

HEALTH PROFESSIONS COUNCIL
MANAGEMENT ACCOUNTS
FOR THE 2 MONTHS ENDED 31st MAY 2003

COMMENTARY

INTRODUCTION

This set of management accounts includes an additional report to show cash flow movements over the financial year.

The deficit before unrealised gains on investments of £152,465 is £349,076 against a budgeted deficit of £554,646. This is better than budget by £205,570. A relatively high deficit is budgeted for at this early stage as the increased income from registration fees will not come into effect until 9th July 2003. Also some of the larger professions will not be paying their renewal fees until the 2nd half of the financial year.

Income total for the period is £1,130,151, against a budget of £1,048,596, a favourable variance of £81,555 (7.78%). Operating expenses total £1,479,227 against a budget of £1,603,242 a favourable variance of £124,015 (7.74%).

INCOME

Registration income is £649,444 against a budget of £607,596 a favourable variance of £41,848 (6.89%). The variance is made up of an increased number of international applications for physiotherapists and radiographers, compared with budget. This is due to the international registration team clearing a backlog, effectively moving some application fees from income in advance. There is no budget for part year application fees. However, there will be a relatively small amount of this type of income up to 9th July 2003.

Investment income excluding unrealised gains is above budget by 68.48%. This is due to some large dividends in the opening 2 months of the financial year. The stock market has shown a recovery over the last 2 months, which is indicated by the unrealised gain of £152,465.

Department of Health revenue grant is £462,174 against a budget of £430,000, a favourable variance of £32,174 (7.48%). The DoH revenue grant to date has been spent on the building refurbishment, legal advice and project work (standards of proficiency).

EXPENDITURE

Operating Expenses total £1,479,227 against a budget of £1,603,242 a favourable variance of £124,015 (7.74%). Most departments are within budget with some relatively large savings within operations and communications. Within operations there have been less assessments of international applications than budget for, with a knock-on effect on NI cost. These costs may catch up with budget over the financial year. 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.

Human resources expenditure is £81,023, against a budget of £63,290 an adverse variance of £17,733 (28.02%). This is due to the partner recruitment program costing more than expecting (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, Council and committee expenses, Property services, Computer services, Communications, Partners and Specific departmental expenses, all within budget overall. However Staff travelling and subsistence is 16.36% overspent (fares and conferences) and Office services is 3.2% overspent (printing and stationary). These 2 areas of overspend are relatively small when compared with the budget as a whole.

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 will be released into the income and expenditure account when the LISA system goes live on 9th July 2003.

The increase in computer equipment cost, reflects the continual 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 invoices that were unpaid at the end of May 2003. Part of these debtors were settled in June and the rest in July (See cash flow forecast).

HPC's working capital as at 31st May 2003 is £(661,408). This has resulted in 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 being reported. 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 two months of the financial year was £102,019, mainly due to the increase in creditors.

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 £143,480 spent on fixed assets. Carr Sheppards Crosthwaite on our behalf have bought and sold shares. They have sold a significant number of shares due to the upturn in the market.

The overall decrease in cash was £133,993 reflected in the cash movement on the balance sheet from 31st March 2003 (Bank balance £504,924 compared with £370,931 as at 31st May 2003).

The cash flow forecast shows the position for the following 10 months of the financial year and the amounts that HPC will owe its creditors. As can be seen, an overdraft facility will be required for the months August to October. Ideally some of the payments to creditors in August would have occurred in July, but at the time of writing the overdraft facility had not come through. Once some of the larger professions have paid the new renewal fee (October & November), HPC may no longer need the overdraft.

As mentioned in Budget version 2 there is a significant difference between registration income and cash received. Hence despite a deficit for the year, HPC will hold a relatively healthy cash position as the end of the financial year. This is also due to the fact that some registrants will be paying £120 upfront.

CONCLUSION

It is a little bit early to see any trends developing, but currently the majority of expenditure is within budget. HPC has currently a temporary cash flow problem which will be funded by the overdraft facility. This is reflected in an increase in creditors and lower cash movement than 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.

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July 2003