

**HEALTH PROFESSIONS COUNCIL**  
**MANAGEMENT ACCOUNTS**  
**FOR THE 10 MONTHS ENDED 31<sup>st</sup> January 2004**

**COMMENTARY**

**INTRODUCTION**

These accounts have been compared to budget version 5, the final version which was approved by the Council in December.

**DETAILED SUMMARY**

After ten months of the financial year, we budgeted an operating deficit of £1,138,379. The actual result for the period was a deficit of £1,164,186, an adverse variance of £25,807. A surplus is anticipated in the final quarter to reduce the operating deficit to the budget of £(923,933). For the first time this financial year, HPC has made a surplus in the month and hence the overall deficit to December was reduced in January.

The operating deficit is boosted by the unbudgeted unrealised gains on the investment portfolio, which have now risen to £256,915 in the 10-month period, and the building revaluation surplus of £452,000. This means that the opening reserves are diminished by only £455,271 at this time (see balance sheet).

After 10 months income totalled £5,474,483 with overheads at £6,638,669, thus giving the operating deficit of £1,164,186. Whilst this deficit was almost the same as budget, the mix of variances between income and expenditure is worth noting. Registration income is £303,877 below budget. This is occasioned by less than anticipated income over most professions but, as shown page 3, was due to much less International Scrutiny and Grandparenting fees than budgeted and also reductions in Registration and Readmission Fees.

Significant reductions in International Scrutiny Fees were Medical Laboratory Scientific Officers (£33,000), Occupational Therapists (£39,000) and Speech and Language Therapists (£9,000). The main source of Grandparenting reductions were Chiropodists (£107,000) and Physiotherapists (£40,000). Chiropodists were down £51,000 on registrations, Paramedics down £22,000 on registrations and readmissions, Radiographers down £11,000 on readmissions and Speech and Language Therapists down £25,000 on registrations. These shortfalls total £337,000 which is reduced to about £304,000 by some favourable variances.

Investment income is £4,400 above budget and Grants £205,000 up as discussed last month.

Overall income is a net £93,938 below budget.

Departmental Expenditure at £6,638,669 is £68,131 better than budget. Most departments have savings (the operations budget is £157,000 better than budget compensating for the lack of activity in international scrutiny and grandparenting), but there are overspends in Council (higher than budgeted committee travel and subsistence), in Chief Executive (higher than budgeted travel costs), Administration (temporary staff, security, printing and stationery, net of underspends on most other expense codes), Legal Services (Bircham Dyson Bell costs somewhat mitigated by an underspend on Fitness to Practise legal costs), in Human Resources (Legal Expenses: Employment law and advice) and Communications (higher than budgeted fares and subsistence).

With effect from 1<sup>st</sup> January, certain Directors were re-allocated to other functions. This will reflect in the overhead allocations between departments.

## **OVERHEADS**

A study of the Overhead Total Schedule, which lists expenditure by group and type rather than by department, shows Property services, Computer services and Partners, all within budget overall. Council and committee expenses, Staff travelling and subsistence and Communications are only marginally over budget. Office services are overspent due to printing and stationery and postage. Payroll expenses are overspent mainly due to increased temporary staff costs, staff recruitment and other payroll expenses, which tends to cover one-off payments (for whatever reason) to leavers. Specific departmental expenses are overspent and under spent over a number of the items in the cost centre. The main adverse variance is due to Bircham Dyson Bell as mentioned earlier.

## **BALANCE SHEET**

The balance sheet reflects the revalued Land and Buildings, the Computer Equipment (relating to both the operational hardware and the LISA system) and Office Furniture and Equipment. To this is added the Investment Portfolio at a valuation of £1,222,702, resulting in Total Fixed Assets. Working capital is a negative £333,931. This is the best position working capital has been since April 2003. The bank overdraft was showing at £4,969 and whilst the facility is in place until June is now unlikely to be used significantly. Deferred income (i.e. income received but not yet due to be released to the Income and Expenditure Account) currently stands at £2,902,979. The Net Assets are £1,201,891 which is represented by the Capital Grant Receivable (being released to the Income and Expenditure Account) of £648,720 and the Accumulated Fund of £553,171 (£1,008,442 at the beginning of the financial year less the net deficit for the year to date). It is worth noting that due to the monthly surplus in January, the reserves have increased for the first time in this financial year.

## **CASH FLOW**

The cash flow statement indicates the cash movement from 1<sup>st</sup> April 2003 to the current month. 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 from operating activities for the first ten months of the financial year was £424,515.

The two other areas of cash movement are return on investments and capital expenditure and financial investments. Investment income is mainly made up of dividends from the HPC's portfolio of shares together with some interest on the business reserve account. The LISA system comprises the majority of the £511,741 spent on fixed assets. Our stockbrokers sold a significant number of shares due to the upturn in the market and our cash requirements earlier in the year, hence the £373,554 of proceeds of sale of investments.

The overall decrease in cash was £509,893 reflected in the cash movement on the balance sheet from 31<sup>st</sup> March 2003 until the end of January (bank balance at the end of March of £504,924 compared with an overdraft of £4,969 at the end of January.)

## **CONCLUSION**

The cash flow problems which manifested themselves earlier in the year are now largely solved and the overdraft facility whilst in place is unlikely to be used.

The reserves have been boosted by the new grant and the revaluation of the property.

Operationally overheads are being properly controlled although income (especially grandparenting and international scrutiny fees) remains less than forecast.

For the first month this financial year, HPC has made a surplus and consequently reserves have increased when compared with December 2003.

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**February 2004**