

Council, 26 March 2015

Budget for 2015-16

Executive summary and recommendations

Introduction

HCPC's proposed budget for the year ending 31 March 2016 is attached, including the calculation of the target minimum level of cash in accordance with the Reserves Policy.

Decision

The Council is asked to approve the budget for the year ending 31 March 2016.

Background information

See Appendix 1

Resource implications

None.

Financial implications

HCPC income and expenditure for the year ending 31 March 2015.

Appendices

Appendix 1 Background information

Appendix 2 Budget schedules for the year ending 31 March 2016. See also the detailed departmental expenditure schedules contained within the Five Year Plan appendix

Date of paper

18 March 2015

Appendix 1: Background information

1. Process for development of the budget

- 1.1. EMT met to discuss outline workplans and major projects for 2015-16 in November 2014. Based on those plans, first draft budgets were prepared, and delivered to Finance in mid December. The first draft expenditure budgets and the initial income estimates were reviewed before Christmas, and an iterative process followed to refine departmental budget bids leading up to an EMT off site meeting in January 2016 at which the departmental budgets were agreed for submission to Council.
- 1.2. The budget should be reviewed alongside departmental workplans which set out the objectives and priorities for each department, and the required resources.

2. Income and expenditure (see also the description of budgeting and forecasting assumptions in the Five Year Plan, Agenda item 6)

- 2.1. Budgeted fee income is £27.2m, which is a £1.3m / 4.9% increase on the 2014-15 forecast. Income is based on the Registrant Numbers forecast and includes the proposed fee increases (Agenda item 8), but because of the two year renewal cycle, only three professions (Biomedical Scientists, Occupational Therapists and Radiographers) will start to pay the proposed new £90 renewal fee in 2015-16, and the impact of the increase in the registration/renewal fee in 2015-16 is only £245k. The proposed increases to other fees (scrutiny fee, readmission fee etc) add a further £177k to income in 2015-16.

- 2.2. Compared to the 2014-15 forecast outturn, the 2015-16 budget for expenditure:

- Includes a 4.8% increase in operating costs, from £26.2m to £27.5m
- Within operating costs, the proposed payroll budget increases from £9,643k (2014-15 forecast) to £10,526k. There are 7 new posts across the organization costing an extra £317k, including 4 new case managers in FTP. The reasons for the new posts are set out in the relevant departmental workplans
- Non-payroll operating costs (excluding depreciation) increase by 1.8% overall, from £15,824k (2014-15 forecast) to £16,107k. Budgeted operating costs are increasing on Major Projects (£834k in 2015-16, up 25% on 2014-15, including £317k for the Registration Processes and Systems Review Phase 2), in IT (£1,182k, up 6%, reflecting additional licensing costs of the new Education system and other improvements) and in Partners (£357k, up 13%, mainly the cost of training for new partners) but in all other departments including FTP the net increase in non-payroll costs is half of one percent.

PSA levy

- 2.3. The PSA levy is expected to be payable from 1 August onwards, at a rate of £3 per registrant. We have just under 330,000 registrants so the expected cost in 2015-16 is £660k. It is not yet clear how the PSA will set future levy rates.

405 Kennington Park Road

2.4. The terms of the proposed lease on 405 Kennington Park Road include a break clause after 6 years and a 4 month rent free period at the start of the lease. Accounting standards require that the benefit of the rent free period is spread over the 6 years up to the break clause.

2.5. Capital expenditure in 2015-16 includes the estimated fit out costs of £834k including VAT. The fit out costs will be depreciated over the 6 year period up to the break clause.

2.6. The overall position is a budgeted deficit for 2015-16 of £1,522k.

3. Capital expenditure

3.1. Total budgeted capital expenditure is £2,593k, including:

3.2. £1,608k on projects, including £482k on the Registration Processes and Systems Project Phase 2, £320k on HR and Partners Phase 2

3.3. £834k on the fit out of 405 Kennington Park Road. Capital expenditure on 405 KPR will be depreciated over the 6 years to the break clause

4. Cash flow and balance sheet

4.1. The cashflow forecast shows a net cash outflow for the year of £1,018k. The cash flow graph shows that the expected low point of the cash balance during 2015-16 is £11.0m, in August 2015.

4.2. We have based the forecast balance sheets at 31 March 2015 and 31 March 2016 on the 2014-15 month 9 forecast (reported to Council in February 2015) which showed an expected deficit for 2014-15 of £90k.

5. Reserves

5.1. HCPC's Reserves Policy, approved at the May 2014 Council meeting, is as follows:

HCPC is required to meet its costs from the fees charged to registrants and so must manage its finances on a sustainable basis. In order to ensure financial sustainability, HCPC will hold a minimum level of cash. The target minimum level of cash will represent 3 months of budgeted operating expenses.

The minimum level of cash will inform the annual budget setting process, helping to ensure that budgets are sustainable, and will be reported to Council as part of the proposed budget for each financial year.

5.2. Based on the 2015-16 budget, three months operating expenditure (excluding depreciation) is £6.7m.

5.3. The forecast cash flow and balance sheet indicate that we will be comfortably above the minimum target level of reserves throughout 2015-16.

6. Conclusions and recommendation

6.1. The additional costs of the PSA levy and the 405 Kennington Park Road lead to a deficit of £1,522k in 2015-16. The proposed fee increase has only a marginal impact in 2015-16. A deficit of that level would clearly be unsustainable if it was incurred year after year.

6.2. However, as shown in the Five Year Plan, the deficit in 2015-16 is expected to be followed by smaller deficit in 2016-17 (less than £500k), and then surpluses in each of the next three years, as the full effect of the registrant fee increase comes through. The forecast cash balance over the five year period does not fall below £10m, which is comfortably above reserves policy cash minimum. Therefore the budget does meet the requirement to manage our finances sustainably.

6.3. The Executive recommends that Council approves the budget.

APPENDIX TWO

HEALTH AND CARE PROFESSIONS COUNCIL

2015-16 BUDGET

HEALTH AND CARE PROFESSIONS COUNCIL

2015-16 BUDGET

INCOME AND EXPENDITURE

	Budget 2015-16 £	Month 9 Reforecast 2014-15 £	Month 6 Reforecast 2014-15 £	Budget 2014-15 £	Variance 2015-16 budget vs 2014- 15 budget		Variance 2015-16 budget vs 2014-15 M9 f'cast	
					£	%	£	%
INCOME								
Graduate Registration fee	1,522,626	1,429,058	1,333,265	1,553,290	(30,664)	(2%)	93,568	7%
Readmission fees	313,948	172,039	260,623	368,540	(54,592)	(15%)	141,909	82%
Renewal fees	23,371,841	22,281,152	22,150,308	22,510,780	861,061	4%	1,090,689	5%
International scrutiny fees	1,096,143	1,164,720	967,316	809,420	286,723	35%	(68,577)	(6%)
UK scrutiny fees	890,858	879,978	981,812	771,319	119,539	15%	10,880	1%
TOTAL INCOME	27,195,416	25,926,947	25,693,324	26,013,349	1,182,067	5%	1,268,469	5%
EXPENDITURE								
Departments								
Chair	90,707	86,690	78,519	78,960	(11,747)	(15%)	(4,017)	(5%)
Chief Executive	365,181	404,409	378,068	395,986	30,805	8%	39,228	10%
Council, Committees & PLG	247,954	218,361	198,697	225,780	(22,174)	(10%)	(29,593)	(14%)
Communications	1,283,061	1,222,190	1,209,567	1,267,698	(15,363)	(1%)	(60,871)	(5%)
Education	1,142,769	909,949	955,307	1,100,094	(42,675)	(4%)	(232,820)	(26%)
Facilities Management	1,395,689	1,481,400	1,579,154	1,574,250	178,561	11%	85,711	6%
Finance	844,385	777,447	747,457	848,340	3,955	0%	(66,938)	(9%)
Fitness to Practise	12,958,935	12,614,768	12,482,983	12,229,019	(729,916)	(6%)	(344,167)	(3%)
Human Resources	733,627	637,604	643,315	679,782	(53,845)	(8%)	(96,023)	(15%)
Human Resources Partners	492,354	448,402	530,049	573,691	81,337	14%	(43,952)	(10%)
IT Department	1,816,465	1,683,271	1,630,423	1,678,902	(137,563)	(8%)	(133,193)	(8%)
Operations Office	716,378	643,027	643,028	638,053	(78,325)	(12%)	(73,351)	(11%)
Policy & Standards	441,309	381,891	412,539	364,813	(76,496)	(21%)	(59,418)	(16%)
Major projects	693,553	620,990	808,215	1,077,170	383,617	36%	(72,563)	(12%)
Registration	3,024,084	3,036,228	2,880,745	2,804,594	(219,490)	(8%)	12,144	0%
Secretariat	246,350	217,601	228,508	260,899	14,549	6%	(28,750)	(13%)
Operating Expenses	26,492,801	25,384,229	25,406,575	25,798,031	(694,770)	(3%)	(1,108,572)	(4%)
Operating Surplus/(Deficit)	702,615	542,718	286,749	215,318	487,297	226%	159,897	29%

HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
INCOME AND EXPENDITURE

	Budget 2015-16 £	Month 9 Reforecast 2014-15 £	Month 6 Reforecast 2014-15 £	Budget 2014-15 £	Variance 2015- 16 budget vs 2014-15 budget £
Operating Surplus/(Deficit)	702,615	542,718	286,749	215,318	487,297
Other expenditure					
PSA levy	660,000				(660,000)
405 Kennington Park Road	554,425				(554,425)
Depreciation	869,954	767,187	763,446	749,507	(120,447)
Research Revalidation		42,927	25,000		-
Public Health Specialists	140,000	39,150	7,238		(140,000)
	2,224,379	849,264	795,684	749,507	(1,474,872)
Other income					
Investment Income		101,915	101,915		-
Public Health Specialists grant		39,150			-
Paramedics Grant		75,000			-
	-	216,065	101,915	-	0
TOTAL SURPLUS/(DEFICIT)	(1,521,764)	(90,481)	(407,020)	(534,189)	(987,575)

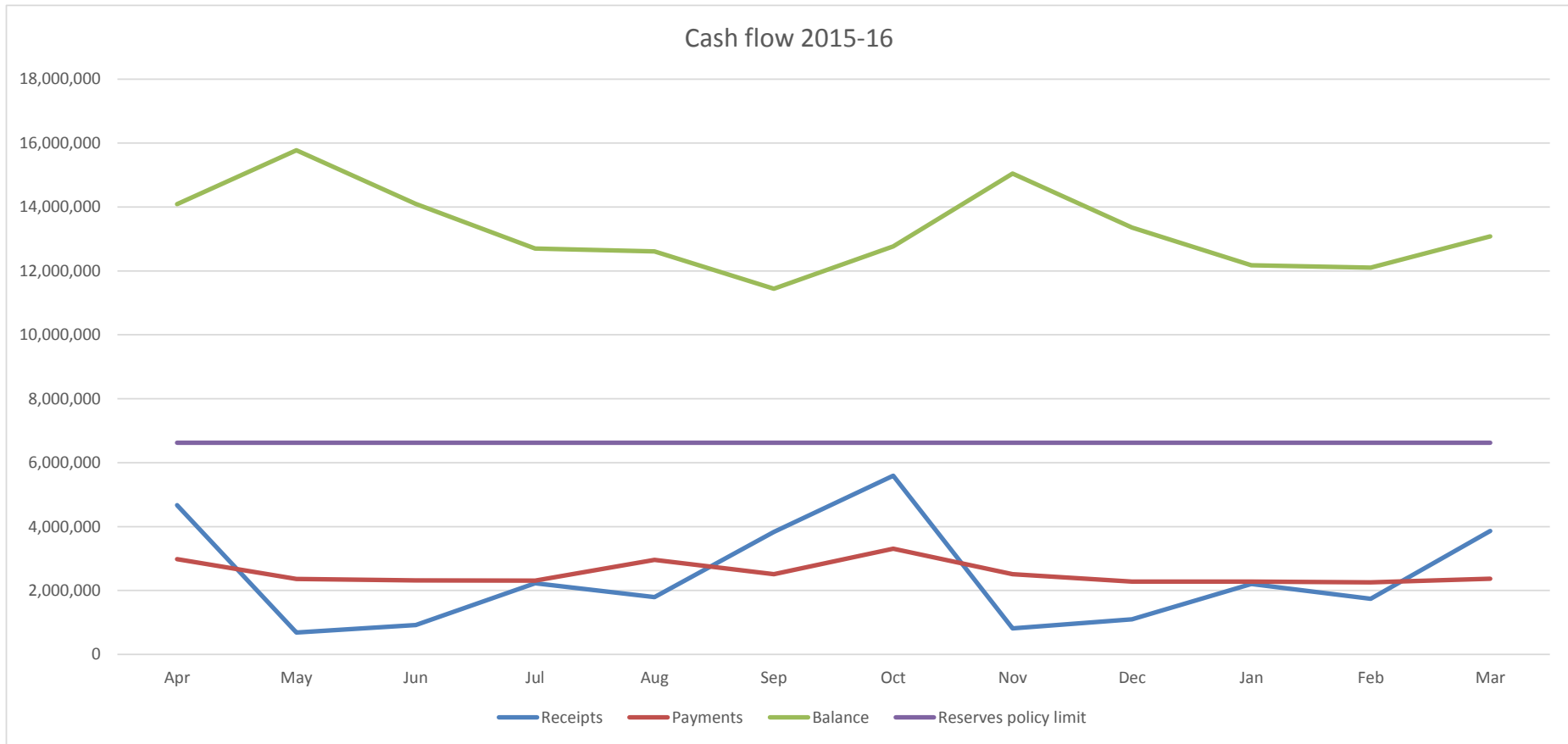
**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
Cash Flow Statement**

	Budget 2015-16 £	Forecast 2014-15 £	Budget 2014-15 £
Cash flows from operating activities			
Operating surplus/(deficit)	(1,521,764)	(90,481)	(534,189)
Depreciation and amortisation	869,954	193,716	0
Impairment on freehold properties			
Decrease/(increase) in debtors & prepayments	0	292,960	50,000
Increase/(decrease) in creditors	0	51,695	231,687
(Decrease)/increase in deferred income	2,227,000	(1,892,904)	3,055,807
Net cash in/(out)flow from operating activities	<u>1,575,190</u>	<u>(1,445,014)</u>	<u>2,803,305</u>
 Capital expenditure and financial investments			
Purchase of tangible and intangible assets	(2,592,816)	(1,078,579)	(2,480,927)
Grant income	0		
Increase in cash	<u>(1,017,626)</u>	<u>(2,523,593)</u>	<u>322,378</u>
 Opening cash	14,086,784	16,038,062	16,243,000
Closing cash	13,069,157	14,087,000	17,314,885
Cash movement	<u>(1,017,627)</u>	<u>(1,951,062)</u>	<u>1,071,885</u>

**HEALTH AND CARE PROFESSIONS COUNCIL
STATEMENT OF FINANCIAL POSITION AT 31 MARCH**

	Budget 2016 £000	Forecast 2015 £000	Budget 2015 £000	Actual 2014 £000
Non current assets	6,782	5,059	6,471	4,747
Current assets				
Trade and other receivables	326	326	400	619
Cash and cash equivalents	13,069	14,087	17,315	16,038
Total assets	<u>20,177</u>	<u>19,472</u>	<u>24,186</u>	<u>21,404</u>
Current liabilities				
Other	2,626	2,626	2,336	2,574
Deferred Income	<u>16,149</u>	<u>13,922</u>	<u>19,344</u>	<u>15,815</u>
Total liabilities	18,775	16,548	21,680	18,389
Total assets less liabilities	<u>1,402</u>	<u>2,924</u>	<u>2,506</u>	<u>3,015</u>
General Fund				
Brought forward	2,924	3,015	3,040	2,167
Period result	-1,522	-90	(534)	725
Grant income				123
Carried forward	<u>1,402</u>	<u>2,924</u>	<u>2,506</u>	<u>3,015</u>

**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET**



**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
INCOME BY PROFESSION**

	Budget Month 9 Reforecast	Month 6 Reforecast	Budget	Variance	Variance
	2015-16	2014-15	2014-15	2014-15	
	£	£	£	£	%
Arts Therapists	278,076	270,904	263,186	22,786	9%
Biomedical Scientists	1,904,480	1,781,803	1,765,720	91,758	5%
Chiropodists	1,033,003	1,014,542	1,015,060	28,672	3%
Clinical Scientists	421,194	408,318	393,385	15,459	4%
Dieticians	720,297	698,687	701,791	10,733	2%
Hearing Aid Dispensers	168,834	164,999	162,599	4,711	3%
Occupational Therapists	3,093,799	2,743,782	2,756,236	262,980	9%
Operating Department Practi	974,118	912,834	915,972	24,825	3%
Orthoptists	108,029	131,455	102,549	526	0%
Paramedics	1,618,853	1,535,353	1,527,110	(9,435)	(1%)
Physiotherapists	4,079,555	4,032,209	4,018,968	(36,929)	(1%)
Practitioner Psychologists	1,711,604	1,605,659	1,558,169	184,804	12%
Prosthetists & Orthotists	81,227	75,877	76,969	2,198	3%
Radiographers	2,384,275	2,366,611	2,358,132	149,395	7%
Speech & Language Therapi	1,199,514	1,152,906	1,156,344	2,646	0%
Social Workers	7,418,559	7,031,007	6,921,133	426,937	6%
TOTAL INCOME	27,195,416	25,926,945	25,693,323	1,182,066	5%

**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
EXPENSE BY COST TYPE**

	Budget	Month 9	Month 6	Budget	Budget 2015-16 vs		Budget 2015-16 vs M9	
	2015-16	Reforecast	Reforecast	2014-15	Budget 2014-15	Variance	Variance	forecast 2014-15
	£	£	£	£	£	%	£	%
Payroll	10,539,060	9,642,773	9,491,386	9,790,232	(748,827)	(8%)	(896,287)	(9%)
Non-payroll costs								
Communications subtotal	609,715	552,843	580,278	601,751	(7,964)	(1%)	(56,872)	(10%)
Computer Costs subtotal	1,030,224	982,796	936,401	926,652	(103,572)	(11%)	(47,429)	(5%)
Council Comm. Costs subtotal	309,471	260,723	238,148	259,600	(49,871)	(19%)	(48,748)	(19%)
Major Projects	833,553	620,990	808,214	1,077,170	243,617	23%	(212,563)	(34%)
Office Services subtotal	1,571,088	1,544,170	1,558,086	1,518,913	(52,176)	(3%)	(26,919)	(2%)
Partners subtotal	4,110,573	4,218,687	4,162,346	4,108,965	(1,608)	(0%)	108,114	3%
Professional Fees subtotal	5,697,930	5,515,187	5,517,259	5,253,844	(444,086)	(8%)	(182,744)	(3%)
Property Services subtotal	1,347,925	856,434	938,641	892,520	(455,405)	(51%)	(491,491)	(57%)
Small Projects subtotal	220,565	196,353	229,725	292,923	72,358	25%	(24,212)	(12%)
Specific Dept costs subtotal	715,118	758,817	725,770	832,356	117,238	14%	43,699	6%
Travel & Subsistence subtotal	202,004	234,457	240,321	242,743	40,739	17%	32,453	14%
	16,648,167	15,741,456	15,935,188	16,007,438	(640,729)	(4%)	(906,711)	(6%)
Total costs	27,187,226	25,384,229	25,426,574	25,797,670	(1,389,556)	(5%)	(1,802,997)	(7%)

**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
CAPITAL EXPENDITURE**

	Budget 2015-16 £	Forecast 2014-15 £	Budget 2014-15 £
<u>Project expenditure</u>	<u>1,607,670</u>	<u>842,107</u>	<u>2,244,549</u>
<u>Computer Equipment</u>			
Software licences upgrades, new starters, new software	50,277	43,075	43,075
Electronic expenses software	50,000		
Software licences new/replacement services		23,397	23,397
Hardware replacement servers, switches & drives		124,000	124,000
Hardware new services	51,500		
	<u>151,777</u>	<u>190,472</u>	<u>190,472</u>
<u>Office equipment</u>			
405 Kennington Park Road fit out	834,000		
Vending Machines	-	10,000	10,000
Installation of air conditioning to Units			
Stannary Street & Reception	-	10,000	10,000
Replacement Colour Copier	-	14,000	14,000
Replacement B&W Copier		12,000	12,000
	<u>834,000</u>	<u>46,000</u>	<u>46,000</u>
Total capital expenditure	<u><u>2,593,447</u></u>	<u><u>1,078,579</u></u>	<u><u>2,481,021</u></u>

**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
PAYROLL COSTS SUMMARY**

	Budget 2015-16 £	Month 9 Reforecast 2014-15 £	Month 6 Reforecast 2014-15 £	Budget 2014-15 £	Variance £	Variance %
Chief Executive	278,185	271,721	272,396	237,094	(41,091)	(15%)
Communications	674,900	642,324	615,454	663,418	(11,482)	(2%)
Education	875,483	643,878	656,626	740,923	(134,560)	(15%)
Facilities Management	234,513	205,262	204,431	248,640	14,127	6%
Finance	528,758	560,280	552,371	534,140	5,382	1%
Fitness to Practise	3,728,818	3,434,450	3,402,977	3,499,452	(229,366)	(6%)
Human Resources	505,927	440,247	454,981	500,600	(5,327)	(1%)
Human Resources Partner	135,364	131,753	131,693	128,781	(6,583)	(5%)
IT Department	634,595	565,428	558,137	586,708	(47,887)	(8%)
Operations Office	557,402	470,027	470,027	460,347	(97,056)	(17%)
Policy & Standards	282,519	264,033	282,601	220,975	(61,544)	(22%)
Registration	1,891,045	1,837,545	1,711,625	1,723,884	(167,161)	(9%)
Secretariat	198,550	175,822	178,067	245,271	46,720	24%
	<u>10,526,060</u>	<u>9,642,773</u>	<u>9,491,386</u>	<u>9,790,232</u>	<u>(735,827)</u>	<u>(0)</u>

**HEALTH AND CARE PROFESSIONS COUNCIL
2015-16 BUDGET
PAYROLL COSTS SUMMARY**

	2015-16 budgeted FTE	Number of new posts	Cost of new posts
Chief Executive	2.0	0	-
Communications	15.0	0	-
Education	18.3	1	60,631
Facilities Management	7.0	0	-
Finance	11.2	0	-
Fitness to Practise	91.6	4	138,880
Human Resources	5.7	1	54,567
Human Resources Partner	3.6	0	-
IT Department	11.5	0	-
Operations Office	8.3	1	63,070
Policy & Standards	5.0	0	-
Major projects	2.3		
Registration	56.9	0	-
Secretariat	3.9	0	-
	<u>242</u>	<u>7</u>	<u>317,147</u>