

Health Professions Council
Council Meeting – 4th October 2006

FIVE YEAR PLAN - PUBLIC PAPER

Executive Summary and Recommendations

1. Introduction

The Five Year Plan was last updated in September 2005. We are bringing a revised Plan to the Council for approval. The Five Year Plan was reviewed and the Central Case forecasts approved at the meeting of the Finance and Resources Committee on 18th September 2006 and the Education and Training Committee on the 28th of September 2006.

2. Decision

The Council is requested to approve the appropriate Scenario(s) outlined below as HPC's updated Five Year Plan.

3. Background information

Refer Five Year Plan “Central Case” and other scenarios. A “Central Case” is presented, based what the Executive believe is the most likely outcome if the proposed fee rise planned for July 2007 is approved – see Fee Change Outcome paper for more details.

Further scenarios are presented to show the impact of a few broad changes from the central case, including reduced Registrant volumes (compared to the central case), an alternative fee change (a compensating fee rise for a 10% volume drop, to return to a similar Surplus/deficit as for the Central Case) and the financial outcome if status quo fee levels remained unchanged.

The Five Year Plan was reviewed at the meeting of the Finance and Resources Committee on 18th September 2006 and then adjusted to reflect their action points. **The key change the Committee recommended was moving from a £66 Renewal fee per annum to £70 per annum.** A further change was made to the costing model to change the allocation estimate for costs incurred by the International dept on International and Grand-parenting Scrutiny to 74% and 6% respectively¹ - refer Costing Model paper. After updating the costing model, the scrutiny fees were adjusted to a figure of £400 for Grand-parenting scrutiny and £400 for International scrutiny. International Registration volumes in later years and CPD Assessment volumes in Yr 2 (2008/09) were also adjusted slightly down and up respectively. A further enhancement was made to the Five Year Plan Renewal Income model adjusting income streams so only professions renewing after 1st July 2007 were at the new fee level i.e. it didn't inflate income for any professions in mid cycle (April 07 onwards) as well.

The Education and Training Committee reviewed the Five Year Plan at their meeting on the 28th of September. At the time of writing, their feedback is unknown.

A financial summary of the Surplus/(Deficit) “bottom line” impact from each scenario is as follows. Negative numbers in the table are deficits.

¹ The remaining 20% allocation covers International and Grand-parenting Registration chargeable services.

£000's	Budget 2006/07	Forecast 2007/08	Forecast 2008/09	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12	
Scenario							
Central Case	-202	224	-46	612	156	3,567	-24
No fee rise	-202	-1,926	-3,035	-4,247	-5,653	-5,269	-5,163
No fee rise til Year 3	-202	-1,926	-3,034	-1,928	-2,333	991	-5,162
Volume decrease by 10%	-202	396	-368	-370	-1,118	1,925	-174
Volume decrease by 20%	-202	224	-519	-897	-1,587	935	-497
Alternative Fee Rise	-202	493	-294	258	547	4,700	-3

Key Assumptions of the Central Case as follows:

- Excludes the Foster & Donaldson outcome
- Does not include Revalidation, which may cost in the order of £200 per registrant per year
- Fitness to practise cases increase from 375 to 936 during the period of the plan
- Fees have been calculated using the revised version of the PKF costing methodology
- Four aspirant groups are statutorily regulated during the period of the plan, namely Applied Psychs, Health care A, Healthcare B, Counsellors & Psychotherapists
- There is no growth in UK graduate volumes
- There is no growth in international registration volumes
- CPD assessments start in July 2008
- 85% of applicants become registered in year 1, 80% in year 2 and 75% in year 3-5 resulting in growth of 10% in registrant numbers
- The new professions (the 4 aspirant groups above) do not come onto the register until year 3
- The fee increase starts on 1 July 2007
- No FTP backlog of cases to pay for by HPC when the new professions become regulated
- Fee rises occur in July of a year.

4. Resource implications

As per details of headcounts etc outlined in the Five Year Plan.

5. Financial implications

As per Operating Expenses outlined in the Five Year Plan.

6. Background papers

Nil.

7. Appendices

- Refer Five Year Plan scenarios attached.

8. Date of paper

22nd September 2006

Income & Expenditure Overview

Scenario: No fee rise until Year 3

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11	Year 5 Forecast 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	5,587	9,786	10,969	10,801	10,993	11,500	14,919	16,477	22,159
Operating Expenses	6,602	9,227	9,457	10,480	12,524	14,010	16,168	17,988	20,136
Depreciation	318	421	692	523	395	524	679	822	1,032
Total Expenses	6,920	9,648	10,149	11,003	12,919	14,534	16,847	18,810	21,168
Surplus / (Deficit)	(1,333)	138	820	(202)	(1,926)	(3,034)	(1,928)	(2,333)	991
Net Assets	815	953	1,773	1,571	(355)	(3,389)	(5,317)	(7,649)	(6,658)

Income is excluding any investments and Department of Health grants

Operating expenses are excluding any Department of Health funded expenditure

Income & Expenditure Overview

Scenario : No fee raise

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11	Year 5 Forecast 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	5,587	9,786	10,969	10,801	10,993	11,500	12,599	13,156	15,899
Operating Expenses	6,602	9,227	9,457	10,480	12,524	14,011	16,168	17,988	20,136
Depreciation	318	421	692	523	395	524	679	822	1,032
Total Expenses	6,920	9,648	10,149	11,003	12,919	14,535	16,847	18,810	21,168
Surplus / (Deficit)	(1,333)	138	820	(202)	(1,926)	(3,035)	(4,247)	(5,653)	(5,269)
Net Assets	815	953	1,773	1,571	(355)	(3,390)	(7,637)	(13,290)	(18,559)

Income is excluding any investments and Department of Health grants

Operating expenses are excluding any Department of Health funded expenditure

Income & Expenditure Overview

Scenario: Alternative fee rise (Decrease of volume by 10% with compensating increase in all fees (pro-rata) to return to I&E to Central Case)

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11	Year 5 Forecast 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	5,587	9,785	10,969	10,801	13,412	14,236	17,098	19,335	25,854
Operating Expenses	6,602	9,227	9,457	10,480	12,524	14,006	16,162	17,966	20,122
Depreciation	318	421	692	523	395	524	679	822	1,032
Total Expenses	6,920	9,648	10,149	11,003	12,919	14,530	16,841	18,788	21,154
Surplus / (Deficit)	(1,333)	137	820	(202)	493	(294)	258	547	4,700
Net Assets	815	952	1,772	1,570	2,063	1,769	2,027	2,574	7,274

Income is excluding any investments and Department of Health grants

Operating expenses are excluding any Department of Health funded expenditure

Income & Expenditure Overview

Scenario : Registrant volume decrease by 10% (from Central Case)

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11	Year 5 Forecast 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	5,587	9,785	10,969	10,801	13,315	14,162	16,471	17,669	23,079
Operating Expenses	6,602	9,227	9,457	10,480	12,524	14,006	16,162	17,966	20,122
Depreciation	318	421	692	523	395	524	679	822	1,032
Total Expenses	6,920	9,648	10,149	11,003	12,919	14,530	16,841	18,788	21,154
Surplus / (Deficit)	(1,333)	137	820	(202)	396	(368)	(370)	(1,118)	1,925
Net Assets	815	952	1,772	1,570	1,966	1,598	1,229	110	2,035

Income is excluding any investments and Department of Health grants

Operating expenses are excluding any Department of Health funded expenditure

Income & Expenditure Overview

Scenario : Registrant volume decrease by 20% (from Central Case)

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11	Year 5 Forecast 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	5,587	9,785	10,969	10,801	13,143	14,008	15,943	17,191	22,084
Operating Expenses	6,602	9,227	9,457	10,480	12,524	14,003	16,161	17,957	20,117
Depreciation	318	421	692	523	395	524	679	822	1,032
Total Expenses	6,920	9,648	10,149	11,003	12,919	14,527	16,840	18,779	21,149
Surplus / (Deficit)	(1,333)	137	820	(202)	224	(519)	(897)	(1,587)	935
Net Assets	815	952	1,772	1,570	1,794	1,275	379	(1,209)	(274)

Income is excluding any investments and Department of Health grants

Operating expenses are excluding any Department of Health funded expenditure

Ratios

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Budget 2006/07	Year 1 Forecast 2007/08	Year 2 Forecast 2008/09	Year 3 Forecast 2009/10	Year 4 Forecast 2010/11
Costs per Registrant (£)	45.9	61.1	59.9	64.2	71.3	78.8	81.0	89.4
Wages Costs per Registrant (£)	15.5	17.0	18.6	22.9	25.3	27.0	25.8	27.7
No of Registrants per Employee	2974	2375	2046	1757	1685	1668	1824	1783
Capital Expenditure per Employee (£'000)	10.1	6.2	16.3	13.9	8.8	9.1	6.2	5.6
Communications Costs per Registrant (£)	4.1	8.8	3.1	4.0	5.4	6.3	5.0	6.0
Fitness to Practice (FTP) Costs per Case (£'000)	13.6	5.2	5.2	6.1	6.7	6.9	6.4	5.9
FTP Cases per FTP Employee	16.0	22.0	29.3	23.7	20.7	27.0	31.0	34.5
No of FTP Cases per 10,000 registrants	0.7	3.1	4.5	4.0	4.7	5.9	6.8	8.7

Year 5 Forecast 2011/12

83.2
25.2
2052
7.5
4.3
7.3
33.4
7.4