

HEALTH PROFESSIONS COUNCIL

Management Accounts For the 7 months ended 31st October 2004

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MANAGEMENT ACCOUNTS
FOR THE 7 MONTHS ENDED 31st October 2004

COMMENTARY

INTRODUCTION

I have written this commentary in place of the Management Accountant who has rushed through the preparation of these accounts in 10 working days, rather than the normal 15, prior to going on study leave and in order to ensure that the Finance & Resources Committee receive them in good time.

It should be read in conjunction with the commentary on the 6 months' Accounts to 30th September, which highlighted a particularly high spend in Month 6 and which showed at that time an Operating Deficit of £459,568 against a budget of £231,938, an adverse variance of £227,630. This had been reduced to £157,722 by good performance on Investment Income and Unrealised Gains on Investments.

DETAILED SUMMARY

The October results show that we have almost stemmed the tide, in that the Operating Deficit has only increased by £29,864 to £489,432. This result compares to a budgeted deficit of £47,801 and is an adverse variance of £441,631. This is reduced to £347,793 after Investment Income and Unrealised Gains on Investments.

The individual month should have showed a surplus of £184,137 however. Attached is a detailed schedule showing all individual variances, good and bad, over £10,000. It is similar to Page 8 in the September Accounts. It also shows the position at both the ends of October and September and shows how the individual lines of expense have fared over the month. There is a further column indicating how much of the annual budget remains.

I intend to comment verbally at the meeting in more detail following discussions with individual budget managers. There has been no time to do this prior to the publication of these accounts.

My written comments below are therefore more general than usual.

INCOME

Income remains above budget overall by £121,134. There are no new trends here but it should be noted that the delay in receipt of income from the Operating Department Practitioners has now cost us £60,000 of budgeted income. It was budgeted to be received in September for the first time but not now will be received until December.

Investment income is £35,225 above budget, largely due to more diligent placing of funds on the money market. Unrealised gains have risen to £58,613.

DEPARTMENTAL EXPENDITURE

Departmental expenditure at £6,075,599 is now £562,765 in excess of budget. The detail of the variances across the departments will be covered in the next section. Five departments have overspends (Education and Training, Registration, IT Department, Administration and

Fitness to Practise). This continues to be offset by a relatively large underspend in the Communications Department.

OVERHEADS

For this review please refer, not only to the Management Accounts themselves (pages 5 to 7), but also to the overhead variance summary report attached to this Commentary.

Payroll Costs

Overall payroll is £51,895 overspent (3.21%). There have been savings in basic pay and pension cost, together with "other payroll expense". These offset the overspends in staff recruitment and temporary staff. Particularly high staff recruitment costs have been incurred in Education and Policy (£46,626). Temporary staff costs have been particularly high in IT, Fitness to Practise and Human Resources.

Staff travelling and subsistence

Much more travel and the resultant overnight stays are being undertaken as the organisation develops. Particular departments are Fitness to Practise (with more non-London cases) and Communications.

Council and committee expenses

Fees, offset by travel and subsistence, are slightly higher than budget at this stage. This may be rectified as meetings progress towards March.

Property services

The building works have cost more than originally budgeted and have taken longer than anticipated, thus resulting in the use of security guards throughout this period, partly to enable builders and sub-contractors to gain access at weekends and to guard against potential theft. With the exception of damp remedial work and the construction of a larger reception desk to accommodate a second receptionist, this work was been curtailed and the security guards will be stood down by the end of November. Work on Stannary Street windows and outside painting has been deferred to 2005/6.

Office services

The increased number of grandparenting applications and the introduction of Operating Department Practitioners had resulted in additional spends on printing and stationery and postage. The variance on office equipment <£1,000 will be investigated.

Computer services

Systems support, internet maintenance and the disaster recovery plan have all exceeded budget at this time. They are partially offset by savings in Software Systems costs.

Communications

There are net savings in those costs controlled within the Communications Department. However the budget bid for the CPD consultation, under the control of Education and Training, was insufficient and there will be a significant overspend in this regard.

Partners

Much of the overspend on registrant assessors is offset by additional income but additional training has been necessary to ensure appropriate standards and there have been many more panels than at first thought. There have been far more international tests of competence and registration appeals than were expected.

Specific departmental expenses

The major overspend in this area continues to be legal expenses (including Legal – transcript writers). Savings are envisaged as the processes are revised but the volumes are increasing. Bank charges are high and will be investigated. Quality ISO 2002 cost more than budget and consultants are still being retained to ensure that we get through quarterly audits.

BALANCE SHEET

The balance sheet remains similar to that of the previous month.

CASH FLOW

There has been a net outflow of £106,000 in the month.

CONCLUSION

Serious consideration is now being given throughout the organisation in order to save costs and regain some of the position lost in the last two months. The increase in fitness to practise activity and the CPD consultation costs are the major items, but these are only partially under our control.

The position will be actively managed from day to day and, where appropriate, expenditure will be deferred until the next financial year.

PAUL BAKER
Finance Director
15th November 2004