

3 – Chief Executive's Report – Annex E

Income and Expenditure to 31 October 2009

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

Revenue Expenditure	Cumulative to October 2009				Full Year Budget 2009 £000
	Budget £000	Actual £000	Variance £000	%	
ARF	62,731	67,148	4,417	7%	75,244
Registrations	5,285	5,610	325	6%	5,756
PLAB	659	1,081	422	64%	821
Treasury management	1,056	327	(729)	(69%)	1,239
Sales and other income	263	83	(180)	(68%)	284
Total Income	69,994	74,249	4,255	6%	83,344
Staff costs	24,150	23,381	769	3%	29,207
Office costs	4,908	4,603	305	6%	5,787
Council & committee costs	667	469	198	30%	776
Panel costs	11,050	10,317	733	7%	13,463
Legal costs	12,454	11,523	931	7%	15,414
Accommodation costs	6,346	6,204	142	2%	7,591
Purchase of assets	748	356	392	52%	875
add: depreciation	5,000	4,620	380	8%	6,146
Professional advice	3,683	2,432	1,251	34%	4,085
Total Revenue Expenditure	69,006	63,905	5,101	7%	83,344
Surplus / (Deficit)	988	10,344	9,356		0

2. The actual surplus to 31 October 2009 is £10,344K, compared to a budget surplus for the period of £988K. Income is currently £4,255K above budget, and expenditure is £5,101K under budget.

Income Analysis for the Year to Date

3. ARF income is £4,417K above budget. This includes £2,907K, due to ten 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. ARF income also includes an additional £1,510K due to changes in the timing and volume of doctors joining and leaving the register during the year, compared to our original budget assumptions. Registration income is £325K above budget. PLAB income is £422K above budget, due to the volume of tests being higher than expected. The planned closure of the Clinical Assessment Centre, prior to its relocation to Manchester, may be a factor in bringing forward demand for PLAB tests. By the end of 2009 we expect PLAB income to be £525K above budget. Treasury management income is £729K lower than budget due to the fall in interest rates since the budget was set. Sales and other income is under budget by £180K in 2009, as all the income for the Affiliates pilot scheme was received in advance and accounted for in 2008.

Revenue Expenditure Analysis for the Year to Date

4. Staff Costs - these costs are under budget by £769K. Permanent staff costs are below budget as there are currently 42 vacancies, while our spending on overtime and temporary staffing is, as a consequence, higher than expected.

5. Office Costs - these costs are under budget by £305K on printing, travel and advertisement costs. Our spend on travel reflects a £245K efficiency saving on improving our ticket selection. Printing costs and advertisement costs are currently below budget, but this is largely offset by increased expenditure on stationery and postage costs due to the extension in scope of the licensing mailing exercise.

6. Council and Committee Costs – these costs are below budget by £198K 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 £733K, spread across all activities. Significant variations include £212K on fitness to practice, and £425K resulting from medical visits being programmed for later in the year. PLAB examiners fees and expenses are under budget by £96K.

8. Legal Costs – these costs are below budget by £931K, with £874K relating to FTP. This reflects the allocation of cases to the in-house legal team which is more cost-effective than external legal support. CHRE costs and opponent's costs are also below budget due to a lower volume of appeals than anticipated. Small underspends on legal costs in IT, HR, Procurement and Projects relate to timing differences.

9. Accommodation costs – revenue costs are broadly in line with budget.

10. Purchase of Assets – these costs are currently below budget by £392K due to IT projects starting later than expected.

11. Professional Advice – these costs are below budget by £1,251K as the number of projects requiring consultancy advice has been lower than expected, and fewer projects than budgeted have been commissioned by the Research and Development Board.

Capital Expenditure

Capital Expenditure	Cumulative to October 2009				Full Year Budget 2009 £000
	Budget £000	Actual £000	Variance £000 %		
New Manchester Office Project	5,774	2,139	3,635	63%	5,773
SAP Phase 3	1,835	2,100	(265)	(14%)	2,047
IT Projects	1,663	1,148	515	31%	1,895
Accommodation for Adjudication	413	337	76	18%	413
London Data Centre	180	8	172	96%	180
Restack 350 Euston Rd	97	0	97	100%	125
Belfast Office Move	98	159	(61)	(62%)	98
AV Equipment for devolved Offices	30	27	3	10%	30
CAFM Upgrades	15	0	15	100%	15
Clinical Assessment Centre	0	15	(15)		0
Total Capital Expenditure	10,105	5,933	4,172	41%	10,576

12. New Manchester office – the relocation project to Hardman Street is currently under budget by £3,635K. The original budget was based on a start date in June 2009. The fit out schedule was subsequently revised to include the relocation of the Clinical Assessment Centre. Work started in August and invoices are now starting to be received. We expect costs to be in line with budget at the end of 2009.

13. SAP Phase 3 – this project is currently over budget by £265K due to timing issues. Some costs will be capitalised and the final cost is expected to be broadly in line with budget.

14. IT projects – these are under budget by £515K. The budget has been phased in line with planned activity, whereas costs are being billed after the work is completed. Expenditure will be in line with budget by the year end.

15. Accommodation for Adjudication – currently under budget by £76K. The original budget of £413K for 2009 was based on the creation of two additional hearing rooms. The current underspend is due to work starting later than originally planned due to problems securing suitable space. On 21 April 2009 the Resources Committee subsequently approved additional FtP expenditure in 2009, including £100K for furniture, IS equipment and cabling for a further three hearing rooms, bringing the total number of hearing rooms to 16. We expect final expenditure in 2009 to be in line with the original budget plus the additional approval.

16. London data centre - currently under budget by £172K. The project will make use of equipment recycled from St James's Building following the office move, and so is planned to start in November 2009. We expect costs to be in line with budget at the end of 2009.

17. Restack 350 Euston Rd - this budget is used for general IT and accommodation works necessary to support operational requirements during the year.
18. Belfast office move - this project is over budget by £61K as the premises specification for the fit out was amended to provide meeting facilities. No further costs will be incurred.
19. CAFM upgrades – this project is expected to start in the current quarter.
20. Clinical Assessment Centre – on 21 April 2009 the Resources Committee approved the relocation of the Clinical Assessment Centre from London to Manchester, based on expenditure of £578K. Costs to date relate to professional fees. The project is expected to be completed by the end of 2009.

Conclusion

21. Our current forecast is that income will exceed budget by around £3.7 million by the end of the year. Expenditure is currently £5.1 million under budget, but budget managers are forecasting that expenditure will be around £3.4 million below budget at the year end. In overall terms, we expect our reserves to increase from £13 million to around £20 million at the end of 2009.