (Gross,NI & Pension)		182,000	182,000	182,000	182,000	182,000	182,000	182,000	1,274,000
Exceptional									
IT System (LISA)		100,000							100,000
Other Cap Ex		10,000	10,000	10,000					30,000
Total Payment		917,000	1,086,388	571,747	514,704	568,333	616,372	556,211	4,830,755
Closing Balance	-876,331	-981,425	-497,045	248,151	466,697	399,918	939,277	1,120,535	

Aged Creditors & Accruals	1,093,314	894,388	379,747	332,704	386,333	434,372	374,211	492,845	492,845
Budgeted Expenditure 03/04		426,074	379,747	332,704	386,333	434,372	374,211	492,845	