

### 3 – Chief Executive's Report – Annex E

#### Financial Summary

#### Income and Expenditure to 31 January 2010

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

| Revenue Expenditure                  | Cumulative to January 2010 |                |                  |            | Full<br>Year<br>Budget<br>2010<br>£000 |
|--------------------------------------|----------------------------|----------------|------------------|------------|--|
|                                      | Budget<br>£000             | Actual<br>£000 | Variance<br>£000 | %          |  |
| ARF                                  | 6,439                      | 6,760          | 321              | 5%         | 78,268                                 |
| Registrations                        | 144                        | 211            | 67               | 46%        | 5,469                                  |
| PLAB                                 | 0                          | 6              | 6                |            | 1,251                                  |
| Treasury Management                  | 21                         | 23             | 2                | 10%        | 252                                    |
| Sales & Other Income                 | 1                          | 11             | 10               | 733%       | 27                                     |
| <b>Total Income</b>                  | <b>6,605</b>               | <b>7,011</b>   | <b>406</b>       | <b>6%</b>  | <b>85,267</b>                          |
| Direct Staffing Costs                | 2,324                      | 2,240          | 84               | 4%         | 28,750                                 |
| Indirect Staffing Costs              | 211                        | 201            | 10               | 5%         | 2,799                                  |
| Office Costs                         | 561                        | 502            | 59               | 11%        | 6,859                                  |
| Accommodation Costs                  | 686                        | 673            | 13               | 2%         | 7,203                                  |
| Legal Costs                          | 1,268                      | 898            | 370              | 29%        | 10,185                                 |
| Professional Fees                    | 317                        | 221            | 96               | 30%        | 2,956                                  |
| Council & Member Costs               | 55                         | 51             | 4                | 7%         | 708                                    |
| Panel & Assessment Costs             | 1,430                      | 1,370          | 60               | 4%         | 18,394                                 |
| Bank Charges                         | 16                         | 15             | 1                | 4%         | 210                                    |
| Depreciation                         | 532                        | 526            | 6                | 1%         | 7,203                                  |
| <b>Total Operational Expenditure</b> | <b>7,400</b>               | <b>6,697</b>   | <b>703</b>       | <b>10%</b> | <b>85,267</b>                          |
| <b>Surplus / (Deficit)</b>           | <b>(795)</b>               | <b>314</b>     | <b>1,109</b>     |            | <b>0</b>                               |

2. The actual surplus to 31 January 2010 is £314K, compared to a budgeted deficit for the period of £795K. Income is currently £406K above budget and expenditure is £703K under budget.

## Income Analysis for the Year to Date

3. ARF income is £321K above budget. When licensing was introduced in November 2009 there were 211,500 doctors holding registration with a licence, but Council took a prudent view and based the 2010 budget on 200,000 licensed doctors. At the end of January 2010 there were 211,142 doctors holding registration with a licence, which has resulted in a budget variance. Registration income is £67K above budget as volumes are higher than anticipated due to an increase in PLAB test taken at the end of 2009, and a recruitment campaign run by the NHS in December leading to more IMG doctors applying for full registration. The income from PLAB of £6K in January relates to cancelled tests which are not always refunded in full, depending on the timing of the cancellation. Treasury management income is in line with budget and other income is £11K above budget as a result of reimbursed legal costs.

## Revenue expenditure Analysis for the Year to Date

4. Direct Staffing Costs – these costs are under budget by £84K. Permanent staff costs are below budget as there are 25 vacancies, this is being partially offset by additional temporary staff and overtime costs. Within Fitness to Practise, a decision was made to delay recruitment for some positions until April 2010, which will generate further savings in February and March 2010.

5. Indirect Staffing Costs – these costs are under budget by £10K. The majority of the underspend relates to travel costs as activity has been lower than budget.

6. Office Costs – these costs are under budget by £59K. A budget of £33K for printing *Duties of a Doctor* and advertising costs for recruitment of staff within Fitness to Practise have not yet been spent.

7. Legal Costs – these costs are under budget by £370K. Fitness to Practise is under budget by £380K, including an underspend of £175K on external legal costs. These costs can vary significantly from month to month, as work performed on complex case work is not smooth over the full year. Costs are expected to come back in line to budget. Barristers' fees are under budget by £110K, and other legal costs are under budget by £95K, including court fees, witness costs and opponent costs. Legal costs in Human Resources are £10K over budget.

8. Professional Fees – costs are under budget by £96K. Internal audit costs are £40K under budget, research and development projects are under budget by £39K and Fitness to Practise is below budget by £14K, relating to consultancy advice not yet being commissioned for the change, quality and information project. Small budgets within Communications and Education have not yet been committed.

9. Panel and Assessment Costs – these costs are £60K under budget. Adjudication is £42K under budget mainly due to changes in the empanelment mix from five to three panellists where possible. Education is under budget by £24K mainly relating to expense claims not yet received from associates undertaking medical visits. Costs are expected to move in line with budget over the next two months.

## Capital Expenditure

| Capital Expenditure                               | Cumulative to January 2010 |                 |                     |            | Full Year Budget 2010<br>£000, |
|---|----------------------------|-----------------|---------------------|------------|--------------------------------|
|   | Budget<br>£000,            | Actual<br>£000, | Variance<br>£000, % |            |                                |
| <b>IS Projects</b>                                |                            |                 |                     |            |                                |
| SAP Related Infrastructure                        | 0                          | 3               | (3)                 |            | 40                             |
| Database Infrastructure Upgrades                  | 0                          | 0               | 0                   |            | 95                             |
| System Upgrades                                   | 0                          | 12              | (12)                |            | 105                            |
| Intrusion Detection                               | 0                          | 0               | 0                   |            | 45                             |
| Apropos Replacement                               | 0                          | 0               | 0                   |            | 95                             |
| Livelihood Upgrade                                | 0                          | 0               | 0                   |            | 50                             |
| Council Members IS Equipment                      | 0                          | 0               | 0                   |            | 20                             |
| Telephone System Enhancements                     | 0                          | 0               | 0                   |            | 90                             |
| Tactical Systems Development                      | 0                          | 0               | 0                   |            | 105                            |
| Operations Project Managers                       | 23                         | 10              | 13                  | 59%        | 285                            |
| SAP Support & Licenses                            | 57                         | 41              | 16                  | 28%        | 730                            |
| Strategic Application Project                     | 50                         | 51              | (1)                 | -2%        | 779                            |
| <b>Facilities Projects</b>                        |                            |                 |                     |            |                                |
| Hardman Street - Fit out of CAC and Office Move   | 276                        | 138             | 138                 | 50%        | 313                            |
| Additional Hearing rooms & Office Reconfiguration | 15                         | 0               | 15                  | 100%       | 776                            |
| Upgrade London Data Centre                        | 0                          | 0               | 0                   |            | 335                            |
| Replace non-maintainable VC Equipment             | 0                          | 0               | 0                   |            | 140                            |
| Installation of Green Lighting                    | 0                          | 0               | 0                   |            | 24                             |
| Development of Health & Safety Management System  | 0                          | 0               | 0                   |            | 6                              |
| <b>Projects relating to 2009</b>                  | 0                          | 70              | (70)                |            | 0                              |
| <b>Total</b>                                      | <b>421</b>                 | <b>325</b>      | <b>96</b>           | <b>23%</b> | <b>4,033</b>                   |

10. Capital projects are currently under budget due to the relatively long lead in times compared to revenue expenditure. Costs are expected to move in line with budget over the coming months, and should not have any significant impact on depreciation charges.

## Conclusion

11. The accounts for 2009 have not yet been finalised and some adjustments are still to be made which could impact on the January 2010 figures.