

Council, 24 September 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**

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

**Date of paper**

5 September 2014

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

### 1. Core processes

There have been no significant issues with collection of income from registrants or payments to partners or suppliers.

### 2. Projects

The Finance Systems Upgrade project (Sage and PRS) is making good progress. The Project Initiation Document is due to go to EMT in October. It is proposed that the Direct Debit review project will be subsumed within the Registration Systems review project. The project to comply with the Information Commissioner's Office's model Freedom of Information Act publication scheme has started.

### 3. Treasury

At the end of August 2014, we had total cash and deposits of £13.6m, of which £8.5m is held in fixed term deposits (see table below) and £5.1m is in instant access accounts, earning up to 1.25%. Two deposits totalling £2.5m matured in July.

<b>Bank</b>	<b>Deposit amount £m</b>	<b>Term Months</b>	<b>Maturity date</b>	<b>Interest rate %</b>
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>8.5</b>			

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

#### **4. Procurement**

In July, the Projects team carried out a procurement for consultants to support the Registration Systems review project via G-Cloud, a pre-tendered European Union-compliant framework<sup>1</sup> of suppliers and services. This was HCPC's first use of a framework, and the procurement appears to have met our needs while taking up significantly less time and expense than a full EU procurement. The Procurement Manager resigned and left at the end of August. We aim to fill the post with a contractor for a period of approximately 6 months while we review the longer term needs of the procurement function.

Contracts have been signed with two suppliers for audio recording and transcription services, and with the M&E consultant for the 186 KPR project. Contracts are being negotiated for the HR & Partners system.

#### **5. Audits**

The 2013-14 accounts were certified by the Comptroller & Auditor General on 2 July and laid in Parliament on 17 July. We are meeting the National Audit Office on 10 September as part of their planning for the 2014-15 audit. Their plan will be presented to the October meeting of the Audit Committee.

#### **6. Staffing**

The new Finance Business Partner, Lulu Chama, started in July and she has been working on the 5 year plan and the options analysis for the 186 Kennington Park Road project, as well as monthly management accounts and support to budget holders. As noted above, the Procurement Manager resigned and left at the end of August. One member of the team has been on sick leave since mid-May.

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<sup>1</sup> As a public body, we must comply with European Union procurement rules, which require formal tendering for contracts for goods or services with a total value over £173,000. The requirement can be met either by carrying out our own customised procurement, including advertising the Invitation to Tender in the Official Journal of the European Union (OJEU), or by the use of framework contracts which have previously been tendered in compliance with the EU rules for the supply of specified services. In summary, the former route allows full customisation of the specification to our particular needs, and access to a wider pool of suppliers, while the latter is a significantly quicker and cheaper process, at the cost of less choice of supplier and less control over the terms of the service.

## 7. Management Accounts for the 5 months ending 31 August 2014

### Income and expenditure

The month 5 management accounts show a surplus so far in financial year 2014-15 of £556k. The budgeted position after 5 months was a deficit of £515k, so the actual result is £1,071k better than expected. The £1,071k includes:

- *Adverse variance of £100k on income.* Income is now 1% behind budget overall (£10,830k actual income vs £10,931k budget), having been 4% behind budget in the month 2 management accounts. International scrutiny fees are £164k ahead of budget because of a higher than expected volume of international applications, but there is a related overspend on the budget for fees paid to international assessors within the Registration Department
- *Favourable variance of £329k on payroll costs.* This is caused by vacant posts and is a permanent saving
- *Favourable variance of £777k on non-payroll costs.* All departments except for Registration are showing underspends on non-payroll costs and, as noted in the detailed commentary, this includes some permanent savings. But a large part of the non-payroll underspend will be timing differences compared to budget in when expenditure is incurred and/or incomplete accruals for expenses already incurred
- *Investment income (bank interest) of £72k.* We do not budget for interest receivable.

### Balance sheet and cash flow

The balance sheet and the cash flow statement show a cash outflow of £2.4m over the first five months of the year, and a corresponding £2.7m reduction in the deferred income balance. The actual cash balance at 31 August was £13.6m, whereas the forecast balance was £13.9m. The line graph on page 10 of the report tracks the actual cash balance against the cash flow forecast prepared within the budget.

As reported to the July Council meeting, the gap in the first quarter relates mainly to fee receipts from Physiotherapists' renewal, which were forecast in April and May, but had in fact substantially been received in March. The gap has closed each month of the year so far, because subsequent months' cash receipts have been slightly greater than forecast and payments have been less than forecast.

The cash flow forecast indicates a net inflow of cash of £4m in the months of September to December, when Social Workers in England renew their registrations. The forecast assumes 60% of Social Workers pay the full two years in advance, instead of opting for 6 monthly direct debits. That percentage is consistent with our experience when Social Workers first joined the register in 2012. If a larger percentage of Social Workers pay by direct debit, then cash inflow in 2014-15 will be less, although any cash flow timing variance caused by payment method will unwind itself over the two year renewal cycle.

Overall, there are no causes for significant concern in the financial results. The month 6 forecasting process, which will be reported to Council in December, will give further assurance on the likely outturn for the year.

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

**Management Accounts  
August 2014**

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Commentary for Core Departments  
Income & Expenditure YTD August 2014

Income

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Total Income</b>	10,829,777	10,930,516	(100,739)	(1%)	Income is <b>1% / £101k</b> behind budget overall. Graduate registration fees, readmission fees and renewal fees are behind budget by <b>11%</b> , <b>36%</b> and <b>2%</b> respectively. International scrutiny fees are <b>£164k</b> ahead of budget and UK scrutiny fees are ahead by <b>£7k</b> YTD.

Expenditure

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Chair</b>	28,673	34,151	5,478	16%	<b>£5k</b> underspent, mainly on T&S costs.
<b>Chief Executive</b>	171,567	172,860	1,293	1%	<b>(£1k)</b> underspend on Professional Fees
<b>Council</b>	69,883	82,636	12,753	15%	<b>£20k</b> underspend on Council fees and T&S, offset by <b>(£7k)</b> overspend on professional fees on the review of Council and Partner fees carried out by an external consultant and re-run Audit Committee recruitment.
<b>Communications</b>	460,022	526,985	66,963	13%	<b>£33k</b> payroll underspends due to vacant posts <b>£42k</b> net underspend on Communications related expenditure £22k Meet the HCPC events and £19k Web, all largely due to timing differences. <b>(£7k)</b> overspend in Subscriptions YTD.
<b>Education</b>	378,552	467,306	88,753	19%	<b>£31k</b> Payroll underspend due to vacant posts (3 EO & 1 EA). Recruitment underway and one EO commences mid Sept and EA in October. Other two posts are likely to be permanent saving till end of the year. <b>£11k</b> underspend on Travel & Subsistence is linked to 10% lower than budgeted approval visits, a portion likely to be a permanent saving. <b>£15k</b> underspend on Office Services due to phasing difference, £10k delay on printing costs which have been re-forecasted to happen later during the year. <b>£33k</b> Partners savings: <b>29%</b> overspend on Major Changes (Budget 34 vs 44 Actual) though this has been offset by underspends largely due to 10% lower than budgeted approval visits (Budget 39 vs 35 Actual) and 60% lower than budgeted annual monitoring assessment days (Budget 5 vs 2 Actual).
<b>Facilities Management</b>	689,241	802,401	113,161	14%	<b>£16k</b> payroll savings due to one vacant post. <b>£25k</b> underspends on Office Services due to timing differences. <b>£17k</b> underspends on property related expenses: £42k on repairs however replacement of windows will start in the next three months, £14k on business rates (permanent saving) and £11k on utilities. <b>£11k</b> underspend on professional fees YTD. <b>£24k</b> underspend on Stannary St incl <b>£2k</b> on repairs, <b>£17k</b> on rent and <b>£5k</b> on utilities.
<b>Finance</b>	295,699	385,369	89,670	23%	<b>(£7k)</b> overspend on payroll due to agency staff costs covering Purchase Ledger Officer. <b>£96k</b> YTD underspend on Professional fees includes <b>£57k</b> release of Flexiplan Pension provision, correcting an error in 2013-14 accounts (permanent), <b>£28k</b> underspend on Legal Advice costs (timing difference), and <b>£10k</b> underspend on Audit and Tax (timing differences).
<b>Fitness to Practise</b>	4,843,119	5,115,629	272,510	5%	<b>£119k</b> net underspends in payroll due to 11 vacant posts, this will be a permanent saving. <b>£173k</b> savings on permanent post costs offset by <b>£40k</b> overspend on fixed term contracts and <b>£15k</b> overspend on temporary staff costs. <b>11% (£144k)</b> underspend on Partner cost due to timing differences <b>7% (£148k)</b> overspend on Professional Fees includes VAT on legal advice contract <b>£14k</b> overspend on Travel & Subsistence; <b>£26k</b> underspend in Office Services costs; £73k underspend on small projects; <b>£23k</b> permanent savings on Legal Insurance



## Expenditure

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
Human Resources	227,969	286,036	58,068	20%	<b>£49k</b> underspend on payroll includes <b>£12k</b> permanent saving on staff on maternity leave (who were budgeted for at full pay but have now gone down to SMP) and <b>£9k</b> underspend on staff recruitment costs, which may be timing difference. Also no spend yet against the central payroll contingency (YTD budget £15k, YTD underspend £15k, full year budget £35k). <b>£7k</b> underspend on Legal and professional fees, <b>£2k</b> underspend on T&S and Other Office Services.
Human Resources Partners	230,102	352,910	122,808	35%	<b>(£3k)</b> overspend on temporary staff costs to cover recruitment period, however offset by <b>£3k</b> savings in Legal costs. <b>£122k</b> underspend on partner costs mainly due to <b>£94k</b> on recruitment & interviews, <b>£14k</b> training and <b>£33k</b> on travel however partly offset by <b>£18k</b> overspend on accommodation costs and <b>£2k</b> overspend on subsistence
IT Department	806,655	903,517	96,863	11%	<b>£24k</b> underspends on payroll due to vacant posts, delays on recruitment. <b>£23k</b> underspends on software support & maintenance, <b>£20k</b> on managed web/internet services, <b>£10k</b> on NetRegulate support & maintenance, <b>£7k</b> on hardware maintenance and <b>£6k</b> on specialist external support, all due to timing differences. <b>£14k</b> underspend on small project costs due timing differences, however this has been partly offset by <b>£8k</b> overspend on training
Major Projects	194,841	345,171	150,331	44%	<b>£150k</b> underspend on Projects compared to Budget on the following, <b>£72k</b> on MP51 186KPR, <b>£13k</b> on MP63 HR & Partners, <b>£69k</b> MP64 Education System Build and <b>£21k</b> on MP75 Registrations Process. <b>£25k</b> spend on Research Revalidation
Operations Office	235,648	279,208	43,561	16%	<b>£14k</b> underspend on payroll due to Data Analyst vacancy. <b>£20k</b> underspend on training is a timing difference, 3 Day Business Analysis Course occurred in August. <b>£4k</b> underspend on professional fees and <b>£2k</b> underspend on T&S
Policy	129,270	148,091	18,821	13%	<b>(£21k)</b> overspend on payroll due to omissions in the budget. <b>£35k</b> underspend on research due to timing difference. <b>£3k</b> underspend on T&S and <b>£1k</b> on Office Services
Registration	1,191,350	1,118,062	(73,288)	(7%)	<b>£32k</b> net underspend in payroll due to vacant posts. <b>(£85k)</b> YTD overspend on Printing & Stationery includes restocking on "How to Renew" leaflets and cost of SW mailings. Full year budget for printing is £258k, year to date spend is £199k so this line will be overspent for the year. <b>(£57k)</b> overspend on International Assessor fees due to higher than expected volume of applications (links to positive income variance above)
Secretariat	75,140	113,368	38,228	34%	<b>£29k</b> underspend on payroll; <b>£17k</b> underspend due to Executive Assistant reports into CEO and maternity leave. <b>£12k</b> permanent saving on temporary staff. <b>£4k</b> underspend on legal advice and <b>£5k</b> on Printing & Stationery.
	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10%</b>	
Depreciation	317,765	312,295	(5,470)	(2%)	Minor variance

## Income and Expenditure

Accounting Period

[Period 5 14-15](#)

Cost Centre Code

[All Cost Centres](#)

Cost Centre Name

[All Cost Centres](#)

Department Name

[All Departments](#)

	Movement	Movement YTD	Budget YTD	Variance YTD	% Variance YTD
Graduate Registration fees	110,010	573,107	647,195	(74,088)	(11)
Readmission fees	20,040	91,230	142,348	(51,118)	(36)
Renewal fees	1,855,567	9,232,881	9,379,485	(146,604)	(2)
International scrutiny fees	117,920	501,540	337,260	164,280	49
Grandparenting fees	0	0	0	0	
UK scrutiny fees	150,139	431,269	424,228	7,041	2
<b>Registration income</b>	<b>2,253,676</b>	<b>10,830,027</b>	<b>10,930,516</b>	<b>(100,489)</b>	<b>(1)</b>
Cheque/credit card write offs	0	(250)	0	(250)	
<b>Total income</b>	<b>2,253,676</b>	<b>10,829,777</b>	<b>10,930,516</b>	<b>(100,739)</b>	<b>(1)</b>
Chair	4,690	28,673	34,151	5,478	16
Chief Executive	22,785	171,567	172,860	1,293	1
Council & Committee	10,838	69,883	82,636	12,753	15
Communications	86,448	460,022	526,985	66,963	13
Education	59,969	378,552	467,306	88,753	19
Facilities Management	90,050	689,241	802,401	113,161	14
Finance	58,357	295,699	385,369	89,670	23
Fitness to Practise	879,414	4,843,119	5,115,629	272,510	5
Human Resources	56,973	227,969	286,036	58,068	20
Human Resources Partners	33,684	230,102	352,910	122,808	35
IT Department	78,189	806,655	903,517	96,863	11
Major Projects	75,933	194,841	345,171	150,331	44
Operations Office	41,090	235,648	279,208	43,561	16
Policy	26,079	129,270	148,091	18,821	13
Registration	314,280	1,191,350	1,118,062	(73,288)	(7)
Secretariat	18,420	75,140	113,368	38,228	34
<b>Operating expenditure</b>	<b>1,857,199</b>	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10</b>
<b>Operating surplus/(deficit)</b>	<b>396,477</b>	<b>802,049</b>	<b>(203,185)</b>	<b>1,005,234</b>	<b>495</b>
Depreciation	62,880	317,765	312,295	(5,470)	(2)
Investment income	9,300	71,843	0	71,843	
Impairment on freehold land and buildings	0	0	0	0	
Impairment of intangible assets	0	0	0	0	
<b>Total surplus/(deficit)</b>	<b>342,897</b>	<b>556,126</b>	<b>(515,479)</b>	<b>1,071,606</b>	<b>208</b>

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

Accounting Period [Period 5 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	4,690			0		28,673	34,151	5,478	16	28,673	34,151	5,478	16
Chief Executive	22,785	114,915	114,467	(448)	(0)	56,652	58,393	1,741	3	171,567	172,860	1,293	1
Council & Committee	10,838					69,883	82,636	12,753	15	69,883	82,636	12,753	15
Communications	86,448	243,036	276,424	33,389	12	216,986	250,561	33,575	13	460,022	526,985	66,963	13
Education	59,969	270,615	301,675	31,061	10	107,938	165,630	57,693	35	378,552	467,306	88,753	19
Facilities Management	90,050	87,171	103,600	16,429	16	602,070	698,801	96,731	14	689,241	802,401	113,161	14
Finance	58,357	230,814	223,958	(6,856)	(3)	64,885	161,411	96,526	60	295,699	385,369	89,670	23
Fitness to Practise	879,414	1,314,359	1,433,085	118,726	8	3,528,759	3,682,544	153,785	4	4,843,119	5,115,629	272,510	5
Human Resources	56,973	165,191	215,175	49,984	23	62,778	70,861	8,083	11	227,969	286,036	58,068	20
Human Resources Partners	33,684	59,158	55,817	(3,342)	(6)	170,943	297,093	126,150	42	230,102	352,910	122,808	35
IT Department	78,189	222,733	247,028	24,295	10	583,921	656,489	72,568	11	806,655	903,517	96,863	11
Major Projects	75,933	50,795	63,050	12,255	19	144,045	282,121	138,076	49	194,841	345,171	150,331	44
Operations Office	41,090	178,054	191,811	13,757	7	57,593	87,397	29,804	34	235,648	279,208	43,561	16
Policy	26,079	112,715	92,073	(20,643)	(22)	16,554	56,018	39,464	70	129,270	148,091	18,821	13
Registration	314,280	668,306	700,405	32,099	5	523,044	417,657	(105,387)	(25)	1,191,350	1,118,062	(73,288)	(7)
Secretariat	18,420	63,219	91,866	28,647	31	11,920	21,502	9,581	45	75,140	113,368	38,228	34
<b>Operating expenditure</b>	<b>1,857,199</b>	<b>3,781,084</b>	<b>4,110,435</b>	<b>329,352</b>	<b>8</b>	<b>6,246,644</b>	<b>7,023,266</b>	<b>776,621</b>	<b>11</b>	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10</b>

## Statement of Financial Position

Account by Category

[All Categories](#)

Accounting Period

[Period 5 14-15](#)

	Balance	Prior Year Balance To Close
<b>Non-current assets</b>		
Land & buildings, at cost or valuation	3,185,000	3,185,000
Land & buildings depreciation	(11,213)	0
	<u>3,173,787</u>	<u>3,185,000</u>
Computer equipment, at cost	491,992	465,457
Computer equipment depreciation	(303,103)	(287,164)
	<u>188,890</u>	<u>178,293</u>
Office furniture and equipment, at cost	363,670	357,891
Office equipment depreciation	(248,243)	(230,958)
	<u>115,426</u>	<u>126,933</u>
Intangible assets	5,584,741	5,363,658
Intangible depreciation	(4,357,942)	(4,106,773)
	<u>1,226,799</u>	<u>1,256,885</u>
<b>Total non-current assets</b>	<u>4,704,902</u>	<u>4,747,110</u>
<b>Current assets</b>		
Other current assets	228,113	618,960
Cash & cash equivalents	13,636,884	16,038,062
	<u>13,864,997</u>	<u>16,657,022</u>
<b>Total assets</b>	<u>18,569,899</u>	<u>21,404,132</u>
<b>Current liabilities</b>		
Trade and other payables	597,862	806,716
Other liabilities	1,323,046	1,767,589
Deferred income	13,077,941	15,814,904
	<u>14,998,849</u>	<u>18,389,209</u>
<b>Total assets less liabilities</b>	<u>3,571,050</u>	<u>3,014,923</u>
General fund b/fwd	(3,014,923)	(2,166,787)
This period (surplus)/deficit	(556,126)	(725,227)
Grant income	0	(122,909)
General fund c/fwd	<u>(3,571,050)</u>	<u>(3,014,923)</u>

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

Office Equipment

Dishwasher  
 Coffee machines  
 Installation Air Condition Stannary Street  
 Replacement Colour Copier  
 Replacement B&W Copier

Actual YTD £	Budget 2014/15 YTD £	Variance £	Budget 2014/15 Full Year £
	3,333	3,333	10,000
4,126	3,333	- 793	10,000
	4,667	4,667	14,000
	4,000	4,000	12,000
<b>4,126</b>	<b>15,333</b>	<b>11,207</b>	<b>46,000</b>

Information Technology

Software Licences  
 Hardware replacement (servers, switches & drives)  
 Hardware new services & starters

14,244	14,358	114	43,075
	7,799	7,799	23,397
26,534	41,333	14,799	124,000
<b>40,778</b>	<b>63,491</b>	<b>22,712</b>	<b>190,472</b>

Major Projects

<b>138,855</b>	<b>894,466</b>	<b>755,611</b>	<b>2,683,399</b>
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**Total Capital Expenditure**

<b>183,759</b>	<b>973,290</b>	<b>789,531</b>	<b>2,919,871</b>
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**Summary of Project Expenditure**

**Capital expenditure**

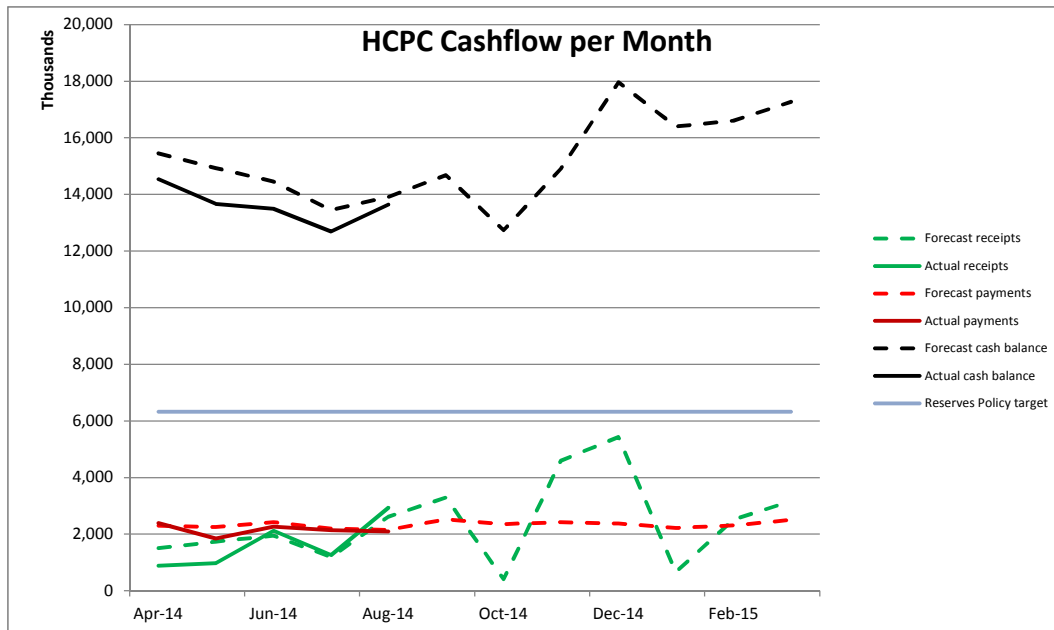
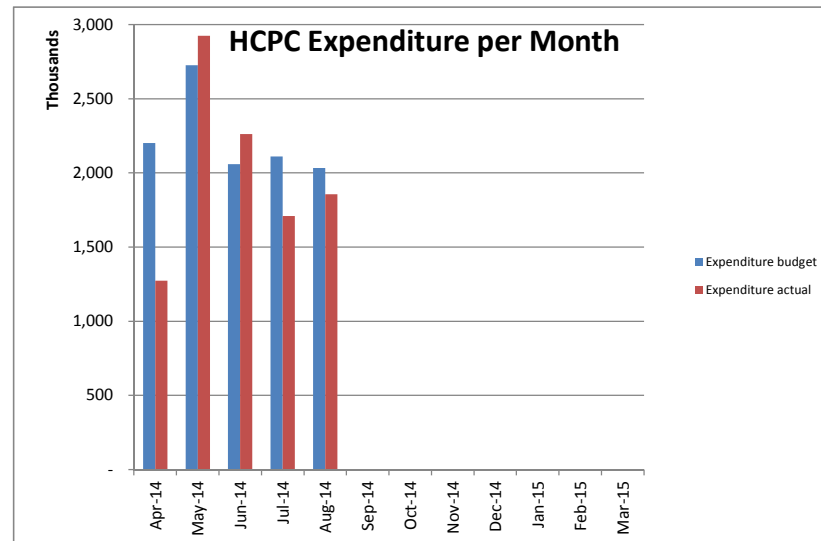
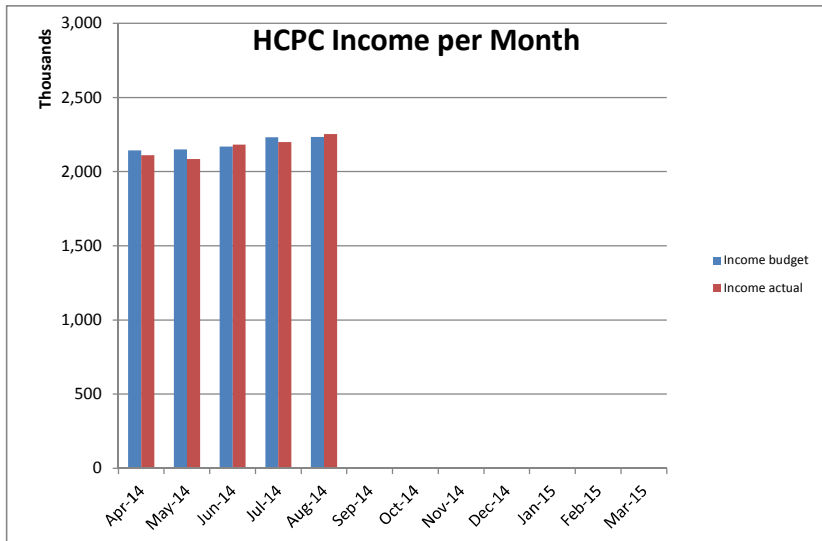
MP67 NetRegulate Changes 2013-14  
 MP63 HR & Partners Phase 1  
 MP64 Education System Build  
 MP51 186 Kennington Park Road  
 MP69 Professional Indemnity  
 Fees Change Project  
 MP75 Registrations Systems Review Phase 1  
 HR & Partners Phase 2  
 Stakeholder Contact Management System  
 SAGE & PRS Upgrade  
 Domino to Exchange Migration  
 Direct Debit Review  
 MP72 Online Renewals Review & Change of Payment Provider  
 FTP Changes 2014-15  
 NetRegulate Changes 2014-15

Actual YTD £	Budget 2014/15 YTD £	Variance £	Budget 2014/15 Full Year £
432		(432)	3,660
960	5,144	4,184	5,508
133,683	145,340	11,657	513,567
	264,126	264,126	450,234
3,780	-	(3,780)	8,252
	500	500	500
	8,400	8,400	469,370
		0	707,250
		0	56,677
		0	36,800
		0	103,169
		0	20,286
	58,747	58,747	138,000
		0	65,550
		0	104,576
<b>138,855</b>	<b>482,257</b>	<b>343,402</b>	<b>2,683,399</b>

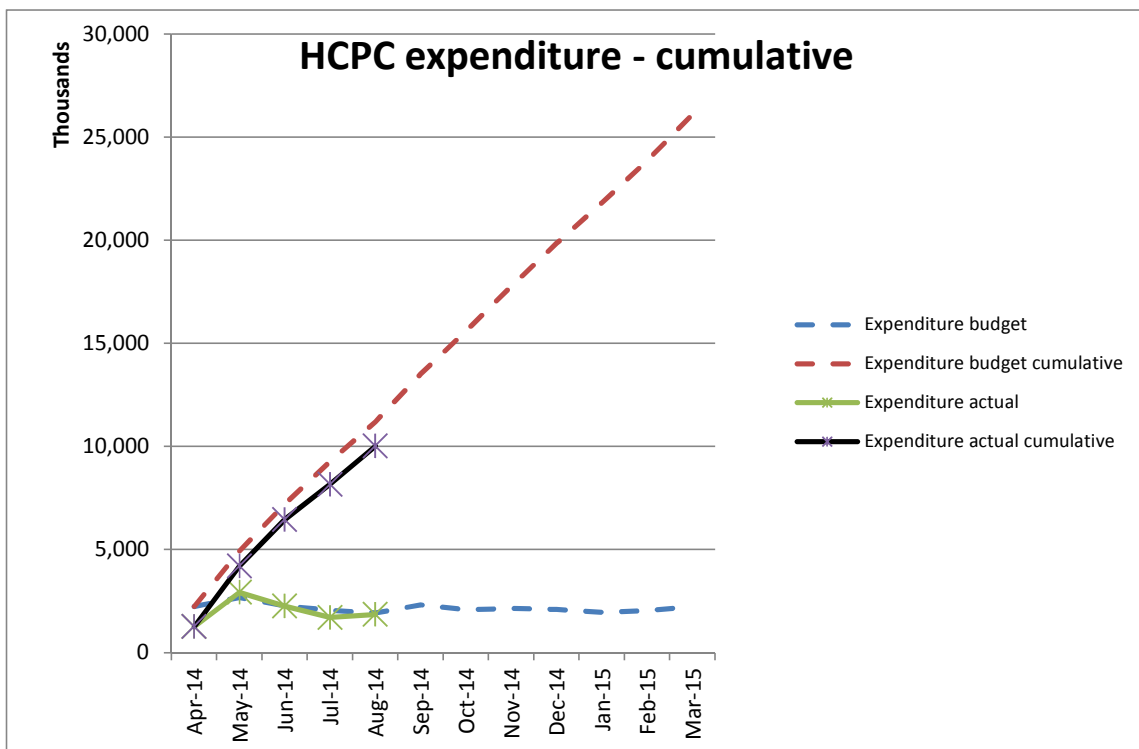
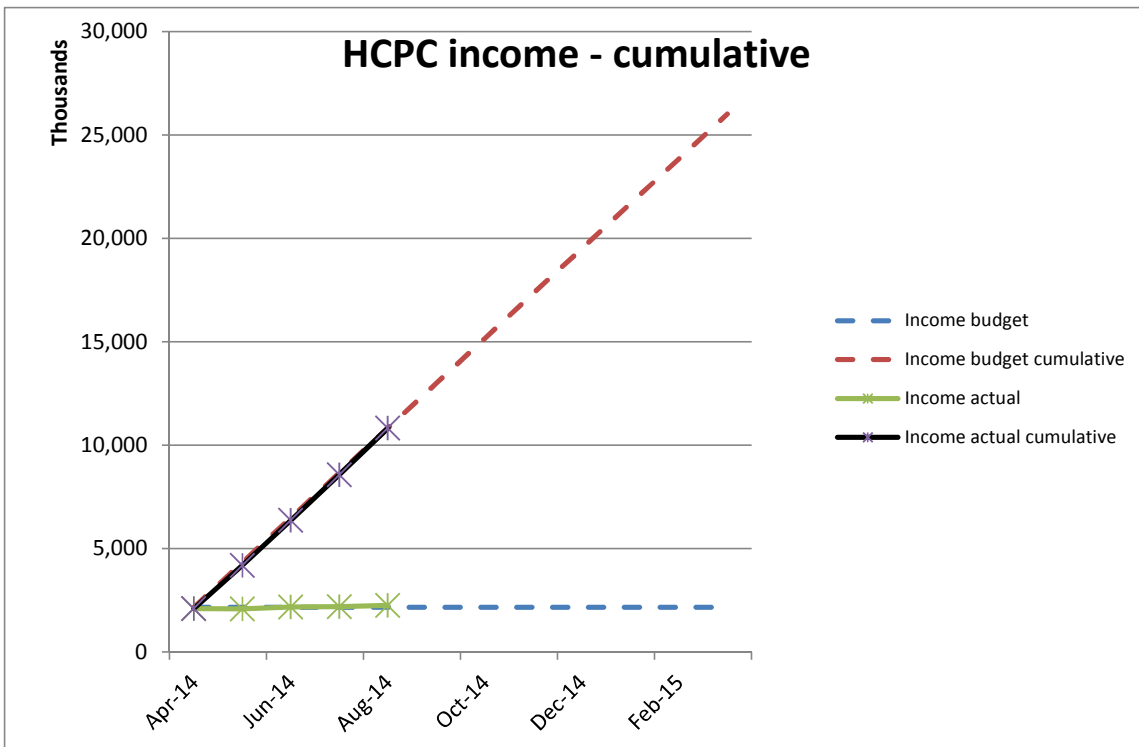
**Management Accounts to 31 August 2014****Cash Flow Statement****From 1 April 2014**

	<b>Year to date budget £</b>	<b>Year to date actual £</b>
Operating surplus/(deficit)	(203,185 )	802,049
Decrease/(increase) in debtors & prepayments	539,170	390,847
Increase/(decrease) in creditors		(653,396 )
(Decrease)/increase in deferred income	(1,927,754 )	(2,736,963 )
<b>Net cash in/(out)flow from operating activities</b>	<b>(1,591,769 )</b>	<b>(2,197,464 )</b>
<b>Return on investments and servicing of finance</b>		
Investment Income		71,843
<b>Taxation</b>		0
<b>Capital expenditure and financial investments</b>		
Purchase of tangible assets	(737,935 )	(275,556 )
<b>Financing</b>		
Income from DOH		0
<b>Increase/(decrease) in cash</b>	<b>(2,329,703 )</b>	<b>(2,401,178 )</b>
Cash at 1 April 2014	16,243,000	16,038,062
Cash at end of period	13,913,297	13,636,884
<b>Cash movement</b>	<b>(2,329,703 )</b>	<b>(2,401,178 )</b>

**Management Accounts to 31 August 2014**  
**Graphs**



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





Council, 24 September 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**

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

**Date of paper**

5 September 2014

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

### 1. Core processes

There have been no significant issues with collection of income from registrants or payments to partners or suppliers.

### 2. Projects

The Finance Systems Upgrade project (Sage and PRS) is making good progress. The Project Initiation Document is due to go to EMT in October. It is proposed that the Direct Debit review project will be subsumed within the Registration Systems review project. The project to comply with the Information Commissioner's Office's model Freedom of Information Act publication scheme has started.

### 3. Treasury

At the end of August 2014, we had total cash and deposits of £13.6m, of which £8.5m is held in fixed term deposits (see table below) and £5.1m is in instant access accounts, earning up to 1.25%. Two deposits totalling £2.5m matured in July.

<b>Bank</b>	<b>Deposit amount £m</b>	<b>Term Months</b>	<b>Maturity date</b>	<b>Interest rate %</b>
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>8.5</b>			

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

#### **4. Procurement**

In July, the Projects team carried out a procurement for consultants to support the Registration Systems review project via G-Cloud, a pre-tendered European Union-compliant framework<sup>1</sup> of suppliers and services. This was HCPC's first use of a framework, and the procurement appears to have met our needs while taking up significantly less time and expense than a full EU procurement. The Procurement Manager resigned and left at the end of August. We aim to fill the post with a contractor for a period of approximately 6 months while we review the longer term needs of the procurement function.

Contracts have been signed with two suppliers for audio recording and transcription services, and with the M&E consultant for the 186 KPR project. Contracts are being negotiated for the HR & Partners system.

#### **5. Audits**

The 2013-14 accounts were certified by the Comptroller & Auditor General on 2 July and laid in Parliament on 17 July. We are meeting the National Audit Office on 10 September as part of their planning for the 2014-15 audit. Their plan will be presented to the October meeting of the Audit Committee.

#### **6. Staffing**

The new Finance Business Partner, Lulu Chama, started in July and she has been working on the 5 year plan and the options analysis for the 186 Kennington Park Road project, as well as monthly management accounts and support to budget holders. As noted above, the Procurement Manager resigned and left at the end of August. One member of the team has been on sick leave since mid-May.

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<sup>1</sup> As a public body, we must comply with European Union procurement rules, which require formal tendering for contracts for goods or services with a total value over £173,000. The requirement can be met either by carrying out our own customised procurement, including advertising the Invitation to Tender in the Official Journal of the European Union (OJEU), or by the use of framework contracts which have previously been tendered in compliance with the EU rules for the supply of specified services. In summary, the former route allows full customisation of the specification to our particular needs, and access to a wider pool of suppliers, while the latter is a significantly quicker and cheaper process, at the cost of less choice of supplier and less control over the terms of the service.

## 7. Management Accounts for the 5 months ending 31 August 2014

### Income and expenditure

The month 5 management accounts show a surplus so far in financial year 2014-15 of £556k. The budgeted position after 5 months was a deficit of £515k, so the actual result is £1,071k better than expected. The £1,071k includes:

- *Adverse variance of £100k on income.* Income is now 1% behind budget overall (£10,830k actual income vs £10,931k budget), having been 4% behind budget in the month 2 management accounts. International scrutiny fees are £164k ahead of budget because of a higher than expected volume of international applications, but there is a related overspend on the budget for fees paid to international assessors within the Registration Department
- *Favourable variance of £329k on payroll costs.* This is caused by vacant posts and is a permanent saving
- *Favourable variance of £777k on non-payroll costs.* All departments except for Registration are showing underspends on non-payroll costs and, as noted in the detailed commentary, this includes some permanent savings. But a large part of the non-payroll underspend will be timing differences compared to budget in when expenditure is incurred and/or incomplete accruals for expenses already incurred
- *Investment income (bank interest) of £72k.* We do not budget for interest receivable.

### Balance sheet and cash flow

The balance sheet and the cash flow statement show a cash outflow of £2.4m over the first five months of the year, and a corresponding £2.7m reduction in the deferred income balance. The actual cash balance at 31 August was £13.6m, whereas the forecast balance was £13.9m. The line graph on page 10 of the report tracks the actual cash balance against the cash flow forecast prepared within the budget.

As reported to the July Council meeting, the gap in the first quarter relates mainly to fee receipts from Physiotherapists' renewal, which were forecast in April and May, but had in fact substantially been received in March. The gap has closed each month of the year so far, because subsequent months' cash receipts have been slightly greater than forecast and payments have been less than forecast.

The cash flow forecast indicates a net inflow of cash of £4m in the months of September to December, when Social Workers in England renew their registrations. The forecast assumes 60% of Social Workers pay the full two years in advance, instead of opting for 6 monthly direct debits. That percentage is consistent with our experience when Social Workers first joined the register in 2012. If a larger percentage of Social Workers pay by direct debit, then cash inflow in 2014-15 will be less, although any cash flow timing variance caused by payment method will unwind itself over the two year renewal cycle.

Overall, there are no causes for significant concern in the financial results. The month 6 forecasting process, which will be reported to Council in December, will give further assurance on the likely outturn for the year.

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

**Management Accounts  
August 2014**

**Index**

<b>Variance analysis</b>	<b>3 and 4</b>
<b>Income and expenditure</b>	<b>5 and 6</b>
<b>Statement of financial position (balance sheet)</b>	<b>7</b>
<b>Capex and projects</b>	<b>8</b>
<b>Cash flow</b>	<b>9</b>
<b>Graphs</b>	<b>10 and 11</b>

Commentary for Core Departments  
Income & Expenditure YTD August 2014

Income

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Total Income</b>	10,829,777	10,930,516	(100,739)	(1%)	Income is <b>1% / £101k</b> behind budget overall. Graduate registration fees, readmission fees and renewal fees are behind budget by <b>11%</b> , <b>36%</b> and <b>2%</b> respectively. International scrutiny fees are <b>£164k</b> ahead of budget and UK scrutiny fees are ahead by <b>£7k</b> YTD.

Expenditure

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
<b>Chair</b>	28,673	34,151	5,478	16%	<b>£5k</b> underspent, mainly on T&S costs.
<b>Chief Executive</b>	171,567	172,860	1,293	1%	<b>(£1k)</b> underspend on Professional Fees
<b>Council</b>	69,883	82,636	12,753	15%	<b>£20k</b> underspend on Council fees and T&S, offset by <b>(£7k)</b> overspend on professional fees on the review of Council and Partner fees carried out by an external consultant and re-run Audit Committee recruitment.
<b>Communications</b>	460,022	526,985	66,963	13%	<b>£33k</b> payroll underspends due to vacant posts <b>£42k</b> net underspend on Communications related expenditure £22k Meet the HCPC events and £19k Web, all largely due to timing differences. <b>(£7k)</b> overspend in Subscriptions YTD.
<b>Education</b>	378,552	467,306	88,753	19%	<b>£31k</b> Payroll underspend due to vacant posts (3 EO & 1 EA). Recruitment underway and one EO commences mid Sept and EA in October. Other two posts are likely to be permanent saving till end of the year. <b>£11k</b> underspend on Travel & Subsistence is linked to 10% lower than budgeted approval visits, a portion likely to be a permanent saving. <b>£15k</b> underspend on Office Services due to phasing difference, £10k delay on printing costs which have been re-forecasted to happen later during the year. <b>£33k</b> Partners savings: <b>29%</b> overspend on Major Changes (Budget 34 vs 44 Actual) though this has been offset by underspends largely due to 10% lower than budgeted approval visits (Budget 39 vs 35 Actual) and 60% lower than budgeted annual monitoring assessment days (Budget 5 vs 2 Actual).
<b>Facilities Management</b>	689,241	802,401	113,161	14%	<b>£16k</b> payroll savings due to one vacant post. <b>£25k</b> underspends on Office Services due to timing differences. <b>£17k</b> underspends on property related expenses: £42k on repairs however replacement of windows will start in the next three months, £14k on business rates (permanent saving) and £11k on utilities. <b>£11k</b> underspend on professional fees YTD. <b>£24k</b> underspend on Stannary St incl <b>£2k</b> on repairs, <b>£17k</b> on rent and <b>£5k</b> on utilities.
<b>Finance</b>	295,699	385,369	89,670	23%	<b>(£7k)</b> overspend on payroll due to agency staff costs covering Purchase Ledger Officer. <b>£96k</b> YTD underspend on Professional fees includes <b>£57k</b> release of Flexiplan Pension provision, correcting an error in 2013-14 accounts (permanent), <b>£28k</b> underspend on Legal Advice costs (timing difference), and <b>£10k</b> underspend on Audit and Tax (timing differences).
<b>Fitness to Practise</b>	4,843,119	5,115,629	272,510	5%	<b>£119k</b> net underspends in payroll due to 11 vacant posts, this will be a permanent saving. <b>£173k</b> savings on permanent post costs offset by <b>£40k</b> overspend on fixed term contracts and <b>£15k</b> overspend on temporary staff costs. <b>11% (£144k)</b> underspend on Partner cost due to timing differences <b>7% (£148k)</b> overspend on Professional Fees includes VAT on legal advice contract <b>£14k</b> overspend on Travel & Subsistence; <b>£26k</b> underspend in Office Services costs; £73k underspend on small projects; <b>£23k</b> permanent savings on Legal Insurance



## Expenditure

Department	Movement YTD	Budget YTD	Variance	%	Comments on key variances
Human Resources	227,969	286,036	58,068	20%	<b>£49k</b> underspend on payroll includes <b>£12k</b> permanent saving on staff on maternity leave (who were budgeted for at full pay but have now gone down to SMP) and <b>£9k</b> underspend on staff recruitment costs, which may be timing difference. Also no spend yet against the central payroll contingency (YTD budget £15k, YTD underspend £15k, full year budget £35k). <b>£7k</b> underspend on Legal and professional fees, <b>£2k</b> underspend on T&S and Other Office Services.
Human Resources Partners	230,102	352,910	122,808	35%	<b>(£3k)</b> overspend on temporary staff costs to cover recruitment period, however offset by <b>£3k</b> savings in Legal costs. <b>£122k</b> underspend on partner costs mainly due to <b>£94k</b> on recruitment & interviews, <b>£14k</b> training and <b>£33k</b> on travel however partly offset by <b>£18k</b> overspend on accommodation costs and <b>£2k</b> overspend on subsistence
IT Department	806,655	903,517	96,863	11%	<b>£24k</b> underspends on payroll due to vacant posts, delays on recruitment. <b>£23k</b> underspends on software support & maintenance, <b>£20k</b> on managed web/internet services, <b>£10k</b> on NetRegulate support & maintenance, <b>£7k</b> on hardware maintenance and <b>£6k</b> on specialist external support, all due to timing differences. <b>£14k</b> underspend on small project costs due timing differences, however this has been partly offset by <b>£8k</b> overspend on training
Major Projects	194,841	345,171	150,331	44%	<b>£150k</b> underspend on Projects compared to Budget on the following, <b>£72k</b> on MP51 186KPR, <b>£13k</b> on MP63 HR & Partners, <b>£69k</b> MP64 Education System Build and <b>£21k</b> on MP75 Registrations Process. <b>£25k</b> spend on Research Revalidation
Operations Office	235,648	279,208	43,561	16%	<b>£14k</b> underspend on payroll due to Data Analyst vacancy. <b>£20k</b> underspend on training is a timing difference, 3 Day Business Analysis Course occurred in August. <b>£4k</b> underspend on professional fees and <b>£2k</b> underspend on T&S
Policy	129,270	148,091	18,821	13%	<b>(£21k)</b> overspend on payroll due to omissions in the budget. <b>£35k</b> underspend on research due to timing difference. <b>£3k</b> underspend on T&S and <b>£1k</b> on Office Services
Registration	1,191,350	1,118,062	(73,288)	(7%)	<b>£32k</b> net underspend in payroll due to vacant posts. <b>(£85k)</b> YTD overspend on Printing & Stationery includes restocking on "How to Renew" leaflets and cost of SW mailings. Full year budget for printing is £258k, year to date spend is £199k so this line will be overspent for the year. <b>(£57k)</b> overspend on International Assessor fees due to higher than expected volume of applications (links to positive income variance above)
Secretariat	75,140	113,368	38,228	34%	<b>£29k</b> underspend on payroll; <b>£17k</b> underspend due to Executive Assistant reports into CEO and maternity leave. <b>£12k</b> permanent saving on temporary staff. <b>£4k</b> underspend on legal advice and <b>£5k</b> on Printing & Stationery.
	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10%</b>	
Depreciation	317,765	312,295	(5,470)	(2%)	Minor variance

## Income and Expenditure

Accounting Period

[Period 5 14-15](#)

Cost Centre Code

[All Cost Centres](#)

Cost Centre Name

[All Cost Centres](#)

Department Name

[All Departments](#)

	Movement	Movement YTD	Budget YTD	Variance YTD	% Variance YTD
Graduate Registration fees	110,010	573,107	647,195	(74,088)	(11)
Readmission fees	20,040	91,230	142,348	(51,118)	(36)
Renewal fees	1,855,567	9,232,881	9,379,485	(146,604)	(2)
International scrutiny fees	117,920	501,540	337,260	164,280	49
Grandparenting fees	0	0	0	0	
UK scrutiny fees	150,139	431,269	424,228	7,041	2
<b>Registration income</b>	<b>2,253,676</b>	<b>10,830,027</b>	<b>10,930,516</b>	<b>(100,489)</b>	<b>(1)</b>
Cheque/credit card write offs	0	(250)	0	(250)	
<b>Total income</b>	<b>2,253,676</b>	<b>10,829,777</b>	<b>10,930,516</b>	<b>(100,739)</b>	<b>(1)</b>
Chair	4,690	28,673	34,151	5,478	16
Chief Executive	22,785	171,567	172,860	1,293	1
Council & Committee	10,838	69,883	82,636	12,753	15
Communications	86,448	460,022	526,985	66,963	13
Education	59,969	378,552	467,306	88,753	19
Facilities Management	90,050	689,241	802,401	113,161	14
Finance	58,357	295,699	385,369	89,670	23
Fitness to Practise	879,414	4,843,119	5,115,629	272,510	5
Human Resources	56,973	227,969	286,036	58,068	20
Human Resources Partners	33,684	230,102	352,910	122,808	35
IT Department	78,189	806,655	903,517	96,863	11
Major Projects	75,933	194,841	345,171	150,331	44
Operations Office	41,090	235,648	279,208	43,561	16
Policy	26,079	129,270	148,091	18,821	13
Registration	314,280	1,191,350	1,118,062	(73,288)	(7)
Secretariat	18,420	75,140	113,368	38,228	34
<b>Operating expenditure</b>	<b>1,857,199</b>	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10</b>
<b>Operating surplus/(deficit)</b>	<b>396,477</b>	<b>802,049</b>	<b>(203,185)</b>	<b>1,005,234</b>	<b>495</b>
Depreciation	62,880	317,765	312,295	(5,470)	(2)
Investment income	9,300	71,843	0	71,843	
Impairment on freehold land and buildings	0	0	0	0	
Impairment of intangible assets	0	0	0	0	
<b>Total surplus/(deficit)</b>	<b>342,897</b>	<b>556,126</b>	<b>(515,479)</b>	<b>1,071,606</b>	<b>208</b>

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

Accounting Period [Period 5 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	4,690			0		28,673	34,151	5,478	16	28,673	34,151	5,478	16
Chief Executive	22,785	114,915	114,467	(448)	(0)	56,652	58,393	1,741	3	171,567	172,860	1,293	1
Council & Committee	10,838					69,883	82,636	12,753	15	69,883	82,636	12,753	15
Communications	86,448	243,036	276,424	33,389	12	216,986	250,561	33,575	13	460,022	526,985	66,963	13
Education	59,969	270,615	301,675	31,061	10	107,938	165,630	57,693	35	378,552	467,306	88,753	19
Facilities Management	90,050	87,171	103,600	16,429	16	602,070	698,801	96,731	14	689,241	802,401	113,161	14
Finance	58,357	230,814	223,958	(6,856)	(3)	64,885	161,411	96,526	60	295,699	385,369	89,670	23
Fitness to Practise	879,414	1,314,359	1,433,085	118,726	8	3,528,759	3,682,544	153,785	4	4,843,119	5,115,629	272,510	5
Human Resources	56,973	165,191	215,175	49,984	23	62,778	70,861	8,083	11	227,969	286,036	58,068	20
Human Resources Partners	33,684	59,158	55,817	(3,342)	(6)	170,943	297,093	126,150	42	230,102	352,910	122,808	35
IT Department	78,189	222,733	247,028	24,295	10	583,921	656,489	72,568	11	806,655	903,517	96,863	11
Major Projects	75,933	50,795	63,050	12,255	19	144,045	282,121	138,076	49	194,841	345,171	150,331	44
Operations Office	41,090	178,054	191,811	13,757	7	57,593	87,397	29,804	34	235,648	279,208	43,561	16
Policy	26,079	112,715	92,073	(20,643)	(22)	16,554	56,018	39,464	70	129,270	148,091	18,821	13
Registration	314,280	668,306	700,405	32,099	5	523,044	417,657	(105,387)	(25)	1,191,350	1,118,062	(73,288)	(7)
Secretariat	18,420	63,219	91,866	28,647	31	11,920	21,502	9,581	45	75,140	113,368	38,228	34
<b>Operating expenditure</b>	<b>1,857,199</b>	<b>3,781,084</b>	<b>4,110,435</b>	<b>329,352</b>	<b>8</b>	<b>6,246,644</b>	<b>7,023,266</b>	<b>776,621</b>	<b>11</b>	<b>10,027,728</b>	<b>11,133,701</b>	<b>1,105,973</b>	<b>10</b>

## Statement of Financial Position

Account by Category

[All Categories](#)

Accounting Period

[Period 5 14-15](#)

	Balance	Prior Year Balance To Close
<b>Non-current assets</b>		
Land & buildings, at cost or valuation	3,185,000	3,185,000
Land & buildings depreciation	(11,213)	0
	<u>3,173,787</u>	<u>3,185,000</u>
Computer equipment, at cost	491,992	465,457
Computer equipment depreciation	(303,103)	(287,164)
	<u>188,890</u>	<u>178,293</u>
Office furniture and equipment, at cost	363,670	357,891
Office equipment depreciation	(248,243)	(230,958)
	<u>115,426</u>	<u>126,933</u>
Intangible assets	5,584,741	5,363,658
Intangible depreciation	(4,357,942)	(4,106,773)
	<u>1,226,799</u>	<u>1,256,885</u>
<b>Total non-current assets</b>	<u>4,704,902</u>	<u>4,747,110</u>
<b>Current assets</b>		
Other current assets	228,113	618,960
Cash & cash equivalents	13,636,884	16,038,062
	<u>13,864,997</u>	<u>16,657,022</u>
<b>Total assets</b>	<u>18,569,899</u>	<u>21,404,132</u>
<b>Current liabilities</b>		
Trade and other payables	597,862	806,716
Other liabilities	1,323,046	1,767,589
Deferred income	13,077,941	15,814,904
	<u>14,998,849</u>	<u>18,389,209</u>
<b>Total assets less liabilities</b>	<u>3,571,050</u>	<u>3,014,923</u>
General fund b/fwd	(3,014,923)	(2,166,787)
This period (surplus)/deficit	(556,126)	(725,227)
Grant income	0	(122,909)
General fund c/fwd	<u>(3,571,050)</u>	<u>(3,014,923)</u>

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

Office Equipment

Dishwasher  
 Coffee machines  
 Installation Air Condition Stannary Street  
 Replacement Colour Copier  
 Replacement B&W Copier

Actual YTD £	Budget 2014/15 YTD £	Variance £	Budget 2014/15 Full Year £
	3,333	3,333	10,000
4,126	3,333	- 793	10,000
	4,667	4,667	14,000
	4,000	4,000	12,000
<b>4,126</b>	<b>15,333</b>	<b>11,207</b>	<b>46,000</b>

Information Technology

Software Licences  
 Hardware replacement (servers, switches & drives)  
 Hardware new services & starters

14,244	14,358	114	43,075
	7,799	7,799	23,397
26,534	41,333	14,799	124,000
<b>40,778</b>	<b>63,491</b>	<b>22,712</b>	<b>190,472</b>

Major Projects

<b>138,855</b>	<b>894,466</b>	<b>755,611</b>	<b>2,683,399</b>
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**Total Capital Expenditure**

<b>183,759</b>	<b>973,290</b>	<b>789,531</b>	<b>2,919,871</b>
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**Summary of Project Expenditure**

**Capital expenditure**

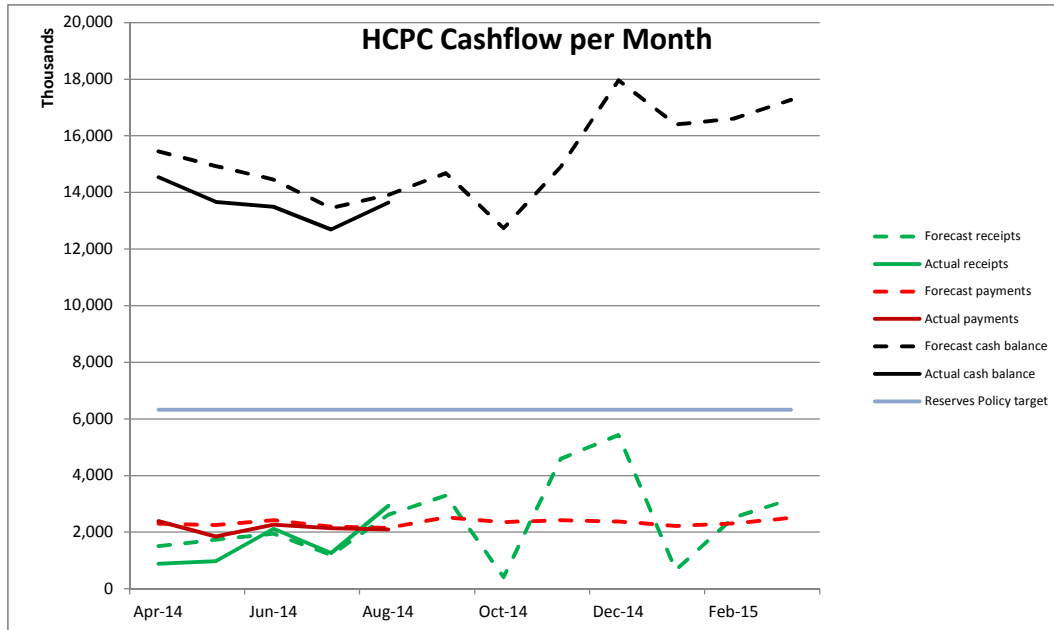
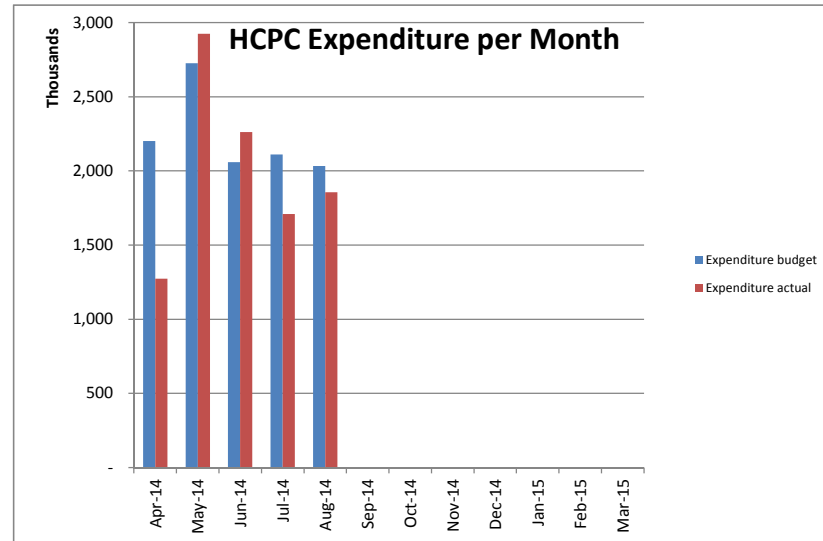
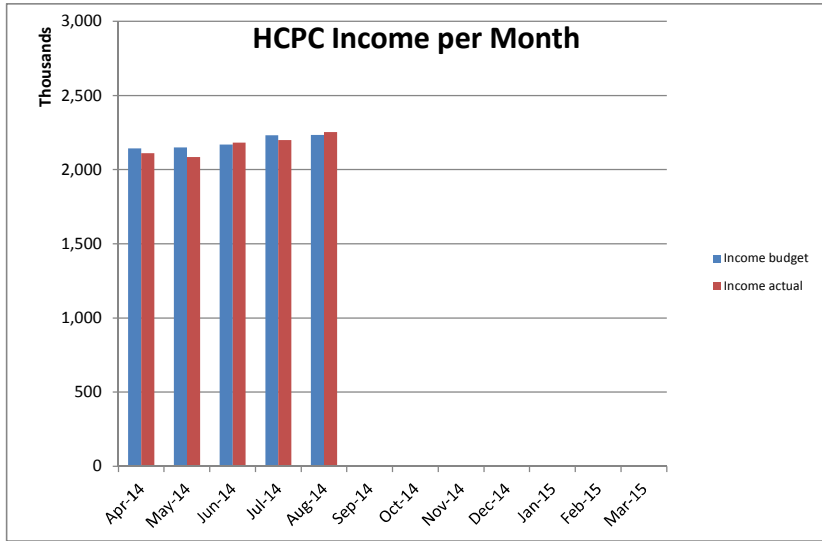
MP67 NetRegulate Changes 2013-14  
 MP63 HR & Partners Phase 1  
 MP64 Education System Build  
 MP51 186 Kennington Park Road  
 MP69 Professional Indemnity  
 Fees Change Project  
 MP75 Registrations Systems Review Phase 1  
 HR & Partners Phase 2  
 Stakeholder Contact Management System  
 SAGE & PRS Upgrade  
 Domino to Exchange Migration  
 Direct Debit Review  
 MP72 Online Renewals Review & Change of Payment Provider  
 FTP Changes 2014-15  
 NetRegulate Changes 2014-15

Actual YTD £	Budget 2014/15 YTD £	Variance £	Budget 2014/15 Full Year £
432		(432)	3,660
960	5,144	4,184	5,508
133,683	145,340	11,657	513,567
	264,126	264,126	450,234
3,780	-	(3,780)	8,252
	500	500	500
	8,400	8,400	469,370
		0	707,250
		0	56,677
		0	36,800
		0	103,169
		0	20,286
	58,747	58,747	138,000
		0	65,550
		0	104,576
<b>138,855</b>	<b>482,257</b>	<b>343,402</b>	<b>2,683,399</b>

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

	<b>Year to date budget £</b>	<b>Year to date actual £</b>
Operating surplus/(deficit)	(203,185 )	802,049
Decrease/(increase) in debtors & prepayments	539,170	390,847
Increase/(decrease) in creditors		(653,396 )
(Decrease)/increase in deferred income	(1,927,754 )	(2,736,963 )
<b>Net cash in/(out)flow from operating activities</b>	<b>(1,591,769 )</b>	<b>(2,197,464 )</b>
<b>Return on investments and servicing of finance</b>		
Investment Income		71,843
<b>Taxation</b>		0
<b>Capital expenditure and financial investments</b>		
Purchase of tangible assets	(737,935 )	(275,556 )
<b>Financing</b>		
Income from DOH		0
<b>Increase/(decrease) in cash</b>	<b>(2,329,703 )</b>	<b>(2,401,178 )</b>
Cash at 1 April 2014	16,243,000	16,038,062
Cash at end of period	13,913,297	13,636,884
<b>Cash movement</b>	<b>(2,329,703 )</b>	<b>(2,401,178 )</b>

**Management Accounts to 31 August 2014**  
**Graphs**



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

