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Paper Title: Proposed new Management Accounts format

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### Executive Summary

Following a review of the financial management reporting information which is presented to the Executive Team, the Council, and the new People & Resources Committee, a new style formal report has been drafted.

The aim of the new format is to ensure that there is a focus on the forecast outturn position and comparing this to the approved budget at the end of each quarter when measuring financial performance.

This is a move away from the practice adopted in 20/21 where a reforecast was undertaken each quarter and financial performance was measured against the reforecast numbers rather than the approved budget. The emphasis of the report was also on the year-to-date position rather than the forecast outturn. This led to some weaknesses in financial management and control.

The new style report is intended to be a formal report which includes significantly more breakdown and analysis than previously reported including tracking savings and efficiencies. This includes those savings identified in the budget setting process and any financial benefits outlined in approved investment business cases.

The intention is that the full report will go to the Executive Team and the PRC for scrutiny and challenge. It is also envisaged that the full report will be available to the full Council but that a summary will be incorporated into the Chief Executive's report (as is currently the situation).

However, the format of the slides included will change and will be finalised once PRC has had an opportunity to discuss the formal report and proposed format of slides to be included in the CEO report going forward. A presentation will be made to the Committee on the proposed format.

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[Previous consideration](#)

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Decision	PRC is asked to approve the updated Management Accounts new format of reporting
Next steps	N/A
Strategic priority	Strategic priority 3: Ensure the organisation is fit for the future and able to anticipate and adapt to changes in the external environment
Risk	Strategic Risk 4 - Failure to be an efficient regulator
Financial and resource implications	None as a result of this paper
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## 1. Introduction

For the 2020/21 financial year, HCPC moved to a new way of reporting financial performance which was predicated on budget holders updating their forecasts quarterly. The monitoring of financial performance was then carried out against this reforecast rather than the original approved budget.

Unfortunately, this approach led to a culture of budget holders merely updating their forecasts with additional expenditure resource requirements and not operating within a budget envelope and exercising financial restraint.

As HCPC's income is broadly fixed, the main focus of monitoring financial performance therefore needs to be on cost control, and it is important that any increases to expenditure budgets are carefully considered and approved.

There was also a focus on year-to-date reporting rather than on the full-year outturn position. Whilst the year-to-date position can give a good indication of run rates and trends, the overarching focus needs to be on the full year position.

This is to ensure that if the forecast is for a deteriorating financial position, then management action can be taken on a timely basis to correct that position.

Therefore, the proposal is to revert to an approach whereby quarterly monitoring will be based on the forecast outturn compared to the "revised budget" which will be the original approved budget and any changes to that budget which have been formally approved by Council.

This paper provides an update to PRC on the new format of the management accounts taking into account feedback from the Chair of the Audit Risk & Assurance.

## 2. Previous Format

- i. Different management reports for EMT, Council and PRC – This was time consuming.
- ii. Original budget replaced by cyclical quarterly forecasts – Losing the actual impact on the original budget.
- iii. Cost categories reporting not included.
- iv. No structured reporting on the cash-flow and headcount numbers.
- v. Council Member feedback that the information was very "busy" and difficult to understand key financial messages.
- vi. Variance analysis only done on year-to-date movements instead of outturn movements. This generated commentary repetition and meant that focus was lot on the forecast financial position.
- vii. No cashflow forecast included.

## 3. Proposed Changes

As set out in the attached report.

#### **4. Next Steps**

The new format, once approved, will be used for the first quarter's reporting which will be for June 2021 which will report on the 3-month interim budget position.

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Paper Title: Quarterly management accounts 21/22

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Executive Summary

This section will give a summary of the latest I&E forecast outturn, the movement from the prior reporting period and explanations for the key movements.

Explanation as to any movements on the delivery of existing efficiency savings and whether any new efficiencies have been identified.

It will also include confirmation to the capital budget position and whether projects are on time and on budget.

Confirmation that the forecast cashflow indicates that approved minimum levels of cash will be maintained (or not as applicable).

Confirmation that forecast reserves will be comply with the current Reserves Policy.

**Risk and opportunities**

This section will set out both the inherent risks in forecasting but also any specific risks either because of extenuating and/or external circumstances.

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Previous  
consideration

Decision .....  
The Council is recommended to:

- i. Note the latest management accounts position; and
- ii. Approve the changes to budgets as set out in Section 2.

Next steps .....  
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Strategic  
priority

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Risk

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Financial and  
resource  
implications

None as a result of this paper

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## Quarterly Management Accounts 21/2

### 1. Overview

1.1. This section will include a high-level summary only:

#### 1.1.1. I&E

- Latest full year forecast outturn compared to the latest revised budget at both the operating deficit/surplus level and then the overall deficit/surplus
- The movement on the forecast outturn since the last reporting period and the key reasons for the movement
- Key changes to the revised budget from the last reporting period

#### 1.1.2. Capital

- Latest full year forecast outturn compared to the latest budget
- The movement on the forecast outturn since the last reporting period and the key reasons for the movement
- Any changes to the revised budget from the last reporting period

### 2. Budget movements

2.1. This section will set out any budget movements as a result of approvals since last reporting period.

2.2. It will also include any proposed budget changes to be approved including any new investment arising from an approved business case.

### 3. Income

3.1. This section will include a more detailed breakdown of the full-year forecast outturn for income covering the following:

- Analysis between income streams (breakdown of registration and other)
- Explanations to support the forecast income outturn including support information such as changes to registrant numbers
- Any new information not available at the last reporting period

Registration Income by Activity						
	Previous Year	Current Year of Reporting				
Registration Income Categories	Prior Year Outturn	Full Year Original Budget	Full Year Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance
	£	£	£	£	£	%
Renewal & Graduate Reg Fees	29,294,029	24,652,629		24,314,955	(148,415)	(1)
Readmission Fees	290,790	166,717		183,725	44,000	26
International Scrutiny Fees	2,009,570	1,478,055		1,380,078	237,400	16
UK Scrutiny Fees	1,077,081	850,125		862,088	(16,646)	(2)
EPC Income	(20,735)	30,000		30,000	1,479	5
<b>Total Income by Category</b>	<b>32,650,735</b>	<b>27,177,526</b>	<b>0</b>	<b>26,770,847</b>	<b>117,818</b>	<b>0</b>

## 4. Operating Expenditure

### 4.1. Overview

4.1.1. A brief overview of how the full year forecast overall operating expenditure has moved since the last reporting period and where the movement has been both at an expense category level and by department with the detail included below.

### 4.2. Staffing

4.2.1. Pay and establishment headcount

4.2.2. Agency

4.2.3. Other staffing costs (T&S)

4.2.4. Staff recruitment

4.2.5. Training

HCPC Latest Headcount						
Department	Original Budget			Latest position		
	Permanent	Super-numerary	Total	Permanent	Super-numerary	Total
Chief Executive						
Governance						
Quality Assurance						
Policy						
Communication						
Professional Liaison						
Fitness-to-practice						
Registration						
Education						
IT & Digital						
Business Change						



Finance						
HR						
Office Services						
DIT						
<b>Total</b>						

#### **4.3. Overheads (non-staffing)**

##### **4.3.1. IT costs**

##### **4.3.2. Office running costs** (cleaning, security etc)

##### **4.3.3. Property costs**

##### **4.3.4. Others** (as appropriate)

#### **4.4. Legal and professional**

##### **4.4.1. FTP professional and legal**

##### **4.4.2. Other professional and legal**

##### **4.4.3. Partners HR**

##### **4.4.4. Partners FTP**

#### **5. Non-operating expenditure**

5.1. This section will analyse any key movements in non-operating expenditure or any other explanations required in respect of non-operational expenditure.

#### **6. Directorate analysis**

##### **6.1. Chief Executive & Governance**

6.1.1.

##### **6.2. Chair, Council & Committees**

6.2.1.

##### **6.3. Corporate Services**

6.3.1.

##### **6.4. Regulation**

6.4.1.

##### **6.5. Professional Practice & Insight**

## 7. Year-to-date position

7.1. This section will include a table which shows the summary I&E year-to-date position accompanied by a short narrative on any patterns or trends which have impacted on the full-year outturn forecast. Key risk areas only.

## 8. Savings and efficiencies

8.1. This section will include a table (with a RAG rating) which shows whether the I&E savings and efficiencies identified in the budget setting process are on track to be delivered and/or the status.

8.2. This section will also include a status update on any benefits realisation from approved investment business cases.

8.3. The section will also include any new savings and efficiencies identified.

## 9. Capital

9.1. This section will report on the status of existing capital projects both in terms of project delivery and budget performance.

9.2. As capital projects often straddle more than one financial year, this section will also include information on total project costs and whether these have moved from those set out in the original business case.

	Previous Year	Current year of Reporting				
		Prior Year Outturn	Full Year Original Budget	Full Year Revised Budget	Forecast Outturn	Forecast Variance
	£	£	£	£	£	%
Information Technology	105,215	338,520		327,000	281,294	83
Office Equipment	0	90,000		122,000	49,270	55
<b>Non Project Capital Costs</b>	<b>105,215</b>	<b>428,520</b>	<b>0</b>	<b>449,000</b>	<b>330,564</b>	<b>77</b>
Reg Transformation and Improvement	699,976			1,359,291		
Education Dynamic 365				97,893		
FTP CMS Replacement	45,540			448,257		
Data Platform				114,800		
Reg Phase 3				75,000		
Work Mobilisation				80,000		
Other Projects	119,409					
<b>Total Major Projects</b>	<b>864,925</b>	<b>1,607,544</b>	<b>0</b>	<b>2,175,242</b>	<b>(229,488)</b>	<b>(14)</b>
<b>Total Capital</b>	<b>970,140</b>	<b>2,036,064</b>	<b>0</b>	<b>2,624,242</b>	<b>101,076</b>	<b>5</b>

## 10. Cashflow and investments

10.1. This section needs to comment on the cashflow forecast appended to the report and specifically summarise:

- Cash balance at end of period

- Forecast cash balance at the end of the financial year
- Forecast rolling 12-month cashflow and whether at any time the cash balance is forecast to be below the approved minimum cash balance to be held.

10.2. This section also needs to comment whether surplus cash is currently being held and confirmation that any investments comply with the Investment Policy.

## **11. Reserves**

11.1. This section will provide an update on the forecast outturn reserves position and/or any movements at the end of the current period which should be reported, by exception, to the Executive Team and Council or Committees as appropriate.

Table 1 – Income &amp; Expenditure Summary

Income and Expenditure Account	Previous Year	Current year of reporting				
	Prior Year Outturn	Full Year Original Budget	Full Year Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance
YTD up to end of March 21	£	£	£	£	£	%
<b>Income (A)</b>						
Registration Income	32,650,735	27,177,526		26,770,847	117,818	0
Rental Income	175,000	175,000		175,000	0	(0)
Investment Income	113,138	50,000		9,767	(40,010)	(80)
<b>Income (A)</b>	<b>32,938,873</b>	<b>27,402,526</b>	<b>0</b>	<b>26,955,614</b>	<b>77,807</b>	<b>0</b>
<b>Expenditure</b>						
Pay Costs	12,450,112	12,101,636		11,942,776	(51,752)	(0)
Non Pay Costs	19,356,325	17,045,309		14,021,166	1,953,437	11
Depreciation	938,948	695,080		780,528	(122,048)	(18)
<b>Total Expenditure (B)</b>	<b>32,745,385</b>	<b>29,842,024</b>	<b>0</b>	<b>26,744,470</b>	<b>1,779,637</b>	<b>6</b>
<b>Operating Surplus/(Deficit) C= (A-B)</b>	<b>193,488</b>	<b>(2,439,498)</b>	<b>0</b>	<b>211,144</b>	<b>1,857,444</b>	
Corporation Tax	54,174	0		35,106	(34,969)	0
Impairment of Intangible Assets	283,007	0		0	0	0
Missed Opportunity Costs	(709,393)	0		0	0	0
CIP/Accounting Policy Changes	(743,218)	0		0	0	0
Turnaround Costs	1,019,973	427,440		647,542	(227,622)	(53)
Grant Costs - Covid 19	0	0		475,720	(450,956)	0
<b>Total Other Exceptional Expenditure (D)</b>	<b>(95,457)</b>	<b>427,440</b>	<b>0</b>	<b>1,158,368</b>	<b>(713,547)</b>	<b>(167)</b>
<b>COVID 19</b>						
Miscellaneous Income	0	0		255,294	361,763	0
<b>Total COVID 19 (E)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>255,294</b>	<b>361,763</b>	<b>0</b>
<b>Total Surplus/(Deficit) F= (C+E-D)</b>	<b>288,945</b>	<b>(2,866,940)</b>	<b>0</b>	<b>(691,930)</b>	<b>1,505,662</b>	
Transfer From (Deficit)/ To (Surplus) Reserves	(288,945)	2,866,940	0	691,930	(1,505,662)	
<b>Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

**Table 2 – Income & Expenditure by Directorates**

Directorate	Previous Year	Current Year of Reporting				
	Prior Year Outturn	Full Year Original Budget	Full Year Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance
	£	£	£	£	£	%
<b>Income</b>						
<b>Total Registration Income</b>	32,650,735	<b>27,177,526</b>	-	<b>26,770,847</b>	<b>117,818</b>	<b>0</b>
Rental Income GCC	175,000	175,000		175,000	(0)	(0)
Investment Income	113,138	50,000		9,767	(40,010)	(80)
<b>Total Income</b>	<b>32,938,873</b>	<b>27,402,526</b>	-	<b>26,955,614</b>	<b>77,807</b>	<b>0</b>
<b>Directorates</b>						
Chief Executive & Governance	1,588,837	1,685,328	-	1,567,404	106,587	6
Chair, Council & Committees	371,081	391,149		331,668	78,817	20
Corporate Services	7,640,378	8,240,286	-	7,746,777	826,481	10
Regulation	20,127,068	16,536,898	-	14,188,267	808,289	5
Professional Practice & Insight	873,670	1,347,372	-	1,253,186	85,071	6
Apprenticeship Levy	36,100	43,200		33,324	8,749	20
PSA Levy	902,250	752,711		752,711	0	0
Major Projects	267,052	150,000		90,605	(12,306)	(8)
Depreciation	938,948	695,080		780,528	(122,048)	(18)
<b>Total Operating Expenditure</b>	<b>32,745,385</b>	<b>29,842,025</b>	-	<b>26,744,470</b>	<b>1,779,638</b>	<b>6</b>
<b>Operating Surplus/(Deficit)</b>	<b>193,488</b>	<b>(2,439,499)</b>	<b>0</b>	<b>211,144</b>	<b>1,857,445</b>	
<b>Other Exceptional Expenditure</b>						
Change Costs	1,019,973	427,440	0	647,542	(227,622)	(53)
Corporation Tax	54,174	-		35,106	(34,969)	0
Impairment of Intangible Assets	283,007	-		-	-	0
Missed Opportunity Costs	(709,393)	-		-	-	0
CIP/Accounting Policy Changes	(743,218)	-		-	-	0
COVID 19 Costs		-		475,720	(450,956)	0
COVID 19 Miscellaneous Income		-		(255,294)	361,763	0
<b>Total Surplus/(Deficit)</b>	<b>(288,945)</b>	<b>(2,866,940)</b>	<b>0</b>	<b>(691,930)</b>	<b>1,505,662</b>	

**Table 3 – Income & Expenditure by Expenditure Category**

Expenditure Categories	Previous Year	Current year of Reporting				
	Prior Year Outturn	Full Year Original Budget	Full Year Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance
		£	£	£	£	%
Overheads	1,372,280	1,094,379		424,729	863,988	79
Pay	10,981,186	11,049,587		10,892,570	247,697	2
Agency Staff	1,090,771	302,051		641,118	(678,466)	(225)
Staff Recruitment	247,641	600,000		382,628	278,517	46
Council & Committee	286,274	317,397		258,148	77,545	24
Computer Costs	1,699,503	1,944,471		2,071,884	(75,020)	(4)
Communication	111,079	313,255		349,574	(24,677)	(8)
Property	1,795,358	2,171,831		1,872,082	348,961	16
Partners	5,467,199	3,954,031		2,865,183	1,456,432	37
Professional Fees	6,692,077	5,680,571		4,676,430	(876,341)	(15)
Training	269,772	338,772		336,452	113,740	34
Travel & Subsistence	118,158	157,522		7,485	157,136	100
Depreciation	596,555	695,080		780,528	(122,048)	(18)
Major Project	816,298	150,000		90,605	(12,306)	(8)
Apprenticeship Levy	36,100	43,200		33,324	8,749	20
PSA Levy	902,250	752,711		752,711	0	0
Other Miscellaneous Costs	351,022	277,167		309,020	15,734	6
<b>Total Expenditure by Category</b>	<b>32,833,523</b>	<b>29,842,025</b>	<b>0</b>	<b>26,744,471</b>	<b>1,779,638</b>	<b>6</b>
Corporation Tax	54,174			35,106	(34,969)	0
Change Costs	1,019,973	427,440		647,542	(227,622)	(53)
Impairment of Intangible Assets	283,007	0		0	0	0
Missed Opportunity Costs	(709,393)	0		0	0	0
CIP/Accounting Policy Changes	(743,218)	0		0	0	0
COVID 19 Costs		0		475,720	(450,956)	0
COVID 19 Miscellaneous Income		0		(255,294)	361,763	0
<b>Total Expenditure</b>	<b>32,738,066</b>	<b>30,269,465</b>	<b>0</b>	<b>27,647,545</b>	<b>1,427,854</b>	<b>5</b>
<b>Income</b>	<b>33,027,011</b>	<b>27,402,526</b>	<b>-</b>	<b>26,955,614</b>	<b>77,807</b>	<b>0</b>
<b>Surplus/Deficit</b>	<b>288,945</b>	<b>(2,866,940)</b>	<b>0</b>	<b>(691,930)</b>	<b>1,505,662</b>	

**Table 4 – Cash-Flow**

<i>The Health &amp; Care Professions Council</i>	<b>PROFORMA - for presentation only</b>											
<i>Rolling 12 Month Cashflow Forecast</i>	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Opening Current a/c balances</b>	<b>3,641,402</b>	4,674,409	4,023,412	5,046,851	5,871,958	4,529,251	6,549,414	7,212,695	5,387,547	3,872,722	4,478,508	3,363,286
<b>Cash inflows:</b>												
Registrants' fees	3,626,693	1,604,980	3,327,634	2,971,211	1,071,814	4,263,137	2,954,032	435,297	675,630	2,971,211	1,071,814	4,263,137
Other income	3,977	2,500	2,500	10,869	2,500	2,500	7,768	2,500	2,500	2,500	2,500	2,500
Investment income	800	44,550	800	800	44,550	800	800	44,550	800	800	44,550	800
<b>Total inflow</b>	<b>3,631,470</b>	<b>1,652,030</b>	<b>3,330,934</b>	<b>2,982,880</b>	<b>1,118,864</b>	<b>4,266,437</b>	<b>2,962,600</b>	<b>482,347</b>	<b>678,930</b>	<b>2,974,511</b>	<b>1,118,864</b>	<b>4,266,437</b>
<b>Payroll</b>	<b>1,359,613</b>	<b>1,258,626</b>	<b>1,246,753</b>	<b>1,190,037</b>	<b>1,455,267</b>	<b>1,209,007</b>	<b>1,203,232</b>	<b>1,246,753</b>	<b>1,188,023</b>	<b>1,086,174</b>	<b>1,232,825</b>	<b>1,187,289</b>
<b>Non-pay costs</b>	<b>1,238,850</b>	<b>1,044,401</b>	<b>1,060,743</b>	<b>967,736</b>	<b>1,006,304</b>	<b>1,037,267</b>	<b>1,096,087</b>	<b>1,060,743</b>	<b>1,005,731</b>	<b>1,282,551</b>	<b>1,001,262</b>	<b>1,783,744</b>
<b>Total outflow</b>	<b>2,598,463</b>	<b>2,303,027</b>	<b>2,307,495</b>	<b>2,157,773</b>	<b>2,461,571</b>	<b>2,246,274</b>	<b>2,299,319</b>	<b>2,307,495</b>	<b>2,193,754</b>	<b>2,368,725</b>	<b>2,234,087</b>	<b>2,971,033</b>
<b>Net inflow/ (outflow) - operations</b>	<b>1,033,007</b>	<b>(650,998)</b>	<b>1,023,439</b>	<b>825,107</b>	<b>(1,342,707)</b>	<b>2,020,163</b>	<b>663,281</b>	<b>(1,825,148)</b>	<b>(1,514,824)</b>	<b>605,786</b>	<b>(1,115,223)</b>	<b>1,295,404</b>
<b>Expected Current a/c balances</b>	<b>4,674,409</b>	<b>4,023,412</b>	<b>5,046,851</b>	<b>5,871,958</b>	<b>4,529,251</b>	<b>6,549,414</b>	<b>7,212,695</b>	<b>5,387,547</b>	<b>3,872,722</b>	<b>4,478,508</b>	<b>3,363,286</b>	<b>4,658,690</b>
<b>Fixed Assets additions</b>												
Property												
Intangibles												
Plant & equipment												
<b>Fixed Assets disposals</b>												
Property												
Intangibles												
Plant & equipment												
<b>Net inflow/(outflow) - infrastructure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Bank Deposits</b>												
Barclays 32 Days notice	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664	3,101,664
Nationwide - instant savings	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Expected Bank Balances</b>	<b>8,276,074</b>	<b>7,625,076</b>	<b>8,648,515</b>	<b>9,473,622</b>	<b>8,130,915</b>	<b>10,151,078</b>	<b>10,814,359</b>	<b>8,989,211</b>	<b>7,474,387</b>	<b>8,080,173</b>	<b>6,964,950</b>	<b>8,260,354</b>
Prepared by: AN Other												
Date: 21/05/2021												