

3 – Chief Executive's Report – Annex E

Income and Expenditure to 31 July 2009

1. The income and expenditure account is summarised below, followed by a commentary:

	Cumulative to July 2009			Full Year Budget 2009 £000
	Budget £000	Actual £000	Variance £000	
ARF	44,035	46,101	2,066	75,278
Registrations	1,500	1,579	79	5,756
PLAB	441	631	190	821
Investment income	780	245	(535)	1,239
Sales & other	219	51	(168)	249
Total Income	46,975	48,607	1,632	83,343
Staff costs	17,000	16,305	695	29,634
Office costs	3,441	3,174	267	5,787
Council & Committee costs	478	320	158	776
Panel Costs	7,542	7,085	457	13,462
Legal costs	8,032	7,838	194	15,434
Accommodation Costs	6,088	4,215	1,873	11,742
Purchase of assets	3,980	2,523	1,457	6,221
less: capitalisation	(6,008)	(2,682)	(3,326)	(10,576)
Add: depreciation	3,491	3,359	132	6,146
Professional advice	3,198	1,861	1,337	4,717
Total Operational Expenditure	47,242	43,998	3,244	83,343
Surplus / (Deficit)	(267)	4,609	4,876	0

2. The actual surplus to 31 July 2009 is £4,609K, compared to a budget deficit for the period of £267K. Income is currently £1,632K above budget, and expenditure is £3,244K under budget.

Income Analysis for the Year to Date

2. ARF income is £2,066K above budget due to 7 months of income from doctors who were previously age exempt. This additional income was not included in the budget and is expected to generate an extra £3,488K of ARF income in 2009. Registration income is £79K above budget, due to the peak being budgeted in August but new provisional applications have started to materialise in July. PLAB income is £190K above budget, due to the volume of tests being higher than expected. By the end of 2009 we expect PLAB income to be £525k above budget. Investment income is £535K lower than budget due to the fall in interest rates since the budget was set. Our investments are reviewed each month to ensure we minimise risk and generate optimum rates of return. Sales and other income is under budget by £168K in 2009, as all the income for the Affiliates pilot scheme was received in advance and accounted for in 2008.

Expenditure Analysis for the Year to Date

4. Staff Costs - there is currently an underspend of £695K. Permanent staff costs are below budget as there are 38 vacancies yet to be filled, but as a result our spending on overtime and temporary staffing is currently higher than expected. We estimate the net impact to be an underspend of around £583K at the end of 2009.

5. Office Costs - there is currently an underspend of £267K on printing, travel and advertisement costs. Our spend on travel reflects a £190K efficiency saving on improving our ticket selection. Printing costs are £121K underspent and advertisement costs are £42K underspent due to timing issues. Overspends against budget have occurred on stationery and postage costs due to the Licensing mailing exercise.

6. Council and Committee Costs – these costs are below budget by £158K due to the phasing of committee meetings, and Council members not requiring IT training to the level anticipated.

7. Panel Costs – these costs are currently below budget by £457K, of which £267K relates to medical visits being programmed for later in the year. There have been around 172 hearing days more than expected at this stage in the year, but the actual length of hearings has been shorter, resulting in a lower unit cost. The FTP panel training sessions have been rescheduled from May to August and the recruitment of the Reference Community has only recently taken place, also contributing to the overall underspend.

8. Legal Costs – there is currently an underspend of £194K, with £161K relating to FTP. For the first 4 months of the year more cases have been allocated to the in house legal team which is more cost effective, although more cases are now being allocated to Field Fisher Waterhouse in line with our contract agreement. We are anticipating the legal costs for FTP will be £363K overspent by the end of 2009. Small underspends on legal costs in IT, HR, Procurement and Projects relate to timing differences.

9. Accommodation costs – there is currently an underspend of £1,873K of which £335K relates to the Adjudication project to build an additional hearing room in Manchester and £1,309k relates to the Manchester Office move. The project will be delivered later in the year. The additional hearing room in London has reduced external venue hire costs.

10. Professional Advice- the current underspend of £1,337K is due to phasing of costs. We expect costs to move closer to budget during the remainder of the year.

11. Purchase of Assets – there is currently an underspend of £1,457K due to IT projects starting later than expected.

12. Capitalisation – the current variance of £3,362K reflects lower than anticipated spending on capital projects to date, resulting in a corresponding reduction in the level of capitalisation.

Conclusion

13. As at the end of July 2009 income is £1,632K above budget. Our current forecast is that income will exceed budget by around £3.7 million by the end of the year. Expenditure is currently £3,244K underspent but we are expecting costs to increase in the second half of the year. Expenditure is forecast to be broadly in line with budget by year end. In overall terms, we expect a surplus of around £4m at the end of 2009, which would increase our reserves from £13 million to £17 million.