

Agenda Item 8(i)

Enclosure 4a

**Health and Care Professions Council
24 May 2018**

**Amendment to Chief Executive's report –
month 12 management accounts**

For discussion

**From Marc Seale, Chief Executive and
Registrar**

Council, 24 May 2018

Amendment to Chief Executive's report – month 12 management accounts

Executive summary and recommendations

Introduction

As agreed with Council, detailed management information is now included within the Chief Executive's report four times a year, at the July, September, December and March meetings of Council.

However, since the final management accounts for the year 2017-18 are now available, it is appropriate to include those tables within the papers for the May meeting, rather than waiting until the July meeting.

The management accounts are consistent with the draft statutory accounts included within the draft annual report and accounts (agenda item 9, enclosure 5) and are unaudited.

Decision

The Council is asked to treat this paper as an amendment to the Chief Executive's report. The contents are for discussion.

Resource implications

None

Financial implications

Non directly

Date of paper

22 May 2018

Amendment to Chief Executive's report to May Council: detailed Finance management information for month 12 of 2017-18

- Income and expenditure for the year ended 31 March 2018 is compared against the month 9 forecast.
- Income was £33.4m, which is £34k / 0.1% less than both the original budget and the forecast.
- Total expenditure was £34.1m, which includes an accrual of £440k for EMT restructuring costs. Excluding the restructuring costs, total expenditure was £33.7m, which is £114k / 0.3% more than month 9 forecast and £123k / 0.4% less than budget.
- The overall result for the year, including the restructuring costs, is a deficit of £0.6m. If the restructuring costs were excluded, the result would be a deficit of £0.2m. The original budget was a deficit of £0.4m and the month 9 forecast (including interest receivable) was a deficit of £2k.
- The main departmental variances are
 - FTP are £324k / 2.1% over forecast, mainly due to the number of days of hearings in Q4 being above forecast
 - HR are £439k over forecast but this is entirely because the £440k EMT restructuring costs, which were not included in the forecast, have been charged against HR
 - Major Projects are £119k / 8.2% under the Opex budget and £307k / 20% **over** the capex forecast. The overspend on the 186 KPR project was reported to the Council in March. Other projects are financially on track
 - Registration are £123k / 3.5% under forecast, including a £42k underspend on payroll costs and an unexpected £29k credit from the printers.
- The March report included a variance explanation "£74k over forecast on [FTP] transcription writers due to delays in supplier issuing invoices and under accrual in the previous months. This was unclear and was queried at the meeting. The fuller explanation is that the supplier had been late in issuing invoices, and the costs had been underaccrued, prior to the month 9 forecast being prepared. That meant that the month 9 forecast was based on incomplete costs, and therefore underestimated the full year costs. The underaccrual has now been corrected. At month 12, the transcription budget line was £82k over forecast for the same reason, plus the above forecast number of days of hearings in Q4, as FTP focused on concluding the older and more complex cases.
- The revaluation of Park House and 186 KPR had been thought likely to cause an impairment charge. But the downward revaluation was £829k, and the balance brought forward on the revaluation reserve was £851k, so the downward revaluation was absorbed by the revaluation reserve, without having an impact on the income and expenditure account.
- The cash balance as at 31 March 2018 was £18.9m, which is £51k more than expected in the month 9 forecast and £349k more than expected in the original budget.
- The deferred income balance as at 31 March 2018 was £21.3m, which is £419k less than expected in the month 9 forecast and £1.18m less than expected in the original budget. Variance to forecast and budget is likely to be due to a timing difference.
- The actual results are subject to audit.

Variance Commentary

Variance Commentary						Mar -18 Comments (Actuals vs 2017-18 M9 Forecast)	
Department	Movement YTD	M9 Forecast YTD	Budget YTD	Forecast Variance	Budget Var %	Variations by Income Type	Variations by Profession
Total Income	33,371,908	33,407,393	33,406,977	(35,485)	(0.1)	On Target or variance below threshold	On Target or variance below threshold
EXPENDITURE							
Department	Movement YTD	M9 Forecast YTD	Budget YTD	Variance v Budget	Variance v Budget %	Variations on Payroll	Variations on Non-payroll
Communications	1,067,494	1,114,092	1,211,336	46,597	4.2	On Target or variance below threshold	<p>£18k underspend on Web costs due to reclass of invoice to prepayment</p> <p>£14k underspend in brochures and meet the HCPC events</p>
Education	1,093,865	1,134,635	1,178,318	40,770	3.6	On Target or variance below threshold	On Target or variance below threshold
Office Services	2,528,974	2,545,741	2,921,188	16,767	0.7	On Target or variance below threshold	On Target or variance below threshold
Fitness to Practise	15,873,466	15,549,690	14,797,229	(323,777)	(2.1)	On Target or variance below threshold	<p>Non-payroll costs were £252k / 2.3% over forecast overall. This includes:</p> <p>£102k over forecast on partner fees and travel. This is due to above forecast number of days of hearings in Q4 of the year, as we focus on concluding the older, more complex cases. The hearings activities also included an additional ICP day and a restoration hearing.</p> <p>Room hire costs £37k over forecast due to above forecast number of days (33 against forecast of 25) where hearings have been held at external venues.</p> <p>Public Law costs £72k over forecast, due to the Lovett case and a higher than expected number of interim order extensions</p> <p>£82k over forecast on transcription writers. The forecast was understated - see commentary above</p>

Department	Movement YTD	M9 Forecast YTD	Budget YTD	Variance v Forecast	Variance v Forecast %	Variations on Payroll	Variations on Non-payroll
Human Resources	1,486,769	1,047,811	997,163	(438,958)	(41.9)	Overspend due to accrual of restructuring costs.	On Target or variance below threshold
IT Department	2,277,027	2,262,816	2,277,810	(14,211)	(0.6)	On Target or variance below threshold	On Target or variance below threshold
Major Projects	1,569,424	1,450,722	1,526,250	(118,701)	(8.2)	On Target or variance below threshold	Portfolio overspend caused by overspend on 186 KPR project. Other projects' spend on track to forecast
Registration	3,340,343	3,462,925	3,659,028	122,582	3.5	On Target or variance below threshold	<p>£29k under spend on printing due to a credit received from the supplier which was not forecasted.</p> <p>£14k under spend on public law due to clean up of PO listing in February, where old PO has been closed and therefore dropped off of PO accrual.</p> <p>£12k underspend on small project costs caused by delays in commencement of the projects as contractual arrangements are taking longer to confirm.</p> <p>£8k underspend on training mainly due to savings made on the departmental training day.</p>

Income and Expenditure

31 March 2018

	Period 12	Year to date				Full Year Forecast (M9)	Full Year Budget
	Actual	Actual	M9 Forecast	Variance	Variance %		
Income by Activity							
Graduate Registration Fees	143,193	1,739,084	1,762,866	(23,782)	(1.3)	1,762,866	1,860,788
Readmission Fees	19,575	236,250	202,764	33,486	16.5	202,764	214,318
Renewal Fees	2,431,929	28,541,372	28,558,752	(17,380)	(0.1)	28,558,752	28,480,891
International Scrutiny Fees	165,825	1,796,410	1,779,047	17,363	1.0	1,779,047	1,824,911
UK Scrutiny Fees	35,154	1,059,912	1,103,965	(44,053)	(4.0)	1,103,965	1,026,069
Registration Income	2,795,676	33,373,029	33,407,393	(34,365)	(0.1)	33,407,393	33,406,977
Cheque/credit card write offs	(1,120)	(1,120)	0	(1,120)			0
Total Income	2,794,555	33,371,908	33,407,393	(35,485)	(0.1)	33,407,393	33,406,977
Chair	18,112	93,011	92,686	(325)	(0.4)	92,686	100,720
Chief Executive	35,378	380,068	380,714	646	0.2	380,714	357,202
Council & Committee	55,556	242,681	274,749	32,068	11.7	274,749	303,179
Communications	100,918	1,067,494	1,114,092	46,597	4.2	1,114,092	1,211,336
Education	107,832	1,093,865	1,134,635	40,770	3.6	1,134,635	1,178,318
Office Services	322,363	2,528,974	2,545,741	16,767	0.7	2,545,741	2,921,188
Finance	40,132	727,820	765,059	37,239	4.9	765,059	845,938
Fitness to Practise	1,522,472	15,873,466	15,549,690	(323,777)	(2.1)	15,549,690	14,797,229
Human Resources	569,213	1,486,769	1,047,811	(438,958)	(41.9)	1,047,811	997,163
Human Resources Partners	29,896	406,004	405,595	(409)	(0.1)	405,595	436,219
IT Department	261,579	2,277,027	2,262,816	(14,211)	(0.6)	2,262,816	2,277,810
Major Projects	194,210	1,569,424	1,450,722	(118,701)	(8.2)	1,450,722	1,526,250
Operations Office	54,877	633,932	634,899	967	0.2	634,899	644,280
Policy	30,769	410,791	417,160	6,370	1.5	417,160	446,946
Registration	329,649	3,340,343	3,462,925	122,582	3.5	3,462,925	3,659,028
Secretariat	25,521	259,283	252,201	(7,082)	(2.8)	252,201	272,381
Depreciation	65,525	809,185	854,354	45,169	5.3	854,354	905,736
PSA Levy	0	878,682	878,682	0	0.0	878,682	878,682
Apprenticeship Levy	2,806	33,210	33,710	500	1.5	33,710	35,337
Operating expenditure	3,766,809	34,112,030	33,558,242	(553,788)	(1.7)	33,558,242	33,794,943
Operating surplus/(deficit)	(972,254)	(740,121)	(150,848)	(589,273)		(150,848)	(387,965)
Other expenditure							
Corporation Tax	29,215	29,215	0	(29,215)		0	0
	29,215	29,215	0	(29,215)		0	0
Other income							
Investment Income	12,480	153,963	148,902	5,061	3.4	148,902	0
	12,480	153,963	148,902	5,061	3.4	148,902	0
Total surplus/(deficit)	(988,989)	(615,374)	(1,947)	(613,427)		(1,947)	(387,965)

Payroll costs

31 March 2018

	Period 12	Year to date				Full Year	
	Actual	Actual	M9 Forecast	Variance	Variance %	Forecast (M9)	Full Year Budget
Chief Executive	22,717	261,352	267,391	6,039	2.3	267,391	272,802
Communications	52,728	646,588	648,516	1,928	0.3	648,516	673,273
Education	71,712	845,495	867,670	22,176	2.6	867,670	891,080
Office Services	30,060	299,767	304,013	4,246	1.4	304,013	332,860
Finance	41,731	479,992	487,208	7,216	1.5	487,208	496,638
Fitness to Practise	519,039	4,869,368	4,797,112	(72,256)	(1.5)	4,797,112	4,533,740
Human Resources	527,501	1,098,784	683,457	(415,327)	(60.8)	683,457	656,033
Human Resources Partners	14,978	139,014	134,388	(4,626)	(3.4)	134,388	125,546
IT Department	78,826	898,980	891,718	(7,261)	(0.8)	891,718	875,169
Major Projects	24,405	279,543	277,379	(2,164)	(0.8)	277,379	149,129
Operations Office	42,078	529,788	536,020	6,233	1.2	536,020	526,245
Policy	21,783	276,648	278,878	2,230	0.8	278,878	291,531
Registration	162,181	1,921,782	1,963,979	42,197	2.1	1,963,979	2,079,477
Secretariat	22,682	229,431	226,244	(3,187)	(1.4)	226,244	239,691
Payroll costs	1,632,421	12,776,530	12,363,972	(412,558)	(3.3)	12,363,972	12,143,214

Non-payroll costs

31 March 2018

	Period 12	Year to date				Full year	
	Actual	Actual	M9 Forecast	Variance	Variance %	Full Year Forecast (M9)	Full Year Budget
Chair	18,112	93,011	92,686	(325)	(0.4)	92,686	100,720
Chief Executive	12,660	118,716	113,324	(5,393)	(4.8)	113,324	84,400
Council & Committee	55,556	242,681	274,749	32,068	11.7	274,749	303,179
Communications	48,190	420,907	465,576	44,669	9.6	465,576	538,063
Education	36,120	248,370	266,964	18,594	7.0	266,964	287,238
Facilities Management	292,303	2,229,207	2,241,729	12,521	0.6	2,241,729	2,588,328
Finance	(1,599)	247,828	277,851	30,024	10.8	277,851	349,300
Fitness to Practise	1,003,433	11,004,099	10,752,578	(251,521)	(2.3)	10,752,578	10,263,489
Human Resources	41,712	387,986	364,354	(23,631)	(6.5)	364,354	341,130
Human Resources Partners	14,918	266,991	271,207	4,217	1.6	271,207	310,673
IT Department	182,753	1,378,047	1,371,098	(6,950)	(0.5)	1,371,098	1,402,641
Major Projects	169,806	1,289,881	1,173,343	(116,537)	(9.9)	1,173,343	1,377,121
Operations Office	12,799	104,144	98,879	(5,265)	(5.3)	98,879	118,035
Policy	8,986	134,143	138,283	4,140	3.0	138,283	155,415
Registration	167,468	1,418,561	1,498,946	80,385	5.4	1,498,946	1,579,551
Secretariat	2,839	29,852	25,958	(3,895)	(15.0)	25,958	32,690
PSA Levy	0	878,682	878,682	0	0.0	878,682	878,682
Apprenticeship Levy	2,806	33,210	33,710	500	1.5	33,710	35,337
Non-payroll costs	2,068,863	20,526,315	20,339,916	(186,400)	(0.9)	20,339,916	20,745,992

Statement of Financial Position

31 March 2018

	Actual Period 12	M9 Forecast YTD	M9 Forecast 31 March 2018	Budget 31 March 2018	Actual 31 March 2017
Non-current assets					
Land & buildings, at cost or valuation	4,975,000	5,524,123	5,524,123	6,431,833	4,615,000
Land & buildings depreciation	(0)	(46,151)	(46,151)	(62,267)	0
	4,975,000	5,477,973	5,477,973	6,369,566	4,615,000
Computer equipment, at cost	485,059	528,653	528,653	591,763	499,535
Computer equipment depreciation	(413,244)	(449,557)	(449,557)	(459,718)	(382,705)
	71,814	79,096	79,096	132,045	116,829
Office furniture and equipment, at cost	1,183,115	1,183,115	1,183,115	1,183,115	1,183,115
Office equipment depreciation	(586,033)	(586,025)	(586,025)	(570,333)	(413,863)
	597,082	597,090	597,090	612,782	769,252
Intangible assets	7,525,603	7,764,435	7,764,435	8,452,829	7,116,711
Intangible depreciation	(5,956,342)	(6,244,503)	(6,244,503)	(6,285,313)	(5,675,325)
	1,569,261	1,519,932	1,519,932	2,167,516	1,441,386
Total non-current assets	7,213,157	7,674,091	7,674,091	9,281,910	6,942,467
Current assets					
Other current assets	2,107,123	1,929,749	1,929,749	2,009,182	1,994,076
Cash & cash equivalents	18,892,070	18,841,374	18,841,374	18,543,425	19,528,831
	20,999,194	20,771,123	20,771,123	20,552,607	21,522,907
Total assets	28,212,351	28,445,214	28,445,214	29,834,517	28,465,374
Current liabilities					
Trade and other payables	818,360	167,347	167,347	430,848	430,848
Other liabilities	2,354,952	1,435,039	1,435,039	2,187,619	2,115,827
Deferred income	21,256,802	21,675,527	21,675,527	22,434,790	20,749,474
Total current liabilities	24,430,115	23,277,913	23,277,913	25,053,257	23,296,149
Liabilities greater than one year	220,159	163,052	163,052	163,052	163,052
Total assets less liabilities	3,562,078	5,004,248	5,004,248	4,618,208	5,006,174
General fund b/fwd	(4,155,121)	(4,155,121)	(4,155,121)	(4,155,121)	(4,155,121)
Rev Res - Land & Building	(22,330)	(851,052)	(851,052)	(851,052)	(851,052)
This periods (surplus)/deficit	615,374	1,924	1,924	387,965	
General fund c/fwd	(3,562,078)	(5,004,248)	(5,004,248)	(4,618,208)	(5,006,174)

Projects

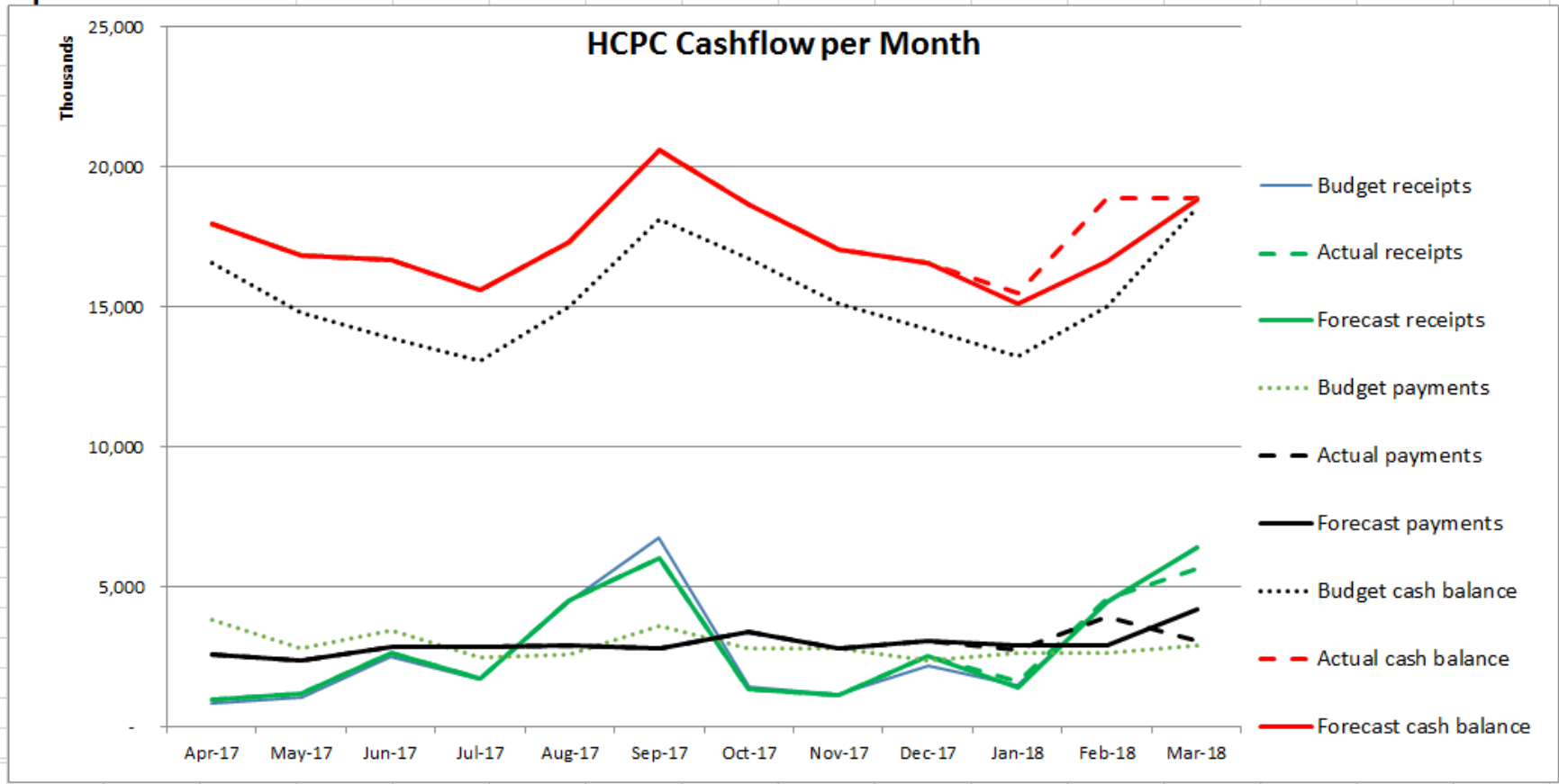
	Opex			Capex			Opex & Capex			Opex	Capex
	Actual YTD £	M9 Forecast 2017/18 YTD £	Variance £	Actual YTD £	M9 Forecast 2017/18 YTD £	Variance £	Actual YTD £	M9 Forecast 2017/18 YTD £	Variance £	M9 Forecast 2017/18 Full Year £	M9 Forecast 2017/18 Full Year £
HR and Partners Build	31,680	27,834	(3,846)	86,896	82,130	(4,766)	118,576	109,964	(8,612)	27,834	82,130
Reg Transformation and Improvement	222,458	228,626	6,168	178,449	194,507	16,058	400,907	423,133	22,226	228,626	194,507
Establishing the new Tribunal Service	(4,788)	(4,788)	(0)	(2,323)	(2,323)	0	(7,111)	(7,111)	(0)	(4,788)	(2,323)
PCI/DSS	0	0	0	0	0	0	0	0	0	0	0
HCPC website review and build	84,732	89,066	4,334	240,228	269,361	29,134	324,960	358,428	33,468	89,066	269,361
Net Regulate Changes	0	0	0	0	0	(0)	0	0	(0)	0	0
186 Kennington Park Road renovation	1,216,155	1,087,406	(128,749)	1,234,872	909,123	(325,749)	2,451,027	1,996,529	(454,498)	1,087,406	909,123
Education System Change	0	0	0	0	0	0	0	0	0	0	0
FTP CMS Review	0	0	0	0	0	0	0	0	0	0	0
CPD Online Migraton	18,084	22,578	4,494	85,506	63,920	(21,586)	103,590	86,498	(17,092)	22,578	63,920
Education Changes 17/18	1,103	0	(1,103)	0	0	0	1,103	0	(1,103)	0	0
	1,569,424	1,450,722	(118,701)	1,823,628	1,516,719	(306,909)	3,393,051	2,967,441	(425,610)	1,450,722	1,516,719

Cash flow statement

From 1 April 2017

	Year to date actual £	Year to date M9 forecast £	Full year M9 forecast £	Full year budget £
Operating surplus/(deficit)	(740,121)	(150,848)	(150,848)	(387,965)
Add: Corporation tax	(29,215)			
Less: Depreciation	809,185	854,354	854,354	905,736
Decrease/(increase) in debtors & prepayments	(113,047)	64,327	64,327	(15,106)
Increase/(decrease) in creditors	683,744	(944,278)	(944,278)	71,792
(Decrease)/increase in deferred income	507,328	926,053	926,053	1,685,316
Net cash in/(out)flow from operating activities	1,117,873	749,608	749,607	2,259,773
Return on investments and servicing of finance				
Investment Income	153,963	148,902	148,902	0
Capital expenditure and financial investments				
Purchase of fixed assets	(1,908,597)	(1,585,966)	(1,585,966)	(3,245,179)
Increase/(decrease) in cash	(636,761)	(687,457)	(687,457)	(985,406)
Cash at beginning of period	19,528,831	19,528,831	19,528,831	19,528,831
Cash at end of period	18,892,070	18,841,374	18,841,374	18,543,425
Cash movement	(636,761)	(687,457)	(687,457)	(985,406)

Graphs - Cashflow



Graphs - Income and Expenditure

