

Audit Committee, 4 September 2018

Internal audit report – 5 Year Plan model financial analysis

Executive summary and recommendations

Introduction

Grant Thornton were commissioned by the Executive to undertake an independent review of the 5 year plan model and the Executive's financial analysis of the impact of the social worker transfer.

The resulting report was considered by the Council at its meeting on 5 July 2018 to support its consideration of ongoing areas for investment as well as future fee levels.

The review is not part of the annual internal audit plan and it is provided to the Audit Committee to note. The Audit Committee Chair was consulted as to the suitability of Grant Thornton undertaking this additional work prior to it being commissioned.

Decision

The Committee is asked to note the report.

Background information

See Grant Thornton's report, attached

Resource implications

None

Financial implications

This review did not form part of the annual internal audit plan and will be charged separately.

Appendices

Internal Audit Report – Five year model – Review of the Council's financial analysis of the options in response to the transfer of social workers

Date of paper

June 2018

Health and Care Professions Council

Five year model – Review of the Council’s financial analysis of the options in response to the transfer of social workers

Report for the Council

June 2018

Contents

Executive Summary	2
Introduction	5
1. Model Structure & Consistency	6
2. Model Suitability	8
3. Inputs and Assumptions	10
4. Scenario Analysis	11
Appendix A: Scenario Controls	17
Appendix B: Audit Planning Brief	24

Executive Summary

The Health and Care Professions Council (HCPC or the Council) operates an Excel based Five Year Plan model which is used to forecast and monitor the expected revenues and costs for the regulator. This model is regularly updated by management to reflect changes to budgets and forecasts for the health care professions that it regulates.

The Children and Social Work Act 2017, which was granted Royal Assent on Thursday 27 April 2017, has changed the regulation arrangements for social workers in England. The regulatory functions currently carried out by HCPC will be transferred to a new regulator, named Social Work England (SWE). This transfer is expected to occur in 2019.

The reduction in regulatory responsibilities for HCPC will reduce its income and the resources required to deliver services. HCPC are exploring a number of options to reconfigure the cost of service delivery following the planned transfer of the social worker profession from their regulatory responsibilities. The financial impact of these options has been evaluated through modifications to the existing Five Year Plan spreadsheet model.

In line with the agreed Audit Planning Brief provided to HCPC on 07 June 2018, Grant Thornton has undertaken the following review:

- 1 High level review of the updated 5 year plan model compared to the version previously reviewed by Grant Thornton (dated 07 March 2017) as part of our internal audit review in March 2017. This included the use of software tools to identify changes and spreadsheet mapping to ensure that formula consistency across rows has been maintained.
- 2 Consideration as to whether the use of the model to undertake the analysis is reasonable and appropriate – supported by limited sample testing of changes and calculation.
- 3 Review of the key assumptions utilised from the scenario analysis, considering the methodology of calculation from the documentation provided to assess their reasonableness.
- 4 Review of the approach taken to calculating the adjustments made to the model and controls in place to assess the reasonableness of outputs. Where the impact is calculated through a series of steps, for each change activated in the model, we reproduced this “bridge analysis” to confirm how each change contributes to the change in the net operating cost for a specific year. (Note this did not include rebuilding the model changes).

During our review we provided comments and raised queries with HCPC’s Finance Director in respect of the Model, and during the process the Model has been subject to update and refinement. Our key findings are:

- 1 Our comparison of the Model used for the analysis to a version prepared before changes to the Model structure indicated some differences in forecasts but these were not considered to have a material impact on the analysis.
- 2 We consider that the Model was originally developed as a business planning tool for HCPC and so should provide the agreed baseline for medium term financial planning, therefore we consider that the use of the Model to undertake the analysis by overlaying movements in cost and revenue assumptions is reasonable. The Model reports a couple of errors which are not considered to have a material impact on the result. Once a decision has been reached on the options which will be adopted we suggest that any redundant workings are removed from the model going forward and remaining model error checks resolved.
- 3 We have considered the appropriateness of the calculations based upon the methodology and not identified any options which appear unreasonable based upon the information presented. Most of the inputs for the scenarios are based on some form of management judgement; for the avoidance of doubt we provide no opinion or assurance as to the correctness of input values which remain management assumptions.

- 4 We have reviewed the approach taken to adjustments to the model and reproduced a bridge analysis to identify the relative contribution to closing the funding gap for each scenario. A bridge analysis shows how each input change contributes to the overall movement in net surplus.

It must be noted that the scope did not include:

- A detailed review or “model audit” of the 5 year plan model – as such we are not providing assurance that the model is free from error (this would be a more substantial piece of work)
- Consideration of whether all the appropriate options have been considered or how they have been selected
- Providing assurance on the inputs used within the model and the ability to achieve forecasts presented – while we would comment on any apparent errors in the analysis we identify from our review (e.g. changes to staff numbers with no commensurate change to staff costs) this would not identify all potential risks or errors.

IMPORTANT NOTICE

This report is confidential and is intended for use by the management and Council members of the Health and Care Professions Council only. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

We have discussed this Report with the Finance Director on 21 June who confirmed its factual accuracy in all material respects.

Period of our fieldwork

Our fieldwork was performed in the period between 30 May 2018 and 22 June 2018. We have not performed any fieldwork since 22 June 2018 and our Report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Scope of work and limitations

Our work focused on the areas set out in our scope of work, which is reproduced at Appendix B of the Report.

Forecasts

The responsibility for the Council's forecasts and the assumptions on which they are based is solely that of the management of the Council. It must be emphasised that profit and cash flow forecasts necessarily depend on subjective judgement. They are, to a greater or lesser extent, according to the nature of the businesses and the period covered by the forecasts, subject to inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements which present the results of completed accounting periods

Forms of report

For your convenience, the Report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of the Report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

The Report is issued on the understanding that the management of HCPC have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of signature of this Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Grant Thornton UK LLP

June 2018

Introduction

HCPC are exploring a number of options to reconfigure the cost of service delivery following the planned transfer of the social worker profession from their regulatory responsibilities. The financial impact of these options has been evaluated through modifications to the existing Five Year Plan spreadsheet model, which has previously been the subject of internal audit reports.

This report is by exception and only relevant to the version of the Model as defined below.

Methodology

Throughout the review process, we have used specialist modelling software and expert modelling knowledge to conclude a suitable approach to the analysis and to aid in our conclusions regarding the review of the approach taken to calculating the adjustments made to the model and controls in place to assess the reasonableness of outputs.

We have included our detailed methodology and approach in respect to the four scoping points which are detailed in this report.

Documents in relation to the analysis

During the course of our work we were provided with different versions of the Five Year Plan model as it was developed as well as documentation to support the input values, this report reflects only the latest version of the Model, unless otherwise stated:

- "5 year plan options v17.docx" (draft Council Report)
- "HCPC 5 Year Plan 2018-2023 18-6-18.xlb" (the Model)
- "HCPC 5 Year Plan 2018-2023 14-3-18.xlb" (the Old Model)
- "Evidence spreadsheet for financial model JL_GG_JB_Final.xlsx"
- "Input assumptions GT_AG.xlsx"
- "Summary of Options - HCPC Leases 22_05_18.DOCX"
- "Leased Estate Costs.xlsx"
- "5 year plan benefit - Break the contract for 405 KR V1.DOCX"
- "5 year plan benefit - Consolidation of small regulators to HCPC_V1.DOCX"
- "5 year plan benefit - Onboard Physician associates_V1.DOCX"
- "5 year plan benefit - Underlet one suite of 33 SS.DOCX"
- "5 year plan benefit - Underlet two suites of 33 SS V1.DOCX"
- "5 year plan benefit template - retender of FTP P&P.DOCX"
- "5 year plan benefit template - education charging.DOCX"
- "5 year plan benefit template - inhouse legal advice.DOCX"
- "marginal costs of regulation calc.xlsx"
- "Five Year Plan supporting evidence - Lawyers costs.DOCX"

1. Model Structure & Consistency

This section details the high level review of the updated 5 year plan model compared to the version previously reviewed (dated 7 March 2017) and reported on in our internal audit report “Review of 5 Year Plan Model functionality and controls – March 2017 Update”. This included the use of software tools to identify changes and spreadsheet mapping to ensure that formula consistency across rows has been maintained.

Model Structure

We used structural mapping software to analyse the formula consistency along rows. The Model has been developed applying the FAST modelling standard¹ which advocates formulae consistency across rows, where there are intentional inconsistencies in rows then this increases the risk of errors as this suggests a manual intervention or override is occurring in the workings. Our analysis did not reveal any row inconsistencies that we determined would have a material impact on the analysis.

Both the Old Model and the Model have some row inconsistencies, however we note that these are generally located within inputs and as such the operator of the model would be aware; alternatively they appear at the end of rows where a formula has been amended so as not to look beyond the end of the timeline. We concluded that neither of these circumstances would have a material impact on the analysis being undertaken.

Model Consistency

We have, at a high level, compared the outputs of the Old Model to the outputs of the Model. To keep the models on a consistent basis we have set them both to the counterfactual scenario by postponing the social worker removal until 2025.

When comparing the high-level financial summaries, see the table below, it is evident that there are some small variances particularly regarding the expenses.

Table 1: High-level financial summaries of Five Year Plan, £000 nominal.

	2018	2019	2020	2021	2022
Old Model					
Total income	33,556	34,640	35,651	36,585	37,522
Total Expenses	(33,558)	(34,736)	(35,359)	(35,203)	(36,308)
New Model					
Total income	33,497	34,640	35,594	36,574	37,525
Total Expenses	(34,112)	(34,736)	(35,804)	(35,943)	(36,988)
Income Variance					
Variance	(60)	-	(57)	(11)	4
% of Model value	(0.2%)	-%	(0.2%)	(0.0%)	0.0%
Expenditure Variance					
Variance	(553)	-	(445)	(740)	(680)
% of Model value	1.6%	-%	1.2%	2.1%	1.8%

¹ The FAST Modelling Standard is a detailed set of best practice rules used to build excel based financial models / spreadsheets.

Table 2 illustrates the expenses breakdown, where it can be seen that the majority of the variances are driven by 'Total Cost excluding payroll'. We understand that the Five Year Plan is an ever-developing model with updates and reforecasting applied on a regular basis. We note that between the two versions of the Model that we have compared, there has been changes in assumptions by management such as manual forecasts, assumptions on non-payroll inflation, revised assumption on project spent and baseline for PSA levy. These changes are considered the most likely explanation for the variances and have not been investigated further.

As the outputs are broadly consistent when the additional options are not active, we conclude that the process of including the additional switches and calculations for the sensitivity analysis, has not had a material impact on the integrity of the original model forecasts.

Table 2: High-level detail of expenses from Five Year Plan, £000 nominal.

	2018	2019	2020	2021	2022
Old Model					
Total payroll costs	(12,087)	(12,832)	(13,314)	(12,865)	(13,068)
Total cost excluding payroll	(19,705)	(19,933)	(20,278)	(20,487)	(20,879)
Total depreciation	(854)	(996)	(808)	(860)	(1,341)
Total operating expenses	(32,646)	(33,761)	(34,400)	(34,213)	(35,287)
PSA Levy	(912)	(975)	(959)	(990)	(1,021)
Total Expenses	(33,558)	(34,736)	(35,359)	(35,203)	(36,308)
New Model					
Total payroll costs	(12,497)	(12,832)	(12,807)	(13,050)	(13,298)
Total cost excluding payroll	(19,894)	(19,933)	(21,167)	(20,964)	(21,311)
Total depreciation	(809)	(996)	(808)	(860)	(1,264)
Total operating expenses	(33,200)	(33,761)	(34,782)	(34,875)	(35,874)
PSA Levy and apprenticeship levy	(912)	(975)	(1,022)	(1,068)	(1,115)
Total Expenses	(34,112)	(34,736)	(35,804)	(35,943)	(36,988)
Variance					
Total payroll costs	(410)	-	507	(185)	(230)
Total cost excluding payroll	(189)	-	(889)	(477)	(432)
Total depreciation	45	-	-	-	76
Total operating expenses	(554)	-	(382)	(662)	(586)
PSA Levy and apprenticeship levy	1	-	(63)	(78)	(94)
Total Expenses	(553)	-	(445)	(740)	(680)

2. Model Suitability

This section details the consideration as to whether the use of the model to undertake the analysis is reasonable and appropriate, supported by limited sample testing of changes and calculation.

Methodology

The primary forecasting technique used by the Model is to roll forward historic trends based upon user-controlled inputs, this is supplemented by the modelling of cohort profiles for areas such as registration and assumed caseloads for FTP costs.

For registrant based calculations, the Social Workers were already modelled as a separate group (the model has separate calculations for each profession) and so the model has been amended to accommodate their removal through the use of a flag which is either 1 when active or 0 when not. The flag is used to remove any social worker numbers from the selected transfer date which then removes associated costs and revenues. For other costs that are expected to reduce post Social Worker transfer then an additional set of inputs have been entered into the Model which are linked to the flag (e.g. a reduction in case numbers following transfer which drives FTP costs).

For the additional scenario analysis where revised assumptions on costs and income are to be applied rather than rolling forward historic trends, additional coding has been added to adjust the forecast costs within the model.

We understand from management that the Model was originally developed as a business planning tool for HCPC and so should provide the agreed baseline for medium term financial planning, therefore we consider that the use of the Model to undertake the analysis by overlaying movements in cost and revenue assumptions is reasonable.

We note that in the Model provided the internal checks which report on consistency reports TWO errors. These are noted below and are not considered to materially impact on the analysis but we recommend are resolved in a final version of the Model:

- Differences between movements in reserves and balance sheet in budget year (2019) and a rounding difference in 2017 and 2018. This is not considered to materially affect the analysis
- Difference in cashflow analysis in 2018 (actuals). This is no considered to materially impact on the analysis.

In addition the model reports 319 alerts which relate to year on year changes being outside expected tolerance, however this is expected given the level of change being modelled in the scenario analysis so is not considered to be a concern.

There are two basic forms in which a model can be used for scenario analysis; either multiple versions of the model are updated and saved, or a singular version is used with some form of scenario control added. HCPC have applied the second method which has the advantage of retaining a single version for control purposes. The scenarios required using the existing base model, adding additional calculations and connecting the outputs of these into the existing structure of the Model. The additional inputs are controlled on the 'control_sheet' and the majority of the additional calculations are located on the 'July18review_exp' sheet. This approach used by HCPC to add the additional scenario-analysis functionality to the Model is considered to be reasonable.

However, we note that necessarily this has introduced a number of additional workings to the 5 year plan model – once a decision has been reached on the options which will be adopted we suggest that any redundant workings are removed from the model going forward.

Structural Updates

Using specialist software we have summarised and reviewed the formula coding added to control scenarios on the worksheets 'July18review_exp' and 'control_panel'. We have reviewed this additional coding in discussion with the Finance Director, and raised comments and queries on specific items of coding and how these have been utilised in the model.

Through the development of the Model our comments have been addressed such that we have no material observations remaining.

3. Inputs and Assumptions

This section of the report details our review of the reasonableness of the calculation of the key assumptions utilised from the scenario analysis, and based on the documentation provided.

Inputs and Assumptions

The table within the Appendix A details the key variables for each of the scenarios which are included in the Model. We note the selected options have not been finalised and therefore not all of these scenarios may be used.

We have considered the appropriateness of their calculation based upon the methodology and not identified any options which appear unreasonable based upon the information presented. As an example we note that one scenario is for relinquishing 2 suites in Stannary building which is estimated to save £80,000 per annum after incurring one-off costs. We are unable to verify or comment on the deliverability of such a proposal but can note that this reflects c60% of the forecast rent cost of £140k in 2019 and so is not considered in itself an unreasonable assumption that there will be a reduction in costs. However we are unable to form a view on whether this level of saving is reasonable during this review as it is considered subjective and would require a significantly longer assignment to be performed.

Most of the inputs for the scenarios are based on some form of management judgement; however, where additional data has been provided in relation to inputs we have reviewed the methodology applied for reasonableness. An example would be the legal expenses associated with relinquishing properties where an email has been provided which gave a £20k estimation for the work, which we understand is based upon the actual legal costs incurred for the lease of office space to the General Chiropractic Council. A management assumption of £10k for moving costs and dilapidations was then added to this to provide the total cost estimation of £30k.

For the avoidance of doubt we provide no opinion or assurance as to the correctness, or appropriateness, of input values which remain management assumptions.

4. Scenario Analysis

This section of the report looks at the approach taken to calculating the adjustments made to the model and controls in place to assess the reasonableness of outputs. Where the impact is calculated through a series of steps, for each change activated in the model, we would reproduce this “bridge analysis” to confirm how each change contributes to the change in the net operating cost for a specific year. (Note this does not include rebuilding the model changes).

The analysis detailed in the previous sections highlights our work and findings in relation to the adjustments made to the Model.

The Scenarios

Our analysis has been focused on four scenarios, a base case and a counterfactual. Table 3 below describes each of the four scenarios: reduce, defer, invest and expand focus on different strategic approaches that HCPC could adopt going forward. Each business case looks to amend the revenue shortfall caused by the loss of the social workers. The full list of the scenario controls are detailed within the table in Appendix A.

Table 3: Scenarios used in analysis

Scenario	Description
Counterfactual	This reflects the “as-is” position for HCPC without the removal of social workers and no scenario analysis
Base Case	Includes the impact of the removal of the social workers
Reduce Scenario	Base Case + a series of cost adjustments
Defer Scenario	Base Case + fee increase and cost adjustments
Invest Scenario	Base Case + fee increase and cost adjustments
Expand Scenario	Base Case + fee increase and cost adjustments

Scenario Impact

As can be seen in the Appendix, most inputs have a timing component. Indexation is also applied to expenditure or savings (with the exception of input 18 which is intended to use a fixed expenditure value). The combination of timing and inflation results in the impact of each scenario varying over the course of the forecast, as can be seen in *Figure 1* below.

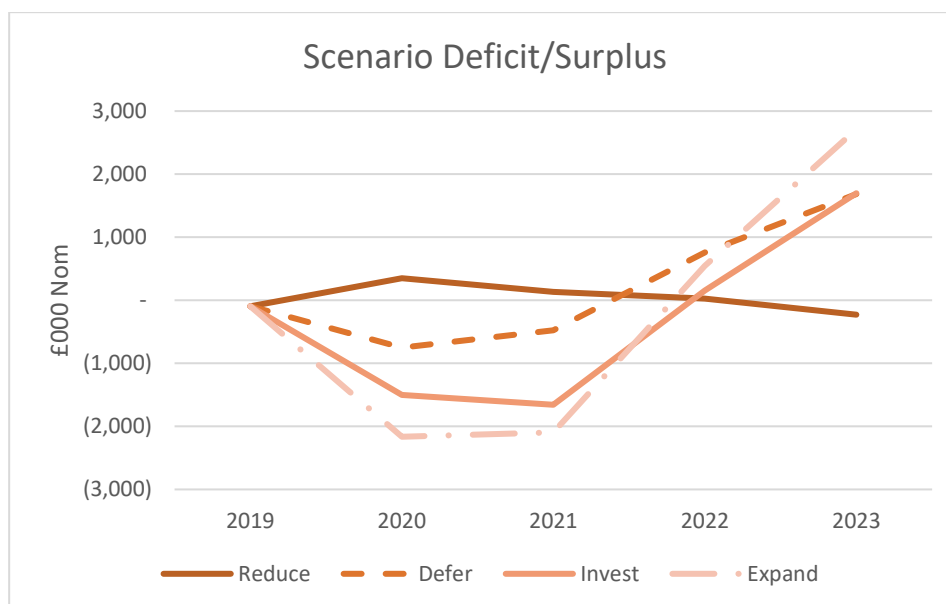


Figure 1: Graph of scenario impact on deficit/surplus over time

The waterfall charts, Figure 2 to Figure 5 on the following pages, illustrate the bridging analysis for a single year (2022). Each component of the scenarios has been applied as a single layer, starting from the Base Case and activating each change as a step. The charts help identify those areas making the greatest contribution to closing the funding gap in the Base Case.

While undertaking the analysis we noted that most scenarios and inputs operate independently (i.e. can be switched on/off without affecting the results generated by other scenarios). The exception to this is the 'complement' control which collates all the staff adjustments into a single switch; therefore, any scenario which has an impact on staffing also needs to be considered alongside the staffing changes which are implemented by the 'complement' control.

The bridging analysis has highlighted the Reduce scenario profile results in savings in 2020 from the cancellation of the registration project assumption but as a consequence the future costs are higher compared to the counterfactual as the savings envisaged from this project are not delivered.

Comparison of Results

The bridging analysis has replicated the final results for the sample year in 2020 which are presented in the draft Council Report.

Controls

During our review we have been provided with high-level documentation in relation to the business cases which are being reviewed and financially assessed with the aid of the Model. We would recommend that the quantitative outputs from each of the scenarios are reconfirmed with the relevant "business case owner" to ensure that they agree the calculated costs and benefits are in line with the expected proposals.

Reduce Scenario – compared to the Counterfactual position.

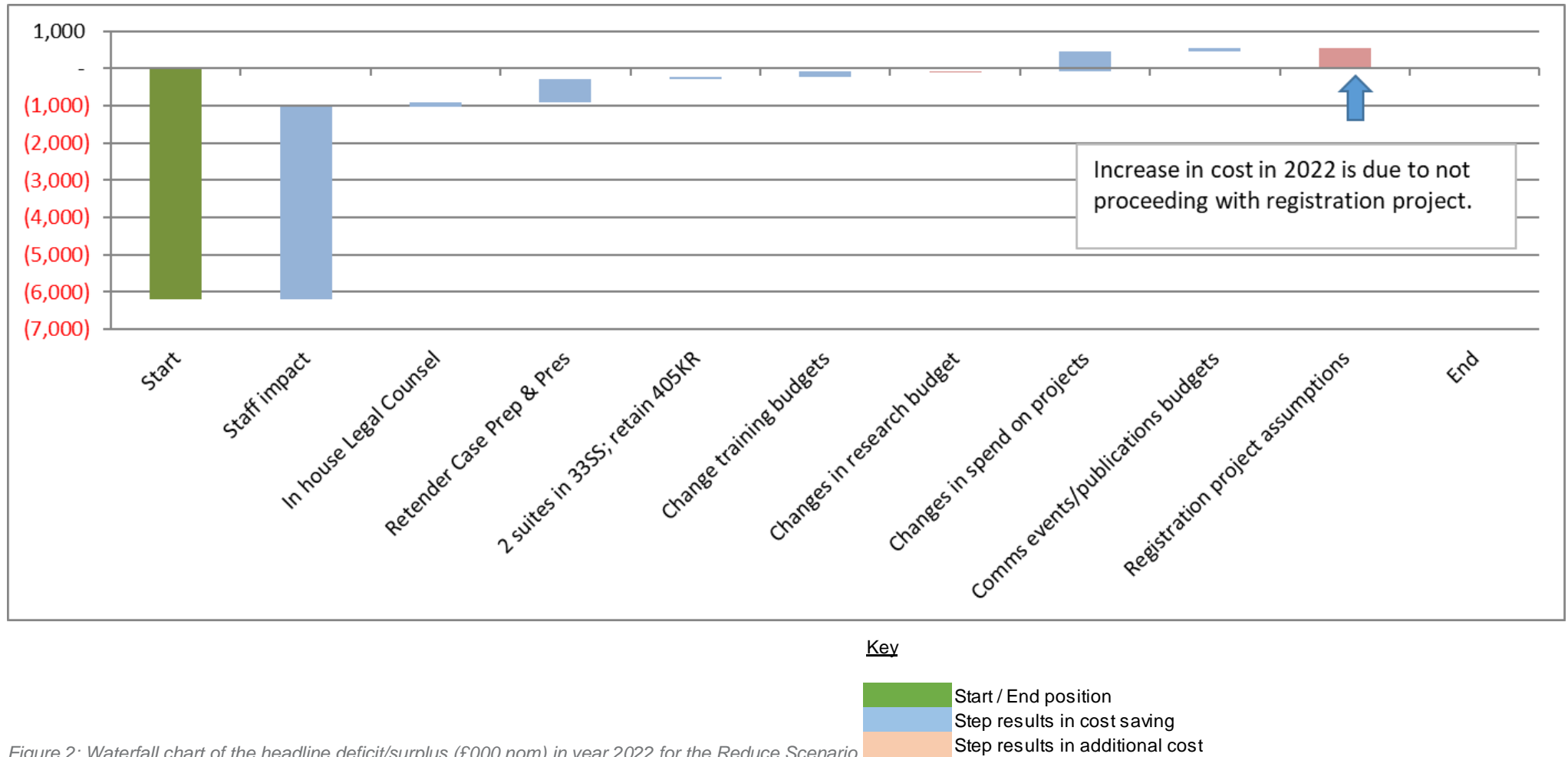
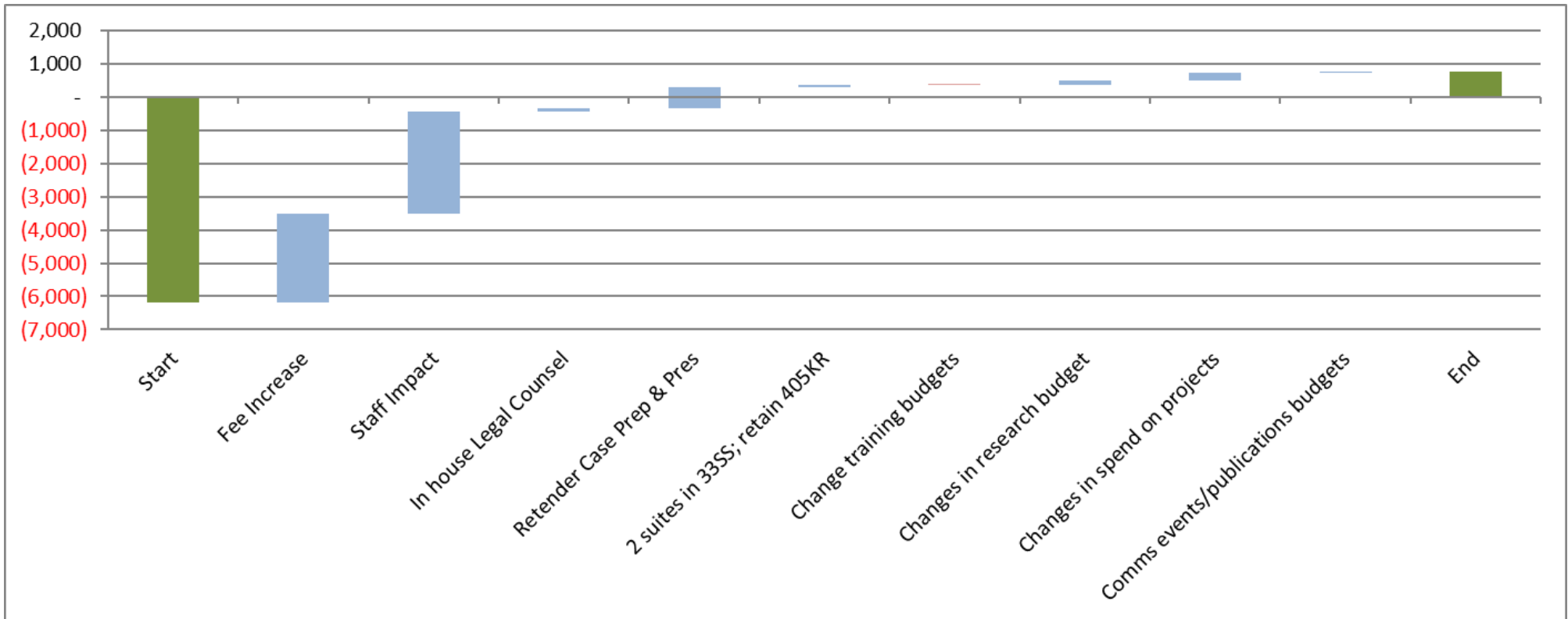


Figure 2: Waterfall chart of the headline deficit/surplus (£000 nom) in year 2022 for the Reduce Scenario

Defer Scenario – compared to the Counterfactual position.

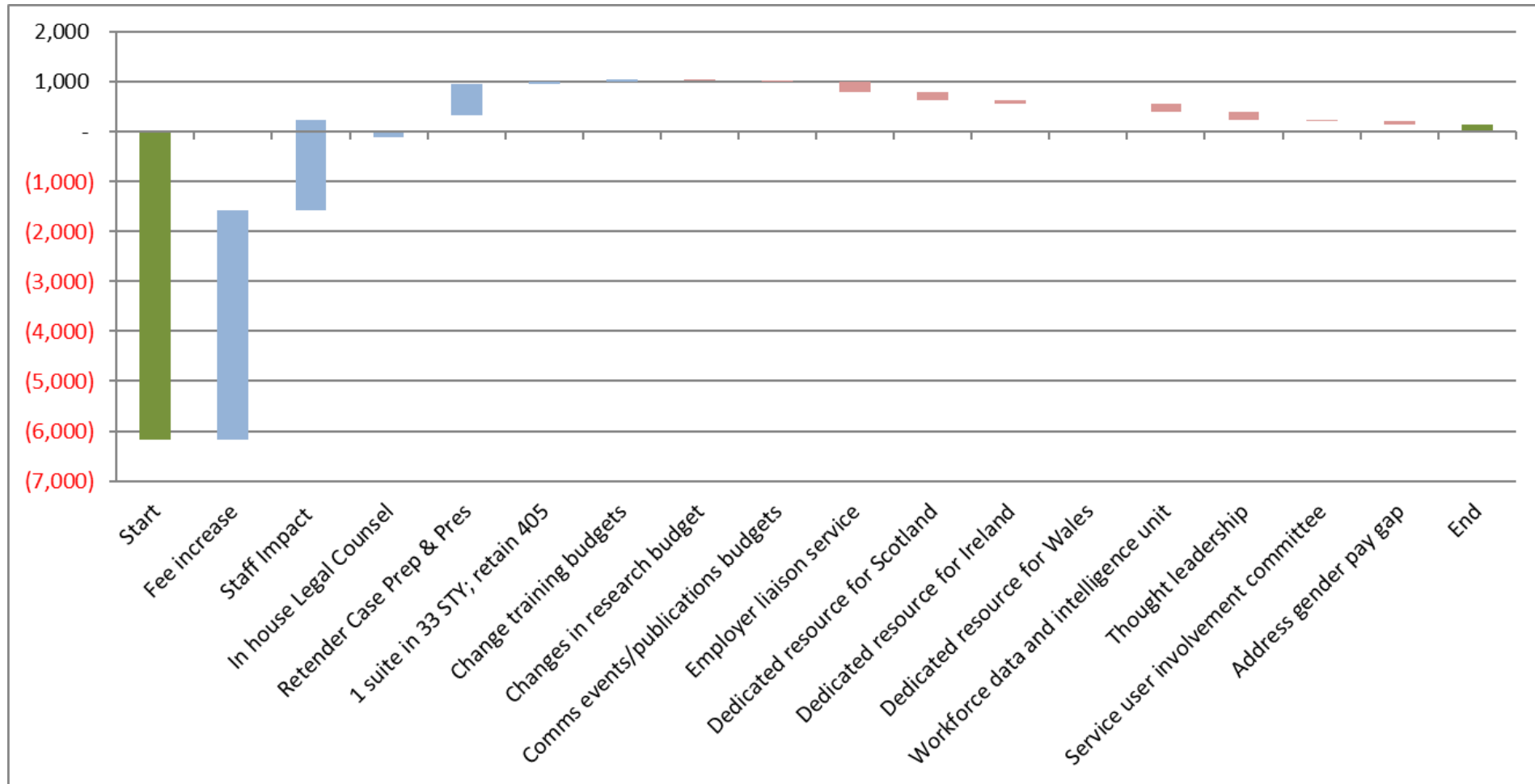


Key

- Start / End position
- Step results in cost saving
- Step results in additional cost

Figure 3: Waterfall chart of the headline deficit/surplus (£000 nom) in year 2022 for the Defer Scenario

Invest Scenario – compared to the Counterfactual position.

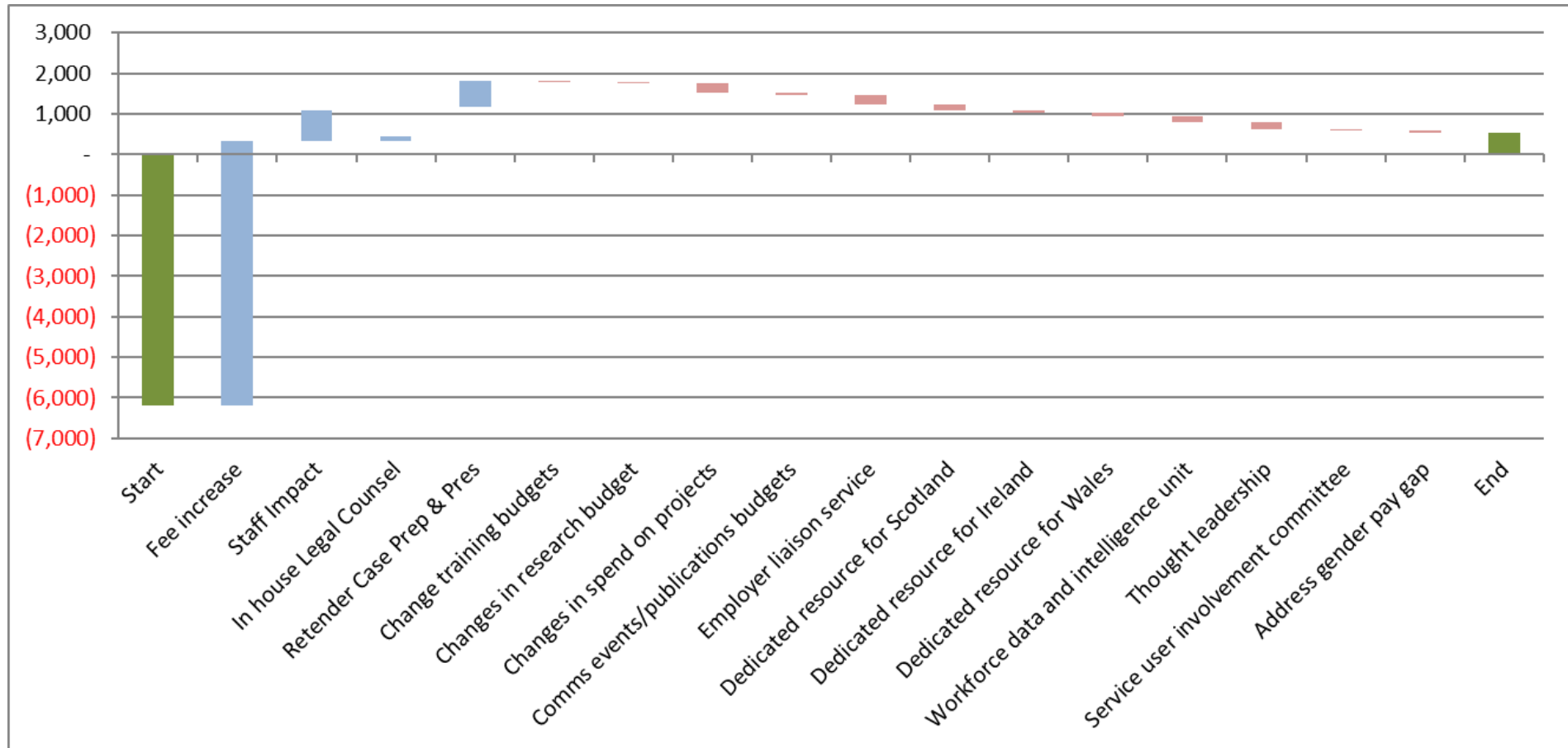


Key

- Start / End position
- Step results in cost saving
- Step results in additional cost

Figure 4: Waterfall chart of the headline deficit/surplus (£000 nom) in year 2022 for the Invest Scenario

Expand Scenario– compared to the Counterfactual position.



Key

- Start / End position
- Step results in cost saving
- Step results in additional cost

Figure 5: Waterfall chart of the headline deficit/surplus (£000 nom) in year 2022 for the Expand Scenario

Appendix A: Scenario Controls

Below is a table that contains all of the scenario controls from the control_panel sheet. The inputs for each scenario are listed on the right under the scenario heading.

Input	Counterfactual	Base	1. Reduce	2. Defer	3. Invest	4. Expand
Social worker key assumptions						
Date of SW transfer	N/A	Oct 19	Oct 19	Oct 19	Oct 19	Oct 19
% of cases from SW	51%	51%	51%	51%	51%	51%
FTP key assumptions						
Saving in outsourced case prep and pres'tn post SW trf	40%	40%	40%	40%	40%	40%
Undertakings effective date	N/A	N/A	N/A	N/A	N/A	N/A
Undertakings panel cost savings	10%	10%	10%	10%	10%	10%
Inflation assumptions						
Pay inflation rate	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Non-pay inflation rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Registrant fee increase assumption						
Fee increase	£ -	£ -	£ -	£ 8.00	£ 16.00	£ 24.00
New fee applicable from date	N/A	N/A	N/A	Oct 19	Oct 19	Oct 19
Date of withdrawal of graduate discount	N/A	N/A	N/A	Oct 19	Oct 19	Oct 19
Withdraw UK scrutiny fee simultaneous with grad disc change?	No	No	No	No	No	No
Other fees % increase						
Cost reduction scenarios						
Complement scenario	C/F	C/F	Reduce	Defer	Invest	Expand

Input

		Counterfactual	Base	1. Reduce	2. Defer	3. Invest	4. Expand
Non-payroll cost reduction/increase options							
1.1	Active	No	No	No	No	No	No
	Insource case prep'n & presentation	N/A	N/A	N/A	N/A	N/A	N/A
	1 off cost of change (legal fees, new desks, office move etc)	50,000	50,000	50,000	50,000	50,000	50,000
	Number of in house lawyers incl team manager	30	30	30	30	30	30
	Annual avg cost per lawyer incl NI, pension, extra IT equipt & licencing, training, etc	90,000	90,000	90,000	90,000	90,000	90,000
1.2	Active	No	No	Yes	Yes	Yes	Yes
	Retender case prep'n & presentation	N/A	N/A	Oct 19	Oct 19	Oct 19	Oct 19
	1 off cost of change (legal fees, new desks, office move etc)	38,000	38,000	38,000	38,000	38,000	38,000
	Annual saving	20%	20%	20%	20%	20%	20%
1.3	Active	No	No	Yes	Yes	Yes	Yes
	In house legal counsel	N/A	N/A	Oct 19	Oct 19	Oct 19	Oct 19
	1 off cost of change (legal fees, new desks, office move etc)	30,000	30,000	30,000	30,000	30,000	30,000
	Annual cost of outsourced legal counsel function	198,000	198,000	198,000	198,000	198,000	198,000
	Annual cost of in house function incl NI, pension, extra IT equipt & licencing, training, etc	95,000	95,000	95,000	95,000	95,000	95,000
2.1	Exercise break clause on 405KR; underlet suites 7 & 8 of 33 SS, recovering half of rent; 1 tribunal suite in Park House, spot rent for rest of demand in London – Active	No	No	No	No	No	No
	Exit date on 405KR: break clause	N/A	N/A	N/A	N/A	N/A	N/A

Input	Counterfactual	Base	1. Reduce	2. Defer	3. Invest	4. Expand
Exit date on 33SS	N/A	N/A	N/A	N/A	N/A	N/A
1 off cost of change: 405KR (legal fees, dilaps, office move etc)	193,000	193,000	193,000	193,000	193,000	193,000
1 off cost of change: 33SS (legal fees, dilaps, office move etc)	30,000	30,000	30,000	30,000	30,000	30,000
New hearings rooms capacity	1	1	1	1	1	1
Cost savings per year: 405KR	990,000	990,000	990,000	990,000	990,000	990,000
Cost savings per year: 33SS	58,000	58,000	58,000	58,000	58,000	58,000
2.2 Active	No	No	No	No	No	No
Relinquish all of 33 SS; convert 1st floor of 405KR to take overflow	N/A	N/A	N/A	N/A	N/A	N/A
1 off cost of change: 405KR (internal works, office moves)	510,000	510,000	510,000	510,000	510,000	510,000
1 off cost of change: 33SS (legal fees, dilaps, office move etc)	122,000	122,000	122,000	122,000	122,000	122,000
New hearings rooms capacity	4	4	4	4	4	4
Cost savings per year: 33SS	232,000	232,000	232,000	232,000	232,000	232,000
2.3 Active	No	No	Yes	Yes	No	No
Relinquish 2 suites in 33SS; retain whole of 405KR (options 1 and 2)	N/A	N/A	Oct 19	Oct 19	N/A	N/A
1 off cost of change: 33SS (legal fees, dilaps, office move etc)	61,000	61,000	61,000	61,000	61,000	61,000
Cost savings per year: 33SS	80,000	80,000	80,000	80,000	80,000	80,000
2.4 Active	No	No	No	No	Yes	No
Relinquish 1 suite in 33 STY; retain whole of 405 (option 3)	N/A	N/A	N/A	N/A	Oct 19	N/A

Input		Counterfactual					
		Base	1. Reduce	2. Defer	3. Invest	4. Expand	
	1 off cost of change: 33SS (legal fees, dilaps, office move etc)	30,000	30,000	30,000	30,000	30,000	30,000
	Cost savings per year: 33SS	35,000	35,000	35,000	35,000	35,000	35,000
3	Active	No	No	No	No	No	No
	Stop tea and coffee, biscuits	N/A	N/A	N/A	N/A	N/A	N/A
	Cost savings per year	72,000	72,000	72,000	72,000	72,000	72,000
4	Change training budgets, per capita	1,400	1,400	700	1000	1200	1500
5	Changes in research budget	100,000	100,000	-	75,000	125,000	125,000
6	Active	No	No	No	No	No	No
	Reduce/(increase) internal audit	N/A	N/A	N/A	N/A	N/A	N/A
	Cost savings/(increase) per year	25,000	25,000	25,000	25,000	25,000	25,000
7	Changes in spend on projects	2,500,000	2,500,000	1,600,000	2,000,000	2,500,000	3,000,000
	Project spend opex share	33%	33%	33%	33%	33%	33%
	Project spend capex share	67%	67%	67%	67%	67%	67%
8	Changes in Comms events/publications budgets	220,000	220,000	150,000	185,000	230,000	270,000
9	Active	No	No	No	No	No	No
	Reduce CPD sample size	N/A	N/A	N/A	N/A	N/A	N/A
	New sample size percentage	2%	2%	2%	2%	2%	2%
10	Active	No	No	No	No	No	No

Input		Counterfactual	Base	1. Reduce	2. Defer	3. Invest	4. Expand
	Change # of international assessors per applicant	N/A	N/A	N/A	N/A	N/A	N/A
	New number of assessors	2.0	2.0	2.0	2.0	2.0	2.0
11	Change Partner fee rates	2%	2%	2%	2%	2%	2%
12	Active	No	No	No	No	Yes	Yes
	Employer liaison service [prevention strategy]	N/A	N/A	N/A	N/A	Apr 20	Apr 20
	1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	EXTRA spend per year	200,000	200,000	200,000	200,000	200,000	200,000
13.1	Active	No	No	No	No	Yes	Yes
	Scotland start date	N/A	N/A	N/A	N/A	Apr 20	Apr 20
	Scotland 1 off cost of change	20,000	20,000	20,000	20,000	20,000	20,000
	Scotland annual cost	150,000	150,000	150,000	150,000	150,000	150,000
13.2	Active	No	No	No	No	Yes	Yes
	Northern Ireland start date	N/A	N/A	N/A	N/A	Apr 21	Apr 20
	Northern Ireland 1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	Northern Ireland annual cost	60,000	60,000	60,000	60,000	60,000	60,000
13.3	Active	No	No	No	No	Yes	Yes
	Wales start date	N/A	N/A	N/A	N/A	Apr 22	Apr 20
	Wales 1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	Wales annual cost	60,000	60,000	60,000	60,000	60,000	60,000
14	Active	No	No	No	No	Yes	Yes

Input		Counterfactual	Base	1. Reduce	2. Defer	3. Invest	4. Expand
	Workforce data and intelligence unit	N/A	N/A	N/A	N/A	Apr 20	Apr 20
	1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	EXTRA spend per year	150,000	150,000	150,000	150,000	150,000	150,000
15	Active	No	No	No	No	Yes	Yes
	Thought leadership	N/A	N/A	N/A	N/A	Apr 21	Apr 21
	1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	EXTRA spend per year	150,000	150,000	150,000	150,000	150,000	150,000
16	Active	No	No	No	No	Yes	Yes
	Service user involvement committee	N/A	N/A	N/A	N/A	Apr 20	Apr 20
	1 off cost of change	10,000	10,000	10,000	10,000	10,000	10,000
	EXTRA spend per year	20,000	20,000	20,000	20,000	20,000	20,000
17	Active	No	No	No	No	Yes	Yes
	Address gender pay gap	N/A	N/A	N/A	N/A	Apr 20	Apr 20
	EXTRA spend per year	50,000	50,000	50,000	50,000	50,000	50,000
18	Active	No	No	No	No	No	No
	Accelerate the registration project	N/A	N/A	N/A	N/A	N/A	N/A
	Number of years	2	2	2	2	2	2
	Extra total spend per year	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
	Extra opex spend per year (33%)						
	Extra capex spend per year (67%)						

Registration project assumptions

Input

	Counterfactual	Base		1. Reduce	2. Defer	3. Invest	4. Expand
Go live date	31 Mar 21	31 Mar 21	N/A	31 Mar 21	31 Mar 21	31 Mar 21	31 Mar 21
Go live date Accelerated option	N/A	N/A	N/A	Sep 21	Sep 21	Sep 21	Sep 21
Go live date	Mar 21	Mar 21	N/A	Mar 21	Mar 21	Mar 21	Mar 21
RA FTE saving	5	5	5	5	5	5	5
Years beyond go live date NetReg kept running	1	1	1	1	1	1	1
NetRegulate end date	Mar 22	Mar 22	N/A	Mar 22	Mar 22	Mar 22	Mar 22
P&P cost per Registrant post go-live - renewals	0.24	0.24	1.21	0.24	0.24	0.24	0.24
P&P cost per Registrant post go-live - CPD	1.99	1.99	9.98	1.99	1.99	1.99	1.99
P&P cost per Registrant post go live - UK apps	0.34	0.34	1.66	0.34	0.34	0.34	0.34
P&P cost per Registrant post go live - readmissions	0.54	0.54	2.69	0.54	0.54	0.54	0.54
P&P cost per Registrant - post go live - international apps	1.58	1.58	7.90	1.58	1.58	1.58	1.58

Appendix B: Audit Planning Brief

Scope and approach

The scope of this review is as follows:

- A high level review of the updated 5 year plan model. This would include the use of software tools to identify changes, as well as spreadsheet mapping, to ensure that formula consistency across rows has been maintained
- Consideration as to whether the use of the model to undertake the analysis is reasonable – supported by limited sample testing of changes and calculations
- Review of process taken by Management to determine the key assumptions utilised from the scenario analysis, considering the methodology of calculation from the documentation provided to assess their reasonableness. Note, this review will not provide assurance over whether the assumptions are reasonable, but instead reviews the process of challenge and deliberation over the identification of the assumptions
- Review of the approach taken to calculating the adjustments made to the model and controls in place to assess the reasonableness of outputs - where the impact is calculated through a series of steps for each change which are activated in the model, we would reproduce this “bridge analysis” to confirm how each change contributes to the change in the net operating cost for a specific year. (Note this does not include rebuilding the model changes)

Out of Scope

The scope of this review does **not** include:

1. A detailed review or “model audit” of the 5 year plan model – as such we are not providing assurance that the model is free from error (this would be a more substantial piece of work)
2. Consideration of whether the appropriate options have been considered or how they have been selected
3. Providing assurance on the inputs used within the model and the ability to achieve forecasts presented – while we would comment on any errors or omissions identified in the analysis through our standard audit procedures, (e.g. changes to staff numbers with no commensurate change to staff costs) this would not necessarily identify all potential risks.



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