

3 – Chief Executive's Report – Annex E

Income and Expenditure to 31 May 2009

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

	Cumulative to May 2009			Full Year
	Budget	Actual	Variance	Budget 2009
ARF	31,339	32,807	1,468	75,278
Registrations	912	829	(83)	5,756
PLAB	317	429	112	821
Investment income	601	194	(407)	1,239
Sales & other	157	36	(121)	249
Total Income	33,326	34,295	969	83,343
Staff costs	11,891	11,487	404	29,634
Office costs	2,403	2,149	254	5,787
Council & Cttee costs	350	220	130	776
Panel costs	5,285	4,729	556	13,462
Legal costs	5,537	5,228	309	15,434
Accommodation costs	3,477	2,880	597	11,742
Purchase of assets	2,415	1,741	674	6,221
less: capitalisation	(3,188)	(1,914)	(1,274)	(10,576)
add: depreciation	2,501	2,425	76	6,146
Professional advice	2,100	1,224	876	4,717
Total Expenditure	32,771	30,169	2,602	83,343
Surplus / (Deficit)	555	4,126	3,571	0

2. The actual surplus to 31 May 2009 is £4,126K, compared to a budget surplus for the period of £555K. Income is currently £969K above budget, and expenditure is £2,602K under budget.

Income Analysis for the Year to Date

3. ARF income is £1,468K above budget due to five 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 £83K (9%) below budget – historically our budget profile reflects a small peak in Q1 each year, but this year the peak occurred earlier in December 2008. PLAB income is £112K above budget, due to the volume of tests being higher than expected. Investment income is £407K 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 £121K 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 £404K. Permanent staff costs are below budget as there are 30 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 £60K at the end of 2009.

5. Office costs: There is currently an underspend of £254K on printing, travel and advertisement costs. Our spend on travel is £139K below budget reflecting a £110K efficiency saving on improving our ticket selection. Printing costs are £106K underspent and advertisement costs are £48K underspent due to timing issues.

6. Council and Committee costs: These costs are below budget by £130K 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 £556K. There have been around 65 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 not yet taken place, also contributing to the overall underspend.

8. Legal Costs : There is currently an underspend of £309K with £217K relating to FTP. For the first four months of the year more cases have been allocated to the in house legal team which is more cost effective, but 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 £236K 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 £597K of which £335K relates to the adjudication project to build an additional hearing room in Manchester. 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 £876K is due to phasing of costs. We expect costs to move closer to budget during the second half of the year.

11. Purchase of assets: There is currently an underspend of £674K due to IT projects starting later than expected.

12. Capitalisation – the current variance of £1,274K 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 May 2009 income is 969K above budget. Our current forecast is that income will exceed budget by around £2 million by the end of the year. Expenditure is currently £2,602K 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. We will revise our forecast in July 2009 to reflect any changes in spending patterns.