Agenda Item 11

Enclosure 8

Health and Care Professions Council
19 September 2018

5 year plan

To note

From Guy Gaskins, Executive Director of IT and Resources

Council, 19 September 2018

Five year plan

Executive summary and recommendations

Introduction

The five year plan is a financial forecast that helps us ensure our finances are sustainable and to plan whether and when fee increases may be necessary. The Plan is updated annually and presented to Council for approval.

The Plan also supports Council's approval of the Annual Report and Accounts. In approving the accounts, Council are required to consider whether the HCPC is a going concern; the Plan is part of the information on which that assessment is based.

This iteration of the Plan presents a number of options developed in response to the financial impact from the transfer of social workers to Social Work England (SWE). Each option presents a strategic financial plan with different levels of service scope and standard for consideration.

Grant Thornton have reviewed the Executive's analysis and their report is attached.

This paper was discussed in private at the 4 July Council meeting and an option chosen on which to base a consultation paper for a fee increase. The proposed consultation paper is presented to Council in September.

Decision

Council is asked to note the paper (following decision at 4 July Council meeting)

Background information

Included within the five year plan paper

Mini-business cases are included on the iPads for reference

Resource implications

Included within the five year plan paper

Financial implications

HCPC income, expenditure, cash flow and financial position as detailed within the paper

Appendices

Five year plan 2018-19 to 2022-23

Date of paper

11 September 2018

Five year plan 2018-19 to 2022-23

Section 1: introduction, aims and conclusions

1. Introduction

1.1. The 5 year plan is primarily a financial forecast that allows decisions to be made on the financial sustainability of the HCPC over the medium term. It is dependent upon a number of key assumptions and external influences that support strategic decision making. Due to these inherent uncertainties the Plan cannot be used as a detailed budget-setting tool. It is updated annually and presented to the Council for approval.

1.2. This plan covers the years 2018-19 to 2022-23. It includes a range of income and cost forecasts to account for the financial impacts arising from the transfer of social workers in England to the new regulator, anticipated in October 2019.

1.3. It is divided into three sections

- Section 1: introduction, aims and conclusions
- Section 2: income and expenditure cases
- Section 3: list of appendices

2. Background information

2.1. The 5 year plan paper for the March 2017 Council meeting analysed three sets of proposals for reducing the cost base following the transfer of the social workers.

- Maintain the existing scope and quality of services and maintaining our aim “to be recognised nationally and internationally as a model of good practice”.
- Some reductions in scope / service standards; reducing headcount further than the capacity released by the transfer of social workers’; and
- More extensive reductions in scope / service standards; doing the minimum to protect the public. It would involve acceptance that we might fail more Professional Standards Authority (PSA) standards.

2.2. At that time, Council agreed:

- HCPC should aim to remain the lowest cost statutory regulator of health and care professionals in the UK; and
- cost savings needed to be balanced with the HCPC’s continued ability to meet the PSA’s Standards of Good Regulation.

2.3. The plan was reviewed again by Council in March 2018, covering the years 2018-19 to 2022-23 (budget and forecast) plus actual data for 2013-14 to 2017-18.

2.4. That iteration of the Plan applied the cost reductions in the middle scenario “some reductions in scope / service standards” and did not assume an increase in fees.

2.5. The Council was advised that the Plan showed that the HCPC is not sustainable in the medium to long term.

3. Aim

3.1. This paper focuses on the likely outcome to the organisation from four options referencing our regulatory obligations, the current strategic priorities, key performance indicators and notable risks. This will enable Council to frame the costs of the organisation against the potential scope and service standards as defined in each option.

3.2. Four options are presented along with the counterfactual base case.

3.3. The counterfactual base case depicts the financial position if the regulation of social workers were to remain with HCPC. It is illustrative only and when compared against each of the alternative options it serves to highlight the consequential reduction in income and expenditure.

3.4. Each of the four options describe the expected outcome for the HCPC for both scope and services, and financial impact. They identify any proposed new income opportunities, efficiency savings and targeted investment proposals.

3.5. The outline business cases for each new income opportunity, efficiency saving and targeted investment proposal are made available for reference. These include expected financial cost impacts, an expectation when the impact would be realised, a description of the opportunity with relevant assumptions as well as a high level risk summary.

3.6. The four options for consideration are:

- Reduce (1)
  Reducing expenditure to match the lost income from social workers;

- Defer (2)
  Maintaining the current scope and service standards of the HCPC but deferring some improvement activities;

- Invest (3)
  Targeted investment to sustain improved service standards; and

- Expand (4)
  Expansion of the HCPC capacity to enable organisation agility.

Each option has the direct costs for the regulation of social workers removed, a reduction in headcount that reflects the reduction in workload from the social worker transfer and additional savings or additional spending on new or improved services as detailed in each case.

3.7. A summary of the impact across each of the options is included for reference.

4. Summary and conclusions

4.1. The key financial impact of the transfer of social workers to SWE is the lost contribution to income. Social workers provide £9m of fee income but the costs of regulation only incurs £3m of direct variable[1] non-payroll costs, so they provide £6m of contribution towards HCPC's salaries and fixed costs.

4.2. The four options for consideration with the likely impact on the scope and quality of service, and an assessment against the PSA's Standards of Good regulation, strategic priorities and key performance indicators are described in the following section.

4.3. In options 2, 3 and 4 there is an initial deficit 'trough' as income lags behind expenditure. This is due to any increase in fees not being fully realised for two years after being applied. As any decision to increase fees could not have been made earlier this can only be affected by deferring spend.

Recommendations

4.4. The Executive's recommendation is that in order to address the inconsistent attainment of the PSA's Standards of Good Regulation the HCPC should follow the direction in option (3) 'Invest'. This would allow the HCPC to instigate more proactive measures to sustain and advance services and service standards.

4.5. The Executive recognise that option (1) 'Reduce' can be achieved and the HCPC would continue to be a financial going concern. However, it is the view of the Executive that this option raises a significant risk that we may fail to deliver our regulatory objectives and fail more of the PSA Standards of Good Regulation. This is because to achieve the financial objective of a balanced budget in the medium term fundamental reductions in scope and service standards would be necessary.

4.6. The Executive reflect that option (2) 'Defer' can be achieved. The HCPC would continue to be a financial going concern, although free reserves fall outside the policy range for two years. However, we would continue to be reactive to changes in the environment and would need to prioritise resources tactically to where there was most need. There would be a lost opportunity to invest in HCPC where we could expect to make significant improvements against the strategic priorities.

4.7. The Executive recognise that option (4) 'Expand' is a viable option and would afford a significant opportunity to improve the performance and agility of the organisation but would require a significant fee increase to achieve this.

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[1] Direct variable costs in this context means costs that are directly linked to the level of activity, for instance panel fees and expenses. Payroll costs of operational teams are fixed in the short term but variable in the medium term. Premises and support/overhead costs are fixed in the medium to long term

Section 2: income and expenditure cases

This section outlines the four income and expenditure options the Executive have modelled, as follows.

- Reduce (1)
  Reducing expenditure to match the lost income from social workers;

- Defer (2)
  Maintaining the current scope and service standards of the HCPC but deferring some improvement activities;

- Invest (3)
  Targeted investment to sustain improved service standards; and

- Expand (4)
  Expansion of the HCPC capacity to enable organisation agility.

Option 1 - Reduce

In this option the aim is to reduce the organisation’s expenditure to a point that matches the lost revenue generated from social workers. We have been able to create a balanced forecast. However, due to the £6m lost contribution to fixed costs (excluding headcount) the proposed reductions have been fundamental; undermining our ability to deliver our regulatory objectives and our ability to meet the PSA’s Standards of Good Regulation.

Assumptions

This scenario includes the following initiatives:	The headcount changes are made in the following areas:
• Headcount reduced by 80, approximately one third of total; • Graduate discount is retained ; • Legal case preparation and presentation retendered; • In-house legal counsel created; • Subletting of two suites of offices at 33 Stannary Street; • Employee training budget reduced by 50%; • No funding for research; • Stakeholder engagement significant reduced; • Quality Assurance would focus only on critical risk areas; • Certification against the ISO standards for quality management systems (9001), information security management (27001) and Customer satisfaction (10002) would stop; and • Business transformation projects stopped. Only essential technology upgrade projects delivered with investment of approximately 5.6% against a smaller income (previous 5 year plan models a 9% assumption).	• Communications team reduced by 52%; • Education team reduced by 47%; • FTP Assurance and Development team reduced by 25%; • FTP Case Preparation & Conclusion team reduced by 30%; • FTP Case Reception & Triage team reduced by 29%; • FTP Investigations team reduced by 40%; • FTP Tribunal service reduced by 28%; • HR roles reduced by 33% to reflect the reduced headcount and reductions in training support; • IT infrastructure team reduced by 29% to match the reduction in capital investment in projects; • IT support team reduced by 20% to reflect reduced headcount; • Office services employees reduced by 22%; • Project management team reduced by 50% to match the reduction in capital investment in projects; • Quality assurance team reduced by 42%; and • Registration team reduced by 21%.

Expected consequences and anticipated impact

Resources would focus on our regulatory obligations as set out in the Health and Social Work Professions Order 2001. However, there would be a significant risk that we would be unable to meet these obligations and would fail more of the PSA's Standards of Good Regulation. Similarly, our performance against the corporate key performance indicators would be degraded as would our ability to meet the strategic priorities and other service standards, for example call/email response times or the length of time to acknowledge and risk assess new cases.

Area	Consequences	Anticipated impact
Fitness to Practise	• The FTP forecast model includes assumptions of the headcount required to progress cases at the different stages of the FTP process in line with the current optimum case times once social worker cases are transferred. However, these assumptions have not been informed by activities included as part of the FTP Improvement project, in particular in relation to the review of role competencies, skills, knowledge and behaviours and the analysis of the time taken to complete particular case tasks. There is a risk that the improvements resulting from the FTP Improvement plan would not be sustainable with the extent of headcount reductions in this option, specifically in relation to ensuring high quality case management and decision making whilst ensuring the timely progression of cases. • The ability to respond to unplanned peaks in activity, for example an increase in case presenting workload resulting from an increase number of Interim Orders or reviewable sanctions being imposed by panels, would diminish; with the increased reliance on temporary resource to manage these challenges, there would be consequential impact on cost and operational performance. • Assurance and Development resource would focus on maintenance of the current case management system with limited capacity for system development and improvement. Data capability would be restricted to data production rather than data analysis. • A 20% reduction in expenditure on outsourced preparation and presentation of cases at final hearing maybe achievable by going through a competitive tender process without having to compromise on service and timeliness expectations. However, there is a risk that the desired cost savings may only be achievable if we are prepared to accept longer case completion times or undertake more pre-instruction work in-house as part of the contract	Inability to deliver strategic priority 1 and maintain performance at level which continues to meet the PSA's Standards of Good Regulation. Risk to our statutory obligations under Part V of the Order. Diminished ability to respond to changes in Standards of Good Regulation and performance expectations. Increased risk of decisions being open to challenge. Inability to support the delivery of strategic priority 4 through the analysis of FTP data.

	SLAs. This would have a consequent impact on workloads and performance against KPIs, in particular the length of time from ICP to conclusion at final hearing. • This option includes achieving savings by in-sourcing FTP case specific advice as well as general public law advice (eg review of practice notes, policies and guidance) by appointing in-house legal counsel. There is a risk this approach could result in lost capacity to handle peaks in legal advice and the ability to quickly call on a range of expertise.	Reduced ability to support the delivery of strategic priority 3 Quality and timeliness of legal advice
Registrations	• Registration's workload is driven by the renewal cycles. Registrations have previously engaged temporary staff and used overtime to manage the peak workload when the larger professions are in renewal. Therefore, the Registrations team is not currently permanently resourced at a level to meet the largest renewal peaks. Peak workloads within the annual registration cycle would continue to be managed using overtime but not using temporary staff. The likely effect would be to degrade our performance on the key performance indicators which focus on processing times for UK and international applications. • A proposed reduction in permanent headcount beyond the anticipated savings anticipated through the Registration transformation project would degrade performance against services standards e.g. call/email response times and processing of registration appeals. • The reduction in Registration Appeal coordinator headcount will affect the ability to ensure adequate separation between those members of the Executive acting on behalf of the ETC as respondent to the appeal and those working with the appellant.	Reduced ability to deliver strategic priority 1 and maintain performance at a level that continues to meet the PSA Standards of Good Regulation. Reduced ability to deliver strategic priority 3 Increased risk of not being able to progress registration Appeals in accordance with the provisions of A37 of the Order and associated Practice Note.
Education	• With a reduced Education team the ability to respond to peaks in the approvals process and major changes would be affected. This would degrade our performance during peak periods on the key performance indicator which focuses on the timeliness of the approvals process. • Capacity to maintain the education system and processes would be lost through the removal of the education systems posts, as well as data production and analysis.	Reduction in ability to maintain consistent performance levels. Loss of capability to develop and maintain systems and processes to ensure they remain fit for purpose. Diminished ability to support delivery of strategic priorities 2 and 4

IT, Finance and Resources	• There would be no funding for new initiatives or capacity within the proposed headcount to address any identified issues without further degrading existing services. We would only be able to focus on the delivery of the core regulatory activities and services with significantly diminished capacity for innovation and development. • There is a reasonable expectation that voluntary turnover for employees would continue to increase and that there would be a corresponding impact on employee moral and organisational culture. • The training budget per capita is halved as compared to the counterfactual. Additionally, the central learning and development function is reduced to performing a central administrative and consulting role only. The specialist training roles are removed and learning and development would be managed within functional teams at the team manager level. • This option assumes that projects would only deliver essential technology upgrades rather than business transformation projects. The project management and IT capacity is reduced as well as the value of the project budget. If support is withdrawn from a core technology system by the vendor, then resource to replace the system would need to be found from existing budgets.	Risk of failure to delivery strategic priorities 1 and 3 Degraded performance for Voluntary turnover KPI Lack of technical innovation would perpetuate business process inefficiencies
Stakeholder engagement	• With a reduced communication team, stopping all HCPC events, the switch to a digital only publications strategy and stopping all research, there would be a reduction in the effectiveness and scope of the communication and engagement strategy. • There would be no proactive communications to registrants other than information on the website and their renewal letters. For service users, the only communications would be the online Register or, as a complainant through the Fitness to Practise process. • The reduction in headcount would also impact our ability to deal with general enquiries, for example the reduction in headcount in Case Reception and Triage would restrict capacity to deal with general enquiries and appropriate signpost non FTP concerns. This could increase the number of such concerns unnecessarily entering the FTP process.	Inability to deliver strategic priority 2 Risk to our statutory obligation in Article 3 (13) of the Order Inability to mitigate against the strategic risks
Policy development including	• It would not be possible to commission external research projects, like the University of Surrey research, and then use the findings to engage stakeholders and drive improvements	Failure to meet strategic priority 4

data and research	• We would not have capacity to develop our approach to analysing, publishing and disseminating data from our regulatory functions. Any data analysis and reporting would be strictly limited to what is required within the legislation, e.g. fitness to practise and would be restricted to the production of data sets on our website. • With a reduction in headcount, there would not be capacity to respond to FOI and subject access requests or to complaints. This would result in reputational risk as we may not be able to meet statutory deadlines for responding to such requests	Inability to mitigate against the strategic priorities Inability to progress the wider sector prevention agenda
Quality Assurance	• With a 42% reduction in headcount in this function, activities would be reduced to those that are considered essential, for example targeted quality assurance for the fitness to practise improvement programme. There would be no quality assurance for the education and registrations functions. There would be no business process improvement capacity and no ISO accreditation.	Limited ability to meet strategic priority 2 and 4 Risk that we would not be able to identify risk areas for improvement and/or the Standards of Good Regulation Vulnerabilities in our processes would not be identified or corrected putting us at risk of non-compliance against legal or statutory requirements

Reduce - Summary income and expenditure account

(In £'000)	01 Apr 13 31 Mar 14 2014 Actuals	01 Apr 14 31 Mar 15 2015 Actuals	01 Apr 15 31 Mar 16 2016 Actuals	01 Apr 16 31 Mar 17 2017 Actuals	01 Apr 17 31 Mar 18 2018 Actuals	01 Apr 18 31 Mar 19 2019 Budget	01 Apr 19 31 Mar 20 2020 LT Forecast	01 Apr 20 31 Mar 21 2021 LT Forecast	01 Apr 21 31 Mar 22 2022 LT Forecast	01 Apr 22 31 Mar 23 2023 LT Forecast
Total fee income	25,141	26,303	28,310	31,449	33,373	34,509	30,808	27,069	27,882	28,538
Total other income	330	303	135	130	124	131	175	175	188	193
Total income	**25,471**	**26,606**	**28,444**	**31,578**	**33,497**	**34,640**	**30,983**	**27,244**	**28,071**	**28,731**
Payroll costs	(8,343)	(9,481)	(10,426)	(11,456)	(12,497)	(12,832)	(11,118)	(9,608)	(9,790)	(9,976)
Non-payroll costs	(14,813)	(16,002)	(16,449)	(17,882)	(19,894)	(19,933)	(17,951)	(15,853)	(16,277)	(16,583)
Total depreciation	(1,463)	(682)	(566)	(1,097)	(809)	(996)	(808)	(860)	(1,153)	(1,539)
PSA Levy	-	-	(589)	(859)	(912)	(975)	(756)	(787)	(823)	(861)
Total operating expense:	**(24,619)**	**(26,165)**	**(28,030)**	**(31,293)**	**(34,112)**	**(34,736)**	**(30,634)**	**(27,109)**	**(28,043)**	**(28,960)**
Retained surplus/(deficit)	852	441	414	285	(615)	(95)	349	134	27	(229)
Revaluation gain		104	486	261	-	-	-	-	-	-
Total movement on reser	**852**	**545**	**900**	**546**	**(615)**	**(95)**	**349**	**134**	**27**	**(229)**

Reserves summary

Reserves	**3,016**	**3,561**	**4,460**	**5,006**	**3,563**	**3,467**	**3,816**	**3,950**	**3,978**	**3,749**
Free reserves	**(1,730)**	**(1,644)**	**(1,994)**	**(1,937)**	**(3,651)**	**(5,591)**	**(5,532)**	**(5,763)**	**(5,838)**	**(5,811)**
Free reserves as months of operating costs	(0.8)	(0.7)	(0.8)	(0.7)	(1.3)	(2.2)	(2.5)	(2.6)	(2.6)	(2.5)

In the counterfactual case, the cost base in 2022-23 is £38.1m while in this case it is £29m so the transfer of social workers plus the additional measures reduce the cost base by £9m a year, nearly a quarter. Of that £9m, £3m is direct variable non-payroll costs, £2m is payroll costs primarily in regulatory functions enabled by the reduction in workload, but the remaining £4m represents real terms reductions in capacity and/or service per registrant. This scenario produces a breakeven position. Free reserves remain within the policy range of 0 to negative 3 months. However a fee increase is likely to be necessary towards the end of the five year period.

Option 2 - Defer

In this option the aim is to maintain the scope and services of the HCPC at a level commensurate with current performance against the PSA's Standards of Good Regulation. We would continue to defer some change activity that could make substantial improvements to the scope and quality of services as identified in option 3 – 'Invest'. Although total expenditure has reduced significantly (£8m reduction as compared to the counterfactual) there remains a substantial deficit. For our finances to be sustainable we would require a fee rise of approximately £8 (9% increase) as well as the withdrawal of the graduate discount.

Assumptions

This scenario includes the following initiatives:	The headcount changes are made in the following areas:
• Headcount reduced by 51, approximately one fifth of total; • Graduate discount withdrawn; • Legal case preparation and presentation retendered; • In-house legal counsel created; • Subletting of two suites of offices at 33 Stannary Street; • Employee training per head reduced by 28%; • Commissioning research reduced by 25%; • Stakeholder engagement reduced; • Quality Assurance would focus only on critical risk areas; • Certification against the ISO standards for quality management systems (9001), information security management (27001) and Customer satisfaction (10002) would stop; and • Projects would continue to deliver technology upgrade projects and business transformation projects in series delivered with investment of approximately 6.5% against a smaller income (previous 5 year plan models a 9% assumption).	• Communications team reduced by 34%; • Education team reduced by 27%; • FTP Assurance and Development team reduced by 25%; • FTP Case Preparation & Conclusion team reduced by 20%; • FTP Case Reception & Triage team reduced by 20%; • FTP Investigations team reduced by 34%; • FTP Tribunal service reduced by 14%; • HR team reduced by 12% to reflect the reduced headcount; • IT infrastructure team reduced by 14% to match the reduction in capital investment in projects; • IT support team reduced by 20% to reflect the reduced headcount • Office services employees reduced; • Project management team reduced by 17% to match the reduction in capital investment in projects; • Quality assurance team reduced by 25%; and • Registration team reduced by 17%.

Expected consequences and anticipated impact

HCPC would be expected to meet its statutory obligations and continue to make progress against the PSA's Standards of Good Regulation. However, the time taken to regain standards not previously met may take longer as compared to the options 'Invest' or 'Expand'. This option would have reduced business agility and require resources to be tactically deployed to focus on areas for improvement and to address areas of concern. It would be unlikely to enable a step change in our approach to achieving the standards and improving performance beyond historic levels. Capacity to implement transformational change, for example the activities currently in the FTP Improvement Plan would be limited.

Area	Consequence	Anticipated impact
Fitness to Practise	• The expected amount of activity undertaken by individual roles would be maintained at the level that existed prior to the FTP Improvement plan. It does not wholly reflect the targeted investment in respect of case progression that has been allocated as part of the response to the PSA performance review. Whilst it is expected that performance against KPIs and the PSA's Standards of Good Regulation will improve as a result of the FTP improvement plan, there is a risk that performance becomes more variable year on year if the initiatives and resourcing identified through the FTP improvement project are not maintained. The proposed headcount reflects the impact of the reduction in case numbers but does not take into account activities that have been initiated as part of the FTP Improvement project e.g. analysis of case activities and review of role competencies. • This option also anticipates savings from the retender of the FTP preparation and presentation contract.	Increased timeframe for delivery of strategic priority 1. Reduced ability to continue to meet KPIs following the conclusion of the FTP improvement project and to sustain implemented improvements. Reduced ability to fully mitigate the strategic risks including risk of decisions being subject to challenge.
Registrations	• A further reduction in Registrant Adviser headcount beyond the anticipated savings from the registration transformation project is included in this option. Peak workloads within the annual cycle would continue to be managed using overtime but not using temporary staff. Whilst it is expected that the performance will be maintained with the reduction of headcount, the organisation's ability to respond to increases in workload or staff turnover/absence will be diminished.	Continue to meet PSA standards and deliver strategic objective 1, but reduced capacity to proactively identify areas for improvement. Ability to maintain performance against current

	• The reduction in Registration Appeal coordinator headcount will affect the ability to ensure adequate separation between those members of the Executive acting on behalf of the ETC as respondent to the appeal and those working with the appellant.	KPIs, with increased risk of periods of sub- optimal performance driven by workload. Risk of failing to sufficiently mitigate the risk of failing to meet PSA standards in relation to registration. Reduce ability to quickly respond to changes to PSA standards that may arise from the current consultation.
Education	• Performance would be maintained at current levels but capacity to respond to peaks in the approvals process, for example new provision linked to government policy initiatives such as degree apprenticeships and commissioning changes for allied health profession education in England would be diminished. The resourcing level also assumes maintaining the current approach to programme approval and monitoring and does not anticipate capacity to implement transformational change. • Some system maintenance and development resource would be maintained, but capacity to support any fundamental re-design of education processes would be limited.	Ability to meet current PSA standards and strategic priority would be maintained. Reduced capacity to anticipate and respond to the external environment. Limited ability to support the delivery of strategic priorities 2 and 4.
IT, Finance and Resources	• This option aims to maintain the scope and services at current levels whilst adopting a reactive approach to meeting changes in the external environment. This would require the tactical reallocating of resources as necessary according to priority. There would not be capacity to address several new activities concurrently. This is currently evidenced by the prioritisation of resources for the FTP improvements plan over planned project delivery. • Although HCPC will continue to be financially sustainable there would be a reduction in overall size. This is likely to be seen by employees as a backward step for the organisation and have an adverse impact on culture and performance. It would be reasonable to expect	Diminished ability to support delivery of strategic priorities 1 and 3 Degraded performance for Voluntary turnover KPI Reduced ability to deliver effective employee development degrading

	that employee recruitment and retention would become more of a challenge. • The training budget per capita is reduced significantly as compared to the counterfactual. The central learning and development function would continue to manage the function across HCPC but with reduced capacity. • Project delivery would continue at comparable levels to 2017-18 rather than the anticipated higher levels of 2018-19. The project management and IT capacity is reduced to match the historic delivery cycle. Resources for transformational programmes are allocated in series through a prioritisation process. This means that some projects would be deferred although the business case is strong to initiate the project immediately. Also, projects may need to be stopped midway through delivery if a critical system required immediate investment or replacement due to vendor support withdrawal. • The headcount reductions reduce resilience to quickly respond to changes in volume and employee turnover, with a consequent reliance on temporary resource and potential impact on service performance.	retention and service standards Risk that resource is inefficiently applied due to the necessary reprioritisation process to support urgent changes.
Stakeholder engagement	• This option would require a different delivery in our communications and engagement strategy. HCPC events would be targetted and there would be limited face-to-face engagement with stakeholders. However, we would move to a digital first approach using digital channels and the website as key communications tools. All publications, including our standards, guidance and service user information would be online only and we would review the range of e-newsletters as well as our social media presence. There would be no proactive communications and engagement plans and any media handling would be limited to reactive only for fitness to practise issues.	Restricted ability to achieve key deliverables in the stakeholder communications and engagement plan Ability to meet key deliverables in the current Corporate Plan, but no capacity for proactive work or development
Policy development including data and research	• We would be able to commission external research in partnership with a professional body or other similar stakeholder although this would need to be targeted and prioritised. Data capture, analysis and reporting would continue to be limited to what is required in our legislation. We would also be limited in the dissemination of this information or the ability to engage stakeholders to progress improvements or learning	Limited ability to meet strategic priority 2 and 4

Defer - Summary income and expenditure account

	01 Apr 13	01 Apr 14	01 Apr 15	01 Apr 16	01 Apr 17	01 Apr 18	01 Apr 19	01 Apr 20	01 Apr 21	01 Apr 22
	31 Mar 14	31 Mar 15	31 Mar 16	31 Mar 17	31 Mar 18	31 Mar 19	31 Mar 20	31 Mar 21	31 Mar 22	31 Mar 23
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(In £'000)	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	LT Forecast	LT Forecast	LT Forecast	LT Forecast
Total fee income	25,141	26,303	28,310	31,449	33,373	34,509	30,967	28,415	30,565	32,243
Total other income	330	303	135	130	124	131	175	175	188	193
Total income	**25,471**	**26,606**	**28,444**	**31,578**	**33,497**	**34,640**	**31,142**	**28,590**	**30,753**	**32,436**
Payroll costs	(8,343)	(9,481)	(10,426)	(11,456)	(12,497)	(12,832)	(11,842)	(11,084)	(11,137)	(11,349)
Non-payroll costs	(14,813)	(16,002)	(16,449)	(17,882)	(19,894)	(19,933)	(18,483)	(16,329)	(16,827)	(16,855)
Total depreciation	(1,463)	(682)	(566)	(1,097)	(809)	(996)	(808)	(860)	(1,202)	(1,681)
PSA Levy	-	-	(589)	(859)	(912)	(975)	(760)	(794)	(829)	(867)
Total operating expenses	**(24,619)**	**(26,165)**	**(28,030)**	**(31,293)**	**(34,112)**	**(34,736)**	**(31,893)**	**(29,067)**	**(29,996)**	**(30,752)**
Retained surplus/(deficit)	852	441	414	285	(615)	(95)	(751)	(477)	757	1,684
Revaluation gain		104	486	261	-	-	-	-	-	-
Total movement on reser	**852**	**545**	**900**	**546**	**(615)**	**(95)**	**(751)**	**(477)**	**757**	**1,684**

Reserves summary

Reserves	**3,016**	**3,561**	**4,460**	**5,006**	**3,563**	**3,467**	**2,716**	**2,239**	**2,996**	**4,680**
Free reserves	**(1,730)**	**(1,644)**	**(1,994)**	**(1,937)**	**(3,651)**	**(5,591)**	**(6,907)**	**(8,031)**	**(7,614)**	**(5,828)**
Free reserves as months of operating costs	(0.8)	(0.7)	(0.8)	(0.7)	(1.3)	(2.2)	(2.9)	(3.3)	(3.1)	(2.4)

In the counterfactual case, the cost base in 2022-23 is £38.1m while in this case it is £30.8m so the transfer of social workers plus the additional measures reduce the cost base by £7.3m a year, or a fifth. As before, £3m is direct variable non-payroll costs, £2m is payroll costs primarily in regulatory functions enabled by the reduction in workload, and the remaining £2.3m represents real terms reductions in capacity and/or service per registrant. This scenario produces a surplus in years 4 and 5, as the effect of the fee increase comes through. Free reserves fall below the lower end of the policy range in years 3 and 4, but recover from year 5 onwards.

Option 3 - Invest

In this option, the aim is to target additional investment to improve the service standards of the HCPC specifically against the strategic priorities and corporate key performance indicators. This option would also allow us to play a greater role in developing professionalism and preventing fitness to practice concerns from arising. This responds directly to increasing recognition within the sector and in Government that more needs to be done to reduce the burden of fitness to practise and develop an approach that engages earlier.

Although total expenditure would reduce significantly (£4.7m reduction as compared to the counterfactual) the introduction of the targeted investments would require funding. We believe that for the HCPC to make a significant improvement against the PSA's Standards of Good Regulation, the strategic priorities and the corporate key performance indicators, and to invest in the prevention agenda a fee rise would be required of approximately £16 (18% increase) as well as the withdrawal of the graduate discount.

Assumptions

This scenario includes the following initiatives:	**The headcount changes are made in the following areas:**
• Headcount reduced by 19 net, approximately 7% of total (reduced by 51 for SW and increased by 32 for initiatives); • Graduate discount withdrawn; • Legal case preparation and presentation retendered; • In-house legal counsel created; • Subletting of one suite of offices at 33 Stannary Street; • Employee training per head reduced by 14%; • Commissioning research increased by 25%; • Creation of teams focused on employers, service users and data & intelligence; and • Projects would continue to deliver technology upgrade projects and business transformation projects in series with investment of approximately 7.1% against a smaller income (previous 5 year plan models a 9% assumption).	• Communications team reduced by 27%; • Education team reduced by 27%; • Employer liaison service (new); • FTP Assurance and Development team reduced by 20%; • FTP Case Preparation & Conclusion team reduced by 10% • FTP Case Reception & Triage team reduced by 5%; • FTP Investigations team reduced by 17%; • FTP Tribunal service reduced by 7%; • Home countries dedicated resource (new); • HR roles reduced by 6%; • IT teams maintained at current levels; • Stakeholder roles for prevention agenda (new); • Projects team maintained at current levels; • Quality assurance team reduced by 17%; • Registration team reduced by 17%; and • Workforce data and intelligence team (new).

Expected consequences and anticipated impact

It would be expected that HCPC would make sustained progress against the PSA's Standards of Good Regulation by enabling a step change in our approach to achieving these and the key performance indicators. The creation of a number of new specialised teams to support the prevention agenda and our ability to influence the policy agenda as well as an increased presence in the home countries would make significant progress in meeting the strategic priorities.

Area	Consequence	Anticipated impact
Fitness to Practise	• HCPC would make rapid progress in achieving those PSA Standards of Good Regulation that it currently does not meet and be expected to continue to achieve the PSA standards on a consistent basis, with there being a step change in our approach to achieving the standards in those areas benefitting from targeted investment. • Headcount would be reduced to reflect the loss of social worker cases, but the impact would be 'softened' to support the continued implementation of activities identified through the FTP improvement project. For example, establishing on a permanent basis an additional team in Case Reception and Triage and delivering the length of time benefits as outlined in the Case Progression Plan that was considered by Council in March 2018. • Continued investment in FTP is expected to ensure consistent improvements in performance against the KPIs and quality, evidenced by ongoing internal and external quality assurance activities. The softening of headcount reductions would support a reduction in caseloads which in turn would support the focus on both quality and length of time. It would also ensure the department has greater resilience to respond to increases in case load and changes in employee turnover. The resourcing of the Complex Case team would remain at current levels in response to points raised in the PSA's lessons learnt review of the NMC's handling of concerns about midwives' fitness to practise at the Furness General Hospital. • This option also anticipates savings from the retender of the FTP preparation and presentation contract. Tapering the reduction of headcount within the Case Preparation and Conclusion team will ensure the capacity to support the realisation of the benefits of the contract is maintained.	Maintain the trajectory of improving FTP performance against the PSA standards consistent with strategic priority 1, ensuring that standards are met as quickly as possible, and continue to be met in subsequent performance reviews. Consistent improvement against KPIs which enables a reduction in optimum case times. Ability to further develop the continuous improvement process in order to make improvements in anticipation rather than reaction to external audits. Reduced risk of FTP decisions being subject to challenged.

Registrations	• Peak workloads within the annual cycle would continue to be managed using overtime with the permanent headcount being maintained at a level which maintains current performance against KPIs. • The benefits of the registration transformation project are anticipated and further significant investment in processes is not envisaged for the duration of this five year plan. • The reduction in Registration Appeal coordinator headcount is maintained and will affect the ability to ensure adequate separation between those members of the Executive acting on behalf of the ETC as respondent to the appeal and those working with the appellant.	Continue to meet PSA standards and deliver strategic objective 1. Maintain performance against current KPIs. Risk of not being able to progress registration appeals in accordance with the provisions of A37 of the Order and associated Practice Note.
Education	• Headcount is reduced to reflect the number of programmes requiring approval post social worker transfer whilst maintaining current performance levels. • Some Education systems resource is retained to support the maintenance and development of the education case system and processes. • The reductions in headcount do not anticipate transformational change of the current approach to programme approval and monitoring.	Performance against current KPIs maintained. Maintain ability to provide data to support delivery of strategic priorities 2 and 4
Finance and resources	• Although the overall headcount of the HCPC would still reduce, the creation of new teams and the focus on sustained improvement would likely have a positive effect on culture and performance. • The training budget per capita is reduced marginally as compared to the counterfactual. The central learning and development function would continue to manage the function across HCPC at its anticipated capacity. • Project delivery capacity would be maintained at anticipated levels for 2018-19. The project management and IT capacity is maintain and allows the ‘overlapping’ of transformational programmes providing some level of parallelisation. Active prioritisation and tactical assignment of resources would still be required.	Maintained ability to support delivery of strategic priorities 1 and 3 Likely to maintain performance for Voluntary turnover KPI Ability to support the application of initiatives to address the gender pay gap

	• Funding to target the gender pay gap is provided for to support the outcome of anticipated reviews including additional resource to actively shape the recruitment process to improve the recruitment of women into senior roles. • The smaller headcount reductions enable an improved ability to respond to changes in volume and employee turnover, reducing the reliance on temporary resource and potential impact on service performance.	
Stakeholder engagement	Our capacity to support the prevention agenda would be enhanced. We could support initiatives that would potentially result in only appropriate and relevant referrals reaching us. For example, a dedicated team who could meet with professional associations and employers face-to-face or provide telephone advice resulting in a greater understanding of our regulatory processes, particularly fitness to practise; or a dedicated consumer reference group who would provide detailed feedback and advice on how we can better inform and educate the public. It would also support our ability to undertake partnership working with key stakeholders and to be closer to developments in the four countries.	Ability to further develop key deliverables in the stakeholder engagement plan and the Corporate Plan Ability to proactive respond to the Government's direction of travel on prevention
Policy development including data and research	• By increasing our investment in commissioned research and building our capacity to capture and analyse data from our regulatory functions we will be able to look at trends or identify patterns to inform strategies for the prevention of fitness to practise concerns.	Able to meet and exceed the key deliverables in the Corporate Plan
Quality Assurance	• This option provides for targeted quality assurance work across the three regulatory functions. It also allows for some business process improvement work including working towards ISO accreditation.	Improved ability to identify risk areas for improvement and/or the Standards of Good Regulation Improved ability to identify vulnerabilities in our processes would not be identified or corrected putting us at risk of non-compliance against legal or statutory requirements

Invest - Summary income and expenditure account

(In £'000)	01 Apr 13 31 Mar 14 2014 Actuals	01 Apr 14 31 Mar 15 2015 Actuals	01 Apr 15 31 Mar 16 2016 Actuals	01 Apr 16 31 Mar 17 2017 Actuals	01 Apr 17 31 Mar 18 2018 Actuals	01 Apr 18 31 Mar 19 2019 Budget	01 Apr 19 31 Mar 20 2020 LT Forecast	01 Apr 20 31 Mar 21 2021 LT Forecast	01 Apr 21 31 Mar 22 2022 LT Forecast	01 Apr 22 31 Mar 23 2023 LT Forecast
Total fee income	25,141	26,303	28,310	31,449	33,373	34,509	31,116	29,514	32,484	34,875
Total other income	330	303	135	130	124	131	175	175	188	193
Total income	**25,471**	**26,606**	**28,444**	**31,578**	**33,497**	**34,640**	**31,291**	**29,689**	**32,673**	**35,068**
Payroll costs	(8,343)	(9,481)	(10,426)	(11,456)	(12,497)	(12,832)	(12,224)	(11,914)	(11,984)	(12,212)
Non-payroll costs	(14,813)	(16,002)	(16,449)	(17,882)	(19,894)	(19,933)	(19,000)	(17,775)	(18,439)	(18,429)
Total depreciation	(1,463)	(682)	(566)	(1,097)	(809)	(996)	(808)	(860)	(1,264)	(1,859)
PSA Levy	-	-	(589)	(859)	(912)	(975)	(761)	(797)	(832)	(871)
Total operating expense	**(24,619)**	**(26,165)**	**(28,030)**	**(31,293)**	**(34,112)**	**(34,736)**	**(32,793)**	**(31,346)**	**(32,520)**	**(33,371)**
Retained surplus/(deficit)	852	441	414	285	(615)	(95)	(1,502)	(1,658)	153	1,697
Revaluation gain		104	486	261	-	-	-	-	-	-
Total movement on reser	**852**	**545**	**900**	**546**	**(615)**	**(95)**	**(1,502)**	**(1,658)**	**153**	**1,697**

Reserves summary

Reserves	**3,016**	**3,561**	**4,460**	**5,006**	**3,563**	**3,467**	**1,964**	**307**	**460**	**2,157**
Free reserves	**(1,730)**	**(1,644)**	**(1,994)**	**(1,937)**	**(3,651)**	**(5,591)**	**(8,002)**	**(10,659)**	**(11,145)**	**(9,537)**
Free reserves as months of operating costs	(0.8)	(0.7)	(0.8)	(0.7)	(1.3)	(2.1)	(3.1)	(4.1)	(4.2)	(3.6)

In the counterfactual case, the cost base in 2022-23 is £38.1m while in this case it is £33.4m. The net reduction of £4.7m includes savings from the transfer of social workers, retendering and in sourcing, plus about £0.8m a year invested in the prevention agenda. This scenario returns us to break even in year 4 and a surplus in year 5, as the effect of the fee increase comes through. Free reserves fall below the lower end of the policy range in years 2 onwards, but would recover from year 5 as the fee income comes through, and would likely be within policy at the end of year 6. The impact on free reserves could be moderated by postponing additional investment. However, there are sufficient cash reserves that would enable the HCPC to run a deficit for a short period of time.

Option 4 - Expand

In this option the aim is to enable a more agile organisation by increasing both the capacity and capability of the HCPC. This option includes all of the targeted investment as highlighted in option 3 ‘Invest’ but increases spend in capital projects as well as maintaining a larger headcount to provide the capability to react to unexpected change.

Although total expenditure would reduce (£3m reduction as compared to the counterfactual) the expansion in capacity would create a significant deficit. A fee rise would be required of approximately £24 (27% increase) as well as the withdrawal of the graduate discount.

Assumptions

This scenario includes the following initiatives:	The headcount change are made in the following areas:
• Headcount increased by 5 net, approximately 2% of total (reduced by 51 for SW and increased by 56 for initiatives); • Graduate discount withdrawn; • Legal case preparation and presentation retendered; • In-house legal counsel created; • 33 Stannary Street suites retained; • Employee training increased by 7%; • Commissioning research increased by 25%; • Creation of teams focused on employers, service users and data & intelligence; and • Technology upgrade projects as well as business transformation projects would be delivered with the ability to deliver more in parallel. Investment of approximately 8.0% against a smaller income (previous 5 year plan models a 9% assumption).	• Communications team maintained at current levels; • Education department maintained at current levels; • Employer liaison service (new); • Finance team additional resource for financial accounting; • FTP Assurance and Development team returned to current levels; • FTP Case Reception & Triage maintained at current levels; • FTP Investigations team reduced by 6%; • FTP Case Preparation & Conclusion team maintained at current levels; • FTP Tribunal service reduced by 4%; • Home countries dedicated resource (new); • HR team maintained at current levels; • IT Infrastructure team increased by 14% to match the increase in capital expenditure projects; • Stakeholder roles for prevention agenda (new); • Quality team maintained at current levels; • Registration team reduced by 16%; and • Workforce data and intelligence team (new).

Expected consequences and anticipated impact

As in option 3 ‘Invest’ it would be expected that HCPC would make sustained progress against the PSA’s Standards of Good Regulation by enabling a step change in our approach to achieving the standards. The creation of a number of new specialised teams to support the prevention agenda including influencing the policy agenda as well as an increased presence in the home countries would make significant progress in meeting the strategic priorities.

The additional headcount would enable the acceleration of dedicated resource for the home countries. It would allow further focus on quality such as by reducing individual case-loads. It would create an improved organisational agility through higher capacity and the increased investment in capital projects.

Area	Consequence	Anticipated impact
Fitness to Practise	• This option includes the investment made in option 3 to support and sustain performance against the PSA’s Standards of Good Regulation. • Headcount reductions would be further softened which would reduce individual caseloads. This would further support the focus on quality case management and decision making whilst at the same time improving the length of time taken to progress cases. • The current assurance and development resource would be maintained which would support the proactive development of the case management systems and processes as well as the production and analysis of FTP data in support of the prevention agenda. • There would be enhanced capacity within Case Reception and Triage to advise complainants and provide appropriate signposting. • Capacity would be maintained in Case Preparation and Conclusion to support the realisation of wider cost benefits that could be achieved through the retender of the FTP Preparation and Presentation contract.	Ability to exceed performance expectations and reduce optimum case times. Increased capacity to innovate and support the delivery of strategic priorities 2 and 4. Reduced risk of FTP decisions being subject to challenge
Registrations	• Peak workloads within the annual cycle would continue to be managed using overtime with the permanent headcount being maintained at a level which maintains current performance against KPIs.	Continue to meet PSA standards and deliver strategic objective 1.

	• The existing resource for managing registration appeals is maintained to support improved performance in this area. • The benefits of the registration transformation project are anticipated and further significant investment in processes is not envisaged for the duration of this five year plan.	Ensure compliance against statutory obligations for the conduct of registration appeals and reduce the risk of potential appeals.
Education	• The current headcount would be maintained which would provide capacity to review the education approval process and undertake transformational change. • Education systems resource would be maintained at current levels to support the maintenance, development and integration of systems and the proactive use of data to support other corporate priorities.	Ability to exceed KPIs. Ability to initiate and deliver transformational change which may bring future efficiency savings. Improved ability to support the delivery of strategic priorities.
Finance and resources	• In this option the headcount of the HCPC would increase as compared to the counterfactual, along with the creation of new teams and the focus on sustained improvement there would likely be a positive effect on culture and performance. • The training budget per capita is reduced slightly as compared to the counterfactual. The central learning and development function would continue to manage the function across HCPC at its anticipated capacity. • Project delivery investment would be increased as compared to option 3 ‘Invest’. The project management capacity is maintained and IT capacity is increased to allow the greater parallelisation of transformational programmes. • The increase in headcount enables an improved ability to respond to changes in volume and employee turnover, reducing the reliance on temporary resource and potential impact on service performance. • The Finance team increases capability to improve the support provided to the budget holders and project sponsors enabling improved financial analysis.	Meet strategic priority 3 maintain performance for Voluntary turnover KPI Ability to initiate and deliver transformational change. Positive effects on culture and moral Improved financial analysis to support business efficiency

Stakeholder engagement	• This option includes the investment made in option 3 and the delivery of the prevention agenda. However, it also builds more rapidly our capacity to undertake stakeholder engagement activities within Northern Ireland, Scotland and Wales. This would include dedicated resource to engage in partnership working, external relations activities and developing relationships with key stakeholders in each of these countries, for example parliamentarians and civil servants, professional associations and service user organisations.	Ability to further develop key deliverables in the stakeholder engagement plan and the Corporate Plan Ability to proactive respond to the Government's direction of travel on prevention
Policy development including data and research	• With additional capacity in our publishing and policy teams we will be able to support the influencing agenda by responding more quickly to external issues or consultations, having capacity to make our position on key regulatory policy issues clear and engaging with key stakeholders on these issues. • We would also be better equipped to share data and engage our stakeholders to further support the prevention agenda.	Enhanced reputation as an agile and responsive regulator Ability to influence the regulatory agenda enhanced

Expand - Summary income and expenditure account

	01 Apr 13	01 Apr 14	01 Apr 15	01 Apr 16	01 Apr 17	01 Apr 18	01 Apr 19	01 Apr 20	01 Apr 21	01 Apr 22
	31 Mar 14	31 Mar 15	31 Mar 16	31 Mar 17	31 Mar 18	31 Mar 19	31 Mar 20	31 Mar 21	31 Mar 22	31 Mar 23
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(In £'000)	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	LT Forecast	LT Forecast	LT Forecast	LT Forecast
Total fee income	25,141	26,303	28,310	31,449	33,373	34,509	31,264	30,613	34,404	37,507
Total other income	330	303	135	130	124	131	175	175	188	193
Total income	**25,471**	**26,606**	**28,444**	**31,578**	**33,497**	**34,640**	**31,439**	**30,788**	**34,593**	**37,700**
Payroll costs	(8,343)	(9,481)	(10,426)	(11,456)	(12,497)	(12,832)	(12,726)	(12,938)	(13,027)	(13,275)
Non-payroll costs	(14,813)	(16,002)	(16,449)	(17,882)	(19,894)	(19,933)	(19,306)	(18,283)	(18,857)	(18,801)
Total depreciation	(1,463)	(682)	(566)	(1,097)	(809)	(996)	(808)	(860)	(1,326)	(2,037)
PSA Levy	-	-	(589)	(859)	(912)	(975)	(763)	(801)	(837)	(875)
Total operating expenses	**(24,619)**	**(26,165)**	**(28,030)**	**(31,293)**	**(34,112)**	**(34,736)**	**(33,604)**	**(32,883)**	**(34,048)**	**(34,988)**
Retained surplus/(deficit)	852	441	414	285	(615)	(95)	(2,165)	(2,095)	545	2,712
Revaluation gain		104	486	261	-	-	-	-	-	-
Total movement on reser	**852**	**545**	**900**	**546**	**(615)**	**(95)**	**(2,165)**	**(2,095)**	**545**	**2,712**

Reserves summary

Reserves	**3,016**	**3,561**	**4,460**	**5,006**	**3,563**	**3,467**	**1,302**	**(793)**	**(248)**	**2,464**
Free reserves	**(1,730)**	**(1,644)**	**(1,994)**	**(1,937)**	**(3,651)**	**(5,591)**	**(9,007)**	**(12,454)**	**(12,847)**	**(10,416)**
Free reserves as months of operating costs	(0.8)	(0.7)	(0.8)	(0.7)	(1.3)	(2.0)	(3.4)	(4.6)	(4.7)	(3.8)

In this case, the net reduction in the cost base compared to the counterfactual is £3.1m. Capacity released by the transfer of social workers is reapplied to achieve improvements in performance for the remaining 15 professions, and investment in transformation projects is increased. As in Scenario 3 “Invest”, about £0.8m a year is invested in the prevention agenda. This scenario returns us to break even in year 4 and a significant surplus in year 5, as the effect of the fee increase comes through. Free reserves fall below the lower end of the policy range in years 2 onwards, but would recover strongly from year 5, and would be within policy at the end of year 6

Section 3: Appendices

Appendix 1: Counterfactual

If HCPC were to continue to regulate social workers throughout the period of the Plan, and our fee structure remained unchanged, the registrant numbers forecast generates forecast income growth of 2.9% a year, and income rising to £38m by 2022-23. We could expect an aggregate net surplus of around £1.2m for the five years 2018-19 to 2022/23, as organic growth in registrant numbers broadly matches price inflation in our cost base. The value of free reserves is maintained within our policy range.

Summary income and expenditure account

	01 Apr 13	01 Apr 14	01 Apr 15	01 Apr 16	01 Apr 17	01 Apr 18	01 Apr 19	01 Apr 20	01 Apr 21	01 Apr 22
	31 Mar 14	31 Mar 15	31 Mar 16	31 Mar 17	31 Mar 18	31 Mar 19	31 Mar 20	31 Mar 21	31 Mar 22	31 Mar 23
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(In £'000)	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	LT Forecast	LT Forecast	LT Forecast	LT Forecast
Total fee income	25,141	26,303	28,310	31,449	33,373	34,509	35,419	36,399	37,337	38,229
Total other income	330	303	135	130	124	131	175	175	188	193
Total income	**25,471**	**26,606**	**28,444**	**31,578**	**33,497**	**34,640**	**35,594**	**36,574**	**37,525**	**38,422**
Payroll costs	(8,343)	(9,481)	(10,426)	(11,456)	(12,497)	(12,832)	(12,807)	(13,050)	(13,298)	(13,551)
Non-payroll costs	(14,813)	(16,002)	(16,449)	(17,882)	(19,894)	(19,933)	(21,167)	(20,964)	(21,311)	(21,560)
Total depreciation	(1,463)	(682)	(566)	(1,097)	(809)	(996)	(808)	(860)	(1,264)	(1,859)
PSA Levy	-	-	(589)	(859)	(912)	(975)	(1,022)	(1,068)	(1,115)	(1,161)
Total operating expense	**(24,619)**	**(26,165)**	**(28,030)**	**(31,293)**	**(34,112)**	**(34,736)**	**(35,804)**	**(35,943)**	**(36,988)**	**(38,132)**
Retained surplus/(deficit)	852	441	414	285	(615)	(95)	(210)	631	537	290
Revaluation gain		104	486	261	-	-	-	-	-	-
Total movement on reser	**852**	**545**	**900**	**546**	**(615)**	**(95)**	**(210)**	**631**	**537**	**290**

Reserves summary

Reserves	**3,016**	**3,561**	**4,460**	**5,006**	**3,563**	**3,467**	**3,257**	**3,889**	**4,425**	**4,716**
Free reserves	**(1,730)**	**(1,644)**	**(1,994)**	**(1,937)**	**(3,651)**	**(5,591)**	**(6,709)**	**(7,077)**	**(7,179)**	**(6,978)**
Free reserves as months of operating costs	(0.8)	(0.7)	(0.8)	(0.7)	(1.3)	(1.9)	(2.3)	(2.4)	(2.4)	(2.3)

Appendix 2: Key assumptions

1. The transfer date to Social Work England (SWE) is 1 October 2019.

2. No additional services will be performed by HCPC after the transfer date including the conclusion of open FTP cases.

3. Any increase to the renewal fee would also be applied at the same level of increase to the other HCPC fees.

4. Inflation rates are flat as follows:

   - Payroll 1.9%
   - Non-payroll 2.5%

   The Bank of England's latest inflation report[1] forecasts that inflation will remain above 2% until 2020 and that pay will rise faster than prices in 2018 and projected to continue past 2020. https://www.bankofengland.co.uk/inflation-report/2018/may-2018

5. There is no new income from the potential regulation of Physician Associates (PAs). This is because of the current low numbers of PAs and because any decision by Government to regulate the medical associate professions including Physician Associates will not be made in a time that would materially affect the financial standing of the HCPC.

6. The potential impacts following any reduction of regulators included in the Department of Health and Social Care consultation 'Promoting professionalism reforming regulation' have not been included. This is because Government has not yet made any commitment following the consultation and the timescales for any consolidation would be unlikely to materially affect the decision of Council.

7. The income generated from the lease of office space to the General Chiropractic Council within 186 Kennington Park Road continues from July 2018.

8. There are no efficiency savings accounted in the Plan from a possible introduction of the disposal of FTP cases by undertakings. This is because there has been no commitment by Government to support the section 60 order to amend the HCPC legislation.

9. There is no new income from the possible charging of Education services. However, an outline business impact has been included within the appendices for reference.

10. The removal of the graduate discount has been included in each option except for the counterfactual and option 1 ‘Reduce’. This would account for approximately £1.2m of additional income post social workers transfer. It is assumed that a free period would continue to exist for new graduates joining the register up to six months before the renewal date.

11. A grant agreement has been signed with the Department for Education where direct costs incurred in the support of the transfer of social workers to SWE will be reimbursed up to a cap of £2.4m. We have not included either the extra costs of the transfer project or the grant income in the Plan.

12. The Plan is based on the updated Registrant number forecast, which is also to be presented to the July 2018 Council meeting.

13. The workbook contains the registrant numbers model, the income model and the Fitness to Practice (FTP) model as separable modules which can be worked on independently and then reintegrated into the Plan workbook. This integration means that, for example, the impact of changes in the registrant numbers can be seen on both income as well as FTP and Registration department costs. This means that the whole of HCPC financial planning can be based on consistent inputs and assumptions.

14. The Plan is prepared using a Microsoft Excel workbook. This was originally built to the FAST[2] standard but has not subsequently been revalidated although the principles have been carried forward to subsequent iterations.

15. Grant Thornton has reviewed the overall coherence of the Plan model as part of their 2018-19 internal audit programme. Their conclusion was that the model is fit for purpose. This provides assurance that the model is appropriate for undertaking analysis for medium term financial planning. They have also given a degree of assurance on the assumptions made within the Plan. A copy of the report is included in the appendices.

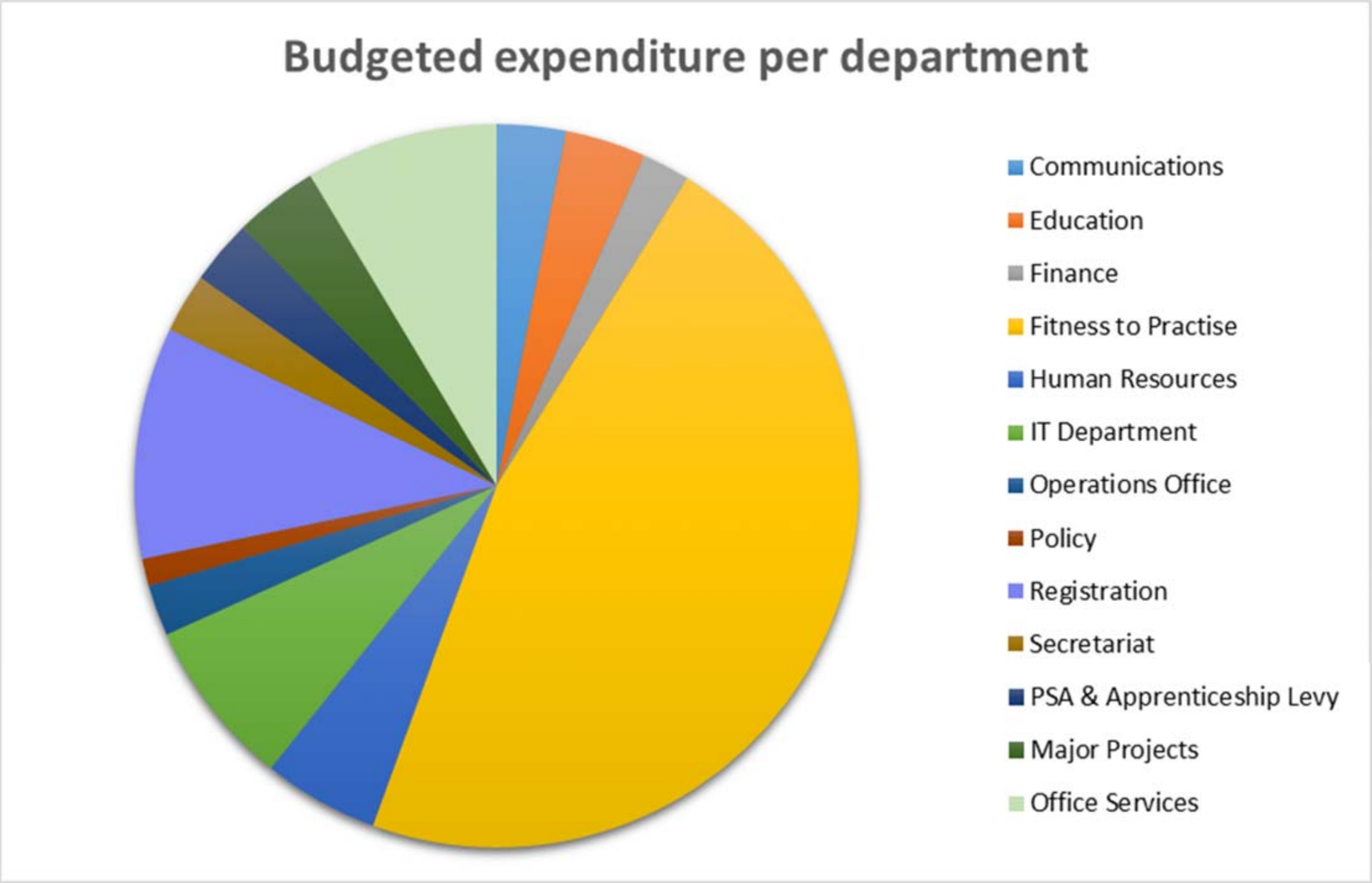
16. A case for the relocation of the HCPC to an alternative location to take advantage of lower property prices and costs of employment has not been modelled because the benefits would be unlikely to be realised in the short to medium term.

17. Direct costs have been removed including:
    - Panel members’ fees and expenses, transcription and printing costs and external case preparation and presentation.
    - Partner fees associated with the approval of education programmes.
    - Registration printing, postage costs as well as CPD assessor fees.

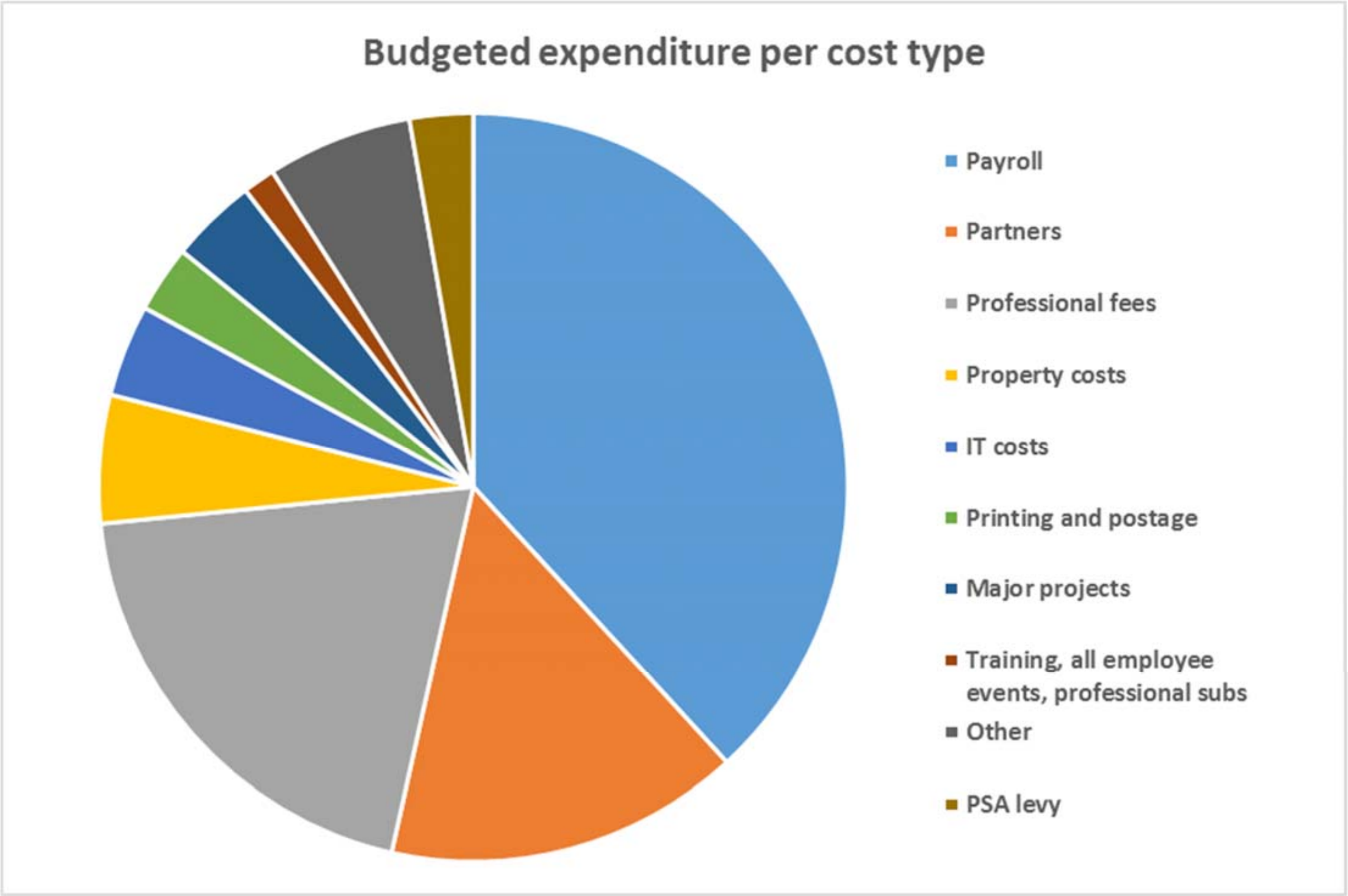
[2] Flexible, Appropriate, Structured and Transparent. For more information on the FAST standard see http://www.fast-standard.org/the-fast-standard/

Appendix 3: Breakdown of costs by function and department

The graph below shows the budgeted costs for 2018-19 split by department.



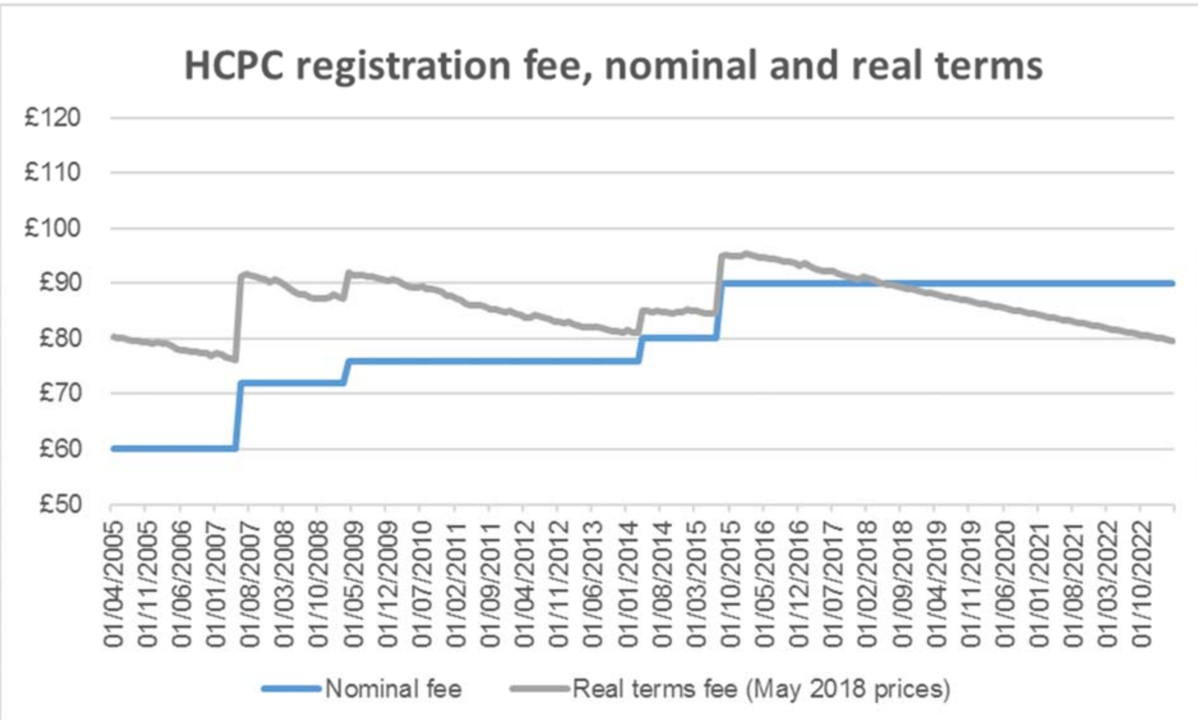
The graph below shows the budgeted costs for 2018-19 split by cost centre.



Appendix 4: Registration fee in real terms

The charts below show the HCPC registration fee from 1 April 2005 to 31 March 2023 in nominal terms (the blue line) and in real terms (the grey line). The conversion to real terms uses the Consumer Price Index (CPIH) data from May 2018, and re-expresses fees in May 2018 prices. From May 2018, CPIH is assumed to continue at 2.5%.

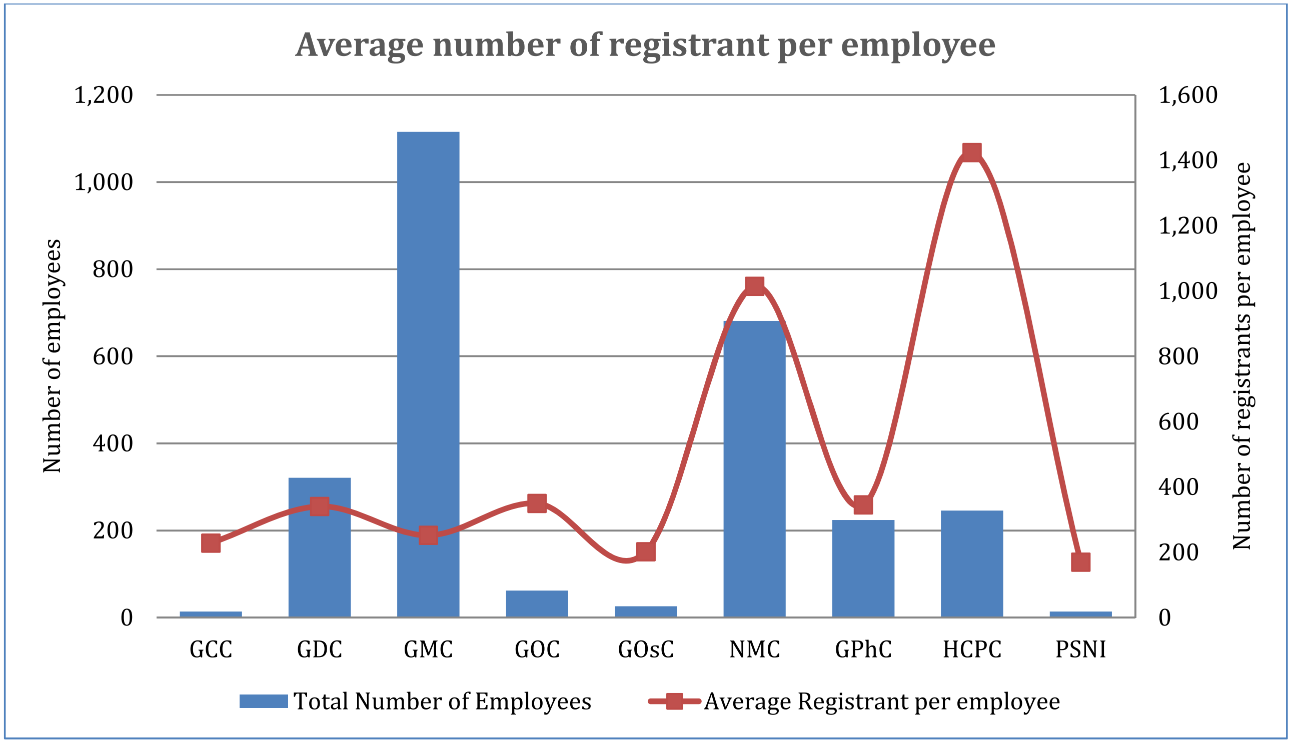
In real terms/today's prices, the registration fee has been mostly in the range £80 to £90 throughout the period since April 2005. If there is no further fee increase and CPIH continues at 2.5%, it will drop back to £80 in today's prices by March 2023.



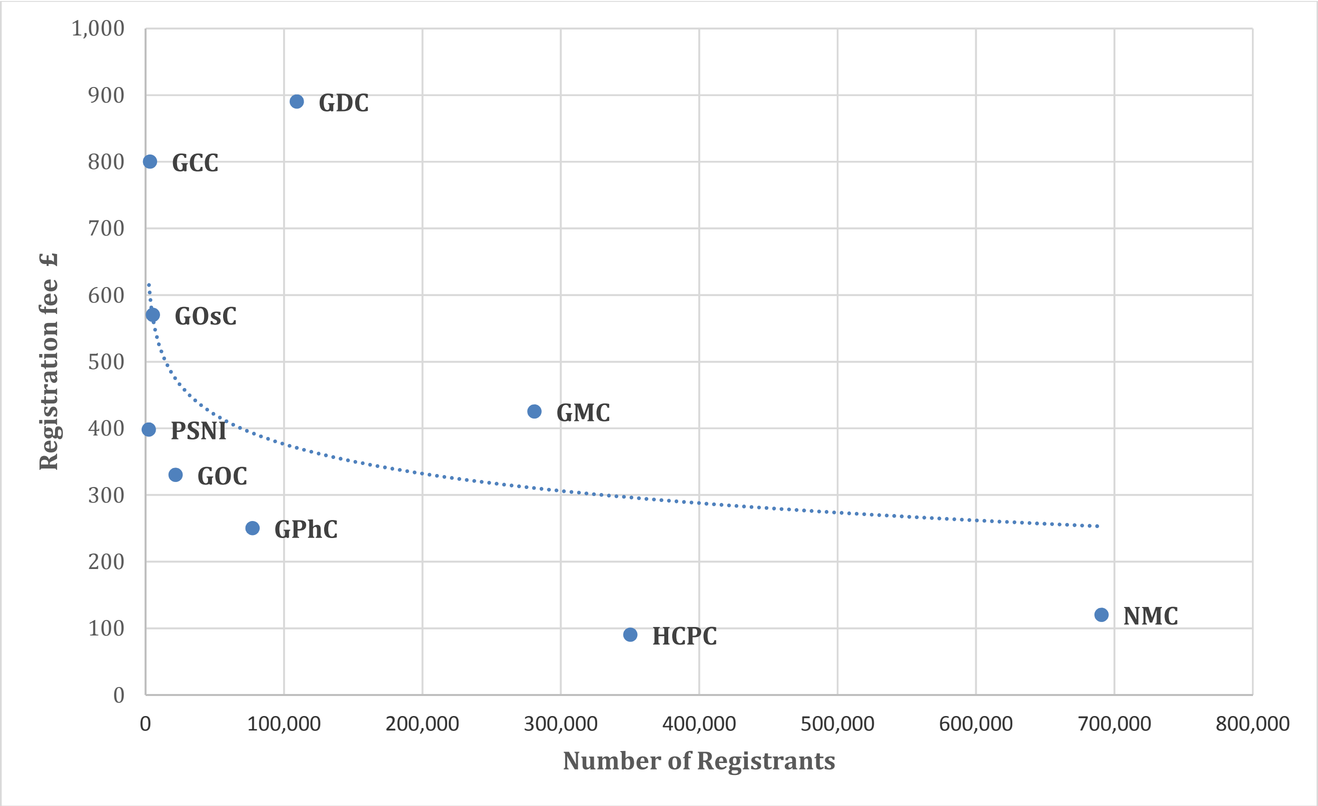
Appendix 5: Comparison of regulators by number of employees and size of the register

The chart below shows the average number of registrants per employees for the 9 UK health and care regulators overseen by the PSA.

Total number of registrant per regulator has been obtained from the PSA's Review of Professional Registration and Regulation 2016/17, and the number of employees is taken from the 2016-17 annual report for each regulator.



Appendix 6: Comparison of regulators by registration fee and size of the register



Notes

- This table does not include the following (where such fee types exist).
  - Discounts on fees.
  - Fees for 'non-practising' registrants or student registers

- Registrant numbers are from the PSA's Review of Professional Registration and Regulation 2016/17.

Appendix 7: Comparison of consequences by option

The table provides a high level comparison of each of the options for cost saving and targeted investment.

Initiatives		REDUCE	DEFER	INVEST	EXPAND
Stop research		X			
Reduce training per capita (50%)		X			
Projects (upgrade only)		X			
Reduce research (25%)			X		
Reduce training per capita (28%)			X		
Projects (serialised)			X		
Maintain research				X	
Reduce training per capita (14%)				X	
Projects (overlapping)				X	
Employer liaison service (prevention)				X	X
Home country resource				X	X
Workforce data and intelligence unit (prevention)				X	X
Influencing the agenda (prevention)				X	X
Consumer reference group (prevention)				X	X
Address the gender pay gap				X	X
Additional FTP case team				X	X
Increase research (25%)				X	X
Increase training budgets per capita (7%)					X
Projects (parallel)					X
Education(transformational change)					X
Higher headcount (Agility)					X

Appendix 8: Grant Thornton audit report – Five year model – Review of social worker removal and fee scenario analysis