

Finance Department Report

General

Since the last Committee Meeting, the Finance department has produced the August and September 2009 Management Accounts.

Supplier payments

At the end of September, 99% by value of the £557K Creditor payments (September Aged Creditor Listing) were in the 30 days or less category.

Fee adjustments and income receipts handling

At 2 November, there was no backlog in Registrant direct debit cancellations and amendments against a 2 day backlog target. We had 3 day processing backlog on rejected payments/refunds against a two day backlog target and no backlog on mid-cycle lapsing of Registrants. The banking of Registrant cheques is up to date and there is 2 day backlog on credit card reconciliations against a two day backlog target. When they occurred backlogs were due to an increase in registration workload and postal disputes.

Income Collection cycle

Direct debit collections of Registrants' fees (cover approximately 83% of registrants) are processed by the Finance Dept, with collections made two months in advance. AS, BS, DT & ODP collections occurred in October and November. CH collections are scheduled for early December. Most of the income comprises of Renewal fees collected.

Funds under Management

At 2 November, the Business Reserve account balance was £0.3M, earning an interest rate of 0.065% per annum. £2.8M was invested in the Nat West Special Interest-bearing Account (SIBA) on a rolling monthly basis, earning 0.48% per annum. The following were invested for 1 month at fixed rates: £0.5M invested in Barclays money market account earning 0.32%, £1M in Lloyds TSB money market account earning 0.25% and £1m with Nat West earning 0.72%.

The investment portfolio (excluding £95k portfolio cash) at the end of October was valued at £1.78M. The investment portfolio value including cash & money market instruments was £1.88M. This compares with £1.71M at end of July 2009.

Pensions

In October, there were 59 active members in the Friends Provident Scheme and no active members in the Capita Flexiplan Scheme, excluding the 6 "notional" members.

Employee training and staffing levels

There are seven full-time permanent employees in the dept with one additional permanent post to be filled. Temporary staff are periodically hired to cover for staff on annual or sick leave and to help achieve Finance dept service level targets.

Sage system support and development

A small version upgrade to the Sage accounting system took place in mid September. Sage training is planned for the whole Finance team in November.

Significant Financial Projects/Issues (next few months)

- IFRS financial statements to 31 March 2009 have been prepared in draft form and is being reviewed by the auditors.
- 2011 Fees project is in review.
- Six month re-forecast process has been completed.
- 5 Year plan has been revised.
- Annual budget process (including projects) has been initiated.
- PKF due to complete internal audit review of finance department in November.

Consolidated Management Accounts for the Six Months to 30 September 2009 - Commentary

Introduction

These accounts were compared to budget version 6, which was agreed by the Council on 26th March 2009.

Summary

For the 2009/10 financial year, there is a budgeted an operating surplus, before unrealised gains, of £13K compared to 2008/9 budgeted surplus of £244K. For the six month period to 30 September 2009 income totalled £7,036K with overheads of £6,975K giving and operating surplus before investments of £60K, a favourable variance of £320K compared to budget.

Major Projects

There was a favourable operating variance of £187K relating to major projects. This was due to timing differences for the Practitioner Psychologists and Online renewals projects.

There has been capital expenditure of £265K in relation to Practitioner Psychologists, FTP Case Management System, IT External Hosting Transfer to a New Provider and Online renewals projects

Statement of Financial Position (Balance Sheet)

The main movements in the balance sheet since the start of the financial year have been a decrease in creditors and decrease in deferred income. The net impact of these movements was a decrease in the cash balance of £495K.

£442K has been spent this year in relation to the 22-26 Stannary Street phase 2 project, with the total spend to date being £534K. The remaining budget is expected to be spent during the financial year.

Total assets were £11,121K, with liabilities being £9,362K. The reserves totalled £1,759K as at 30 September 2009. This was made up of the revaluation reserve of £214K and general reserve of £1,544K. This included 3360K grant income received relating to the revalidation project.

Cash Flow

The Cash Flow statement indicates a net decrease in cash of £495K from 1 April 2009 to the 30 September 2009. This was mainly due to the decrease in creditors during the period and capital expenditure of £736K.

The net increase or decrease in cash when compared to the accounting surplus or deficit can be significantly different. To arrive at the cash movement, non cash items such as depreciation are removed and balance sheet movements taken into consideration.

Charlotte Milner
Financial Controller
November 2009

Income and Expenditure Account - By Function
Consolidated Accounts to 30 September 2009

	Year to Date				Note	Annual Budget £
	Actual £	Budget £	Variance			
			£	%		
Income by Professions						
Arts Therapists	94,062	89,754	4,309	4.8%		179,507
Biomedical Scientists	861,468	938,925	(77,457)	(8.2%)	1	1,877,850
Chiropodists	463,392	466,157	(2,765)	(0.6%)		932,314
Clinical Scientists	164,718	155,888	8,830	5.7%		311,775
Dietitians	161,392	253,102	(91,710)	(36.2%)		506,203
Occupational Therapists	1,165,109	1,183,288	(18,180)	(1.5%)		2,366,576
Operating Department Practitioners	347,831	325,083	22,747	7.0%		650,167
Orthoptists	50,039	51,249	(1,210)	(2.4%)		102,498
Paramedics	532,307	538,332	(6,025)	(1.1%)		1,076,664
Physiotherapists	1,656,045	1,699,672	(43,627)	(2.6%)		3,399,344
Prosthetists & Orthotists	39,248	35,115	4,133	11.8%		70,229
Practitioner Psychologists	22,846	94,512	(71,666)	(75.8%)	2	886,166
Radiographers	1,006,434	1,126,709	(120,275)	(10.7%)	3	2,253,418
Speech and Language Therapists	472,092	473,549	(1,457)	(0.3%)		947,098
Registration Income	7,036,982	7,431,334	(394,353)	(5.3%)		15,559,811
Cheque/credit card write offs	(2,672)	0	(2,672)	0.0%		0
Total Income	7,034,310	7,431,334	(397,025)	(5.3%)		15,559,811

Expenditure by Department

Chief Executive	148,500	161,178	12,679	7.9%		322,357
Council, Committees & PLG	133,384	217,045	83,661	38.5%	4	447,701
Communications	561,841	497,726	(64,115)	(12.9%)	5	1,076,199
Depreciation	161,012	226,406	65,394	28.9%		452,804
Education	320,544	362,874	42,330	11.7%		766,271
Facilities Management	426,547	500,548	74,001	14.8%	6	911,698
Finance	329,377	306,630	(22,747)	(7.4%)	7	635,442
Fitness to Practise	2,853,912	2,777,346	(76,566)	(2.8%)		5,581,599
Human Resources	167,186	204,855	37,669	18.4%	8	367,517
Human Resources Partners	178,728	260,188	81,460	31.3%	9	375,611
IT Department	357,118	437,785	80,667	18.4%		944,125
Operations Office	221,416	232,974	11,558	5.0%		450,977
Policy & Standards	121,535	204,957	83,422	40.7%	10	417,428
President	25,369	24,714	(655)	(2.7%)		49,433
Projects	60,881	248,724	187,843	75.5%	11	420,197
Registration	766,331	940,997	174,667	18.6%	12	2,023,511
Secretariat	140,956	146,446	5,490	3.7%		304,247
Operating Expenditure	6,974,636	7,751,394	776,758	10.0%		15,547,116

Operating Surplus/ (Deficit)

59,674	(320,060)	379,733	12,694
---------------	------------------	----------------	---------------

Impairment of Freehold Land and Buildings	0	0	0	0.0%	0
Corporation Tax	0	0	0	0.0%	0
Interest payable	0	0	0	0.0%	0
Investment Income	83,549	87,496	(3,947)	(4.5%)	175,000
Unrealised Gains / (Losses)	339,069	0	339,069	0.0%	0

Total Surplus/ (Deficit)

482,292	(232,564)	714,856	187,694
----------------	------------------	----------------	----------------

Notes to Income and Expenditure Account - by Function

Note	Narrative
1	The unfavourable variance of £77K (£56K) was mainly due to a decrease in international applications of £18K (£14K) and a timing difference of £28K (£19K) on the readmission fees.
2	The unfavourable variance of £72K (£30K) was due to a small number of international and Grandparenting applications being received in July to September 2009. The unfavourable variance of £31K on international applications is likely to remain a permanent difference. Also, a permanent difference of £28K is likely to remain on the Grandparenting applications. (This is likely to reverse in future months.)
3	The unfavourable variance of £120K (£95K) was due to a decrease in international applications of £59K (£39K) and a timing difference of £19K (£18K) on the readmission fees. There was also a unfavourable variance of £96K (£65K) on the renewal fees due to the decrease in applications and a timing difference on the fee rise.
4	The favourable variance of £84K (£57K) was due to an over accrual being made at year end for council/committee fees and there is now only one FTP committee which deals with FTP Strategy, a permanent saving of £28K. There was also a favourable variance of £31K on appointments which is a permanent saving. (due to a timing difference.)
5	The unfavourable variance of £64K (£55K) was due to an overspend in Market research of £18K (campaigns of £10K for additional advertising done for the psychologists) and an overspend in Brochures of £28K (£15K). This is a timing difference and will reverse later in the year. There is an overspend in Payroll due to £15K being spent on temporary staff whilst permanent staff were recruited. This is a permanent difference.
6	The favourable variance of £74K (£85K) was due to a permanent difference of £17K (£38K) for insurance with the remaining difference due to timing differences in building refurbishment, Other office services and printing & stationery.
7	The unfavourable variance of £23K (£29K) was due to an unfavourable variance of £11K (£16K) for payments made in lieu, shown in basic pay. An unfavourable variance of £7K (£12K) in temporary staff was caused by a temporary member of staff hired to back fill an empty position.
8	The favourable variance of £38K (£41K) was due timing differences on staff recruitment of £10K (£16K) ,legal expenses of £12K (£9K) and systems support and maintenance of £8K.
9	The favourable variance of £81K (£54K) was due an over accrual being made at the year end in relation to partners recruitment, resulting in a favourable variance of £37K (£36K) and a timing difference of £41K (£15K) on partner training.
10	The favourable variance of £83K (£38K) was caused by a permanent difference of £29K (£15K) in basic pay with positions being vacant during the year and the delay in Market research, saving £24K. The remaining variance was due to timing differences on standards of proficiency and printing and stationery
11	The favourable variance of £188K (£87K) was due to timing differences on the psychologists and online renewals projects.
12	The favourable variance of £175K (£131K) was due to some positions being vacant through the year, permanent savings of £22K (£34K) and permanent saving on overtime of £42K (a timing difference on overtime of £13K.) There was a timing difference on the printing and stationery costs of £40K (£49K). There is a permanent saving on the international assessors fee of £72K (£49K) due to a downturn in the international applications.

Items in Bold are new since last report (previous value in brackets).

Income and Expenditure Account - By Activity
Consolidated Accounts to 30 September 2009

	Year to Date				Note	Annual Budget £
	Actual £	Budget £	Variance			
			£	%		
Income by Activity						
Registration fees	441,876	252,028	189,847	75.3%	A	504,257
Readmission fees	66,235	214,910	(148,675)	(69.2%)	B	458,569
Renewal fees	5,868,665	6,215,163	(346,499)	(5.6%)	C	13,004,002
International scrutiny fees	332,502	449,049	(116,547)	(26.0%)	D	936,600
Grandparenting scrutiny fees	9,025	47,181	(38,156)	(80.9%)	E	141,540
UK scrutiny fee	318,679	253,003	65,676	26.0%		514,842
Registration Income	7,036,982	7,431,334	(394,353)	(5.3%)		15,559,811
Cheque/credit card write offs	(2,672)	0	(2,672)	0.0%		0
Total Income	7,034,310	7,431,334	(397,025)	(5.3%)		15,559,811
Expenditure by Activity						
Payroll	2,511,297	2,683,672	172,374	6.4%	F	5,337,334
Travel and Subsistence	99,276	101,911	2,635	2.6%		230,531
Council and committee expenses	134,778	186,339	51,561	27.7%	G	416,036
Property services	175,555	221,316	45,761	20.7%	H	418,634
Office services	560,690	562,157	1,467	0.3%	I	1,093,363
Computer services	320,479	528,608	208,129	39.4%	J	1,094,768
Partners	1,008,499	1,140,833	132,333	11.6%	K	2,258,492
Communications	312,001	339,088	27,087	8.0%	L	769,108
Professional fees	1,599,018	1,617,850	18,833	1.2%		3,236,492
Small projects	26,459	81,900	55,441	67.7%	M	150,600
Specific Departmental Costs	226,585	287,721	61,137	21.2%	N	541,759
Operating Expenditure	6,974,636	7,751,394	776,758	10.0%		15,547,116
Operating Surplus/ (Deficit)	59,674	(320,060)	379,733			12,694
Impairment of Freehold Land and Buildings	0	0	0	0.0%		0
Corporation Tax	0	0	0	0.0%		0
Interest payable	0	0	0	0.0%		0
Investment Income	83,549	87,496	(3,947)	(17.9%)		175,000
Unrealised Gains / (Losses)	339,069	0	339,069	0.0%		0
Total Surplus/ (Deficit)	482,292	(232,564)	714,856			187,694

Notes to Income and Expenditure Account - by Activity

Note	Narrative
A	The favourable variance of £190K (£121K) was due to an increase in graduates taking the discounted renewal fee.
B	The unfavourable variance of £149K (£96K) was due to a timing difference, with the majority of the professions going into renewal in the second half of the year.
C	Registration income was £394K below budget. Of this, the renewal fees were £346K below budget. This is due to a higher number of graduates taking a discounted renewal fee than was budget for.
C	The unfavourable variance of £116K (£70K) was due to a downturn in the international applications being received. This is likely to be a permanent difference.
D	The unfavourable variance of £38K (£15K) was due a small number of applications being received to date. This is likely to reverse in future months.
E	Payroll costs had favourable variance of £172K. Basic Pay and National Insurance had favourable variance of £71K and £52K respectively. These were caused by staff leaving and some budgeted positions not being filled.
F	The favourable variance of £52K (£23K) was due to an over accrual being made at the year end. This is likely to be a permanent difference.
G	The favourable variance of £46K (£49K) was due to a timing difference on building refurbishment of £14K (£18k) and a permanent difference on business rates of £10K, due to over estimation.
H	(The favourable variance of £79K was due to a timing difference on printing and stationery of £74K and will reverse in future months.) Now Reversed.
I	The favourable variance of £208K (£82K) was due to a timing differences of £87K (£47K) on IT enhancements projects and £23K (£17K) on NetRegulate systems support.
J	The favourable variance of £132K was due to a permanent saving of £102K in International assessors fees and a timing difference of £23K for CPD assessors. (£168K was due to an overspend in campaigns of 10K for additional advertising done for the psychologists and an overspend in Brochures of £15K. This is due to a timing difference.)
K	The favourable variance of £27K (£32K) was due to underspend in Standards of proficiency of £10K, Translations of £10K and Media relations of £11K. (an overspend in campaigns of 10K for additional advertising done for the psychologists) There was an overspend in Brochures of £24K (£15K). This was a timing difference.
L	The favourable variance of £55K was due to timing differences in Small projects in the FTP, IT, Operations and registrations departments.
M	The favourable variance of £61K (£58K) was caused by a permanent difference of £32K on appointments and a permanent difference of £33K (£38K) on insurance savings.

Items in Bold are new since last report (previous value in brackets).

Statement of Financial Position

	30 September 2009		31 March 2009	
	£	£	£	£
<u>Non-current Assets</u>				
Property, Plant & Machinery				
Land & buildings, at cost or valuation	3,078,864		2,636,853	
Depreciation	<u>(18,581)</u>		<u>0</u>	
		3,060,282		2,636,853
Computer Equipment, at cost	651,243		644,060	
Depreciation	<u>(532,888)</u>		<u>(504,679)</u>	
		118,355		139,381
Office furniture and equipment, at cost	385,598		406,348	
Depreciation	<u>(346,157)</u>		<u>(372,679)</u>	
		39,441		33,669
Intangible assets	2,839,412		2,568,790	
Depreciation	<u>(1,888,697)</u>		<u>(1,784,455)</u>	
		950,715		784,335
<u>Total Non-current Assets</u>		<u>4,168,794</u>		<u>3,594,238</u>
<u>Current assets</u>				
Trade and other receivables	298,319		354,207	
Financial assets	1,807,405		1,347,418	
Cash & Cash Equivalents	<u>4,846,240</u>		<u>5,341,865</u>	
	<u>6,951,964</u>		<u>7,043,490</u>	
<u>Total Assets</u>		<u>11,120,758</u>		<u>10,637,728</u>
<u>Current Liabilities</u>				
Trade and other payables	(505,954)		(945,164)	
Other Liabilities	(1,337,177)		(1,670,261)	
Deferred Income	<u>(7,519,102)</u>		<u>(7,106,069)</u>	
	<u>(9,362,233)</u>		<u>(9,721,494)</u>	
<u>Total asset less liabilities</u>		<u>1,758,525</u>		<u>916,234</u>
<u>General reserve</u>				
General fund b/fwd	702,287		1,077,308	
(Deficit)/surplus for the year	482,292		(375,021)	
Grant income	<u>360,000</u>		<u>0</u>	
General fund c/fwd	1,544,579		702,287	
<u>Revaluation reserve</u>				
Reserve b/fwd	213,946		421,746	
Movements in the year	<u>0</u>		<u>(207,799)</u>	
Reserve c/fwd	213,946		213,947	
		<u>1,758,525</u>		<u>916,234</u>

**Summary of Project Expenditure
Six Months to 30 September 2009**

Project

Number	Capital expenditure
P3	Practitioner Psychologists
P4	Hearing Aid Council
P34	Online Renewals
P31	Vetting & Barring System (VBS)
P35	Registration Fee Rise 2011
P36	FTP Case Management System Phase 1
P37	Renewals Cycle Review
P38	IT external hosting transfer to new provider
P27	Finance System Upgrade
	Contingency
	Total Project Capital Expenditure

Year to Date			Annual Budget
Actual	Budget	Variance	£
£	£	£	
14,666	100,000	85,334	100,000
0	0	0	55,000
235,959	250,932	14,973	300,481
0	0	0	15,000
0	0	0	0
10,038	42,000	31,962	134,000
0	5,875	5,875	11,750
5,000	15,000	10,000	15,000
0	0	0	-
0	0	0	100,000
265,665	413,807	148,144	731,231

Operating expenditure

P3	Practitioner Psychologists
P4	Hearing Aid Council
P34	Online Renewals
P31	Vetting & Barring System (VBS)
P35	Registration Fee Rise 2011
P36	FTP Case Management System Phase 1
P37	Renewals Cycle Review
P38	IT external hosting transfer to new provider
	Total Project Operating Expenditure

42,354	143,672	101,318	143,760
2,243	2,700	458	27,310
16,095	89,552	73,457	127,552
189	0	(189)	28,225
0	3,000	3,000	8,000
0	1,800	1,800	11,400
0	0	0	-
0	8,000	8,000	73,950
60,881	248,724	187,843	420,197

**Summary of Capital Expenditure
Six Months to 30 September 2009**

Office Services

Renovation work to 22-26 Stannery Street. Phase 2
Additional photocopier for FTP
Replace Park House Boiler
Replace Park House water tank
Access control on additional doors
Induction loop for Reception and portable unit for hearings,
etc.

	Year to Date			Annual Budget £
	Actual £	Budget £	Variance £	
Renovation work to 22-26 Stannery Street. Phase 2	442,010	358,475	(83,535)	575,000
Additional photocopier for FTP	0	6,000	6,000	6,000
Replace Park House Boiler	13,139	10,000	(3,139)	15,000
Replace Park House water tank	2,613	6,600	3,987	10,000
Access control on additional doors	0	3,525	3,525	9,400
Induction loop for Reception and portable unit for hearings, etc.	0	0	0	5,000
	457,762	384,600	(73,162)	620,400

Information Technology

Laptop refresh
Server replacements/upgrades
New/replacement laptops
PRS Enhancements
New PC's

Laptop refresh	0	25,000	25,000	50,000
Server replacements/upgrades	0	0	0	10,000
New/replacement laptops	0	3,960	3,960	9,500
PRS Enhancements	4,959	6,800	1,841	6,800
New PC's	7,183	0	(7,183)	-
	12,142	35,760	23,618	76,300

Major Projects

	265,665	413,807	148,142	731,231
--	----------------	----------------	----------------	----------------

Total Capital Expenditure

	735,569	834,167	98,598	1,427,931
--	----------------	----------------	---------------	------------------

Consolidated Cash Flow: April 2009 to March 2010

£'000	MAR '09	APRIL	MAY	JUNE	JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MAR '10
Opening Balance 1st		5,342	4,559	3,951	2,991	3,275	3,073	0	0	0	0	0	0
Receipts													
Registration Income		1,142	1,138	1,174	1,229	1,180	1,173						
Investment Income		0	7	9	3	18	12						
Investment Sales		24	24	29	39	(34)	34						
Deferred Income Movements		48	(925)	(630)	378	(34)	1,576						
Bank Loan		0	0	0	0	0	0						
Miscellaneous Income		0	(3)	0	0	0	0						
Total Cash Receipts		1,214	242	581	1,649	1,130	2,795	0	0	0	0	0	0
Payments													
Operational													
Expenditure		353	1,719	1,235	1,155	1,252	1,266						
Depreciation		(33)	(31)	(36)	(35)	(38)	11						
Aged Cred / Accrual Movements		1,535	(873)	135	158	(84)	(103)						
Debtor Movements		75	(42)	(16)	(5)	(43)	(24)						
Payments to Creditors		1,930	773	1,317	1,273	1,087	1,150						
Non-Operational													
Capital Expenditure		46	30	141	91	223	203						
Capital Write-off		0	0	0	0	0	0						
Investment Purchases		22	47	83	(0)	22	29						
Loan Repayments		0	0	0	0	0	0						
DOH Income		0	0	0	0	0	(360)						
Taxation		0	0	0	0	0	0						
Total Payments		1,997	850	1,542	1,364	1,332	1,022	0	0	0	0	0	0
Closing Balance		5,342	3,951	2,991	3,275	3,073	4,846	0	0	0	0	0	0
Budgeted Closing Balance		4,997	3,798	2,910	3,370	3,043	4,450	5,074	4,400	3,894	4,492	3,982	5,253
Difference		(438)	153	81	(95)	30	396						

Deferred Income Movements - () Some income from deferred income and cash has already been received. If positive, cash received in advance and not recognised as income in current month.

Depreciation - Cash paid for fixed assets incurred in previous months make depreciation a non cash item, so is taken off the current month expenditure.

Aged Creditor Movements - () Denotes an increase in aged creditors from the previous month and is taken off the current month expenditure as they haven't been paid. Vice versa for a positive figure.

Debtor Movements - If positive, debtors/prepayments have been paid without all being recognised in the I & E Account, so must be added to the expenditure for the month, Vice versa for a negative figure.