

**Health Professions Council  
Education and Training Committee Meeting – 28<sup>th</sup> September 2006**

**FEE CHANGE OUTCOME - PUBLIC PAPER**

**Executive Summary and Recommendations**

**1. Introduction**

This paper proposes a general fee change to take effect from early July 2007, after considering the fees consultation response and after obtaining Privy Council approval of the rise proposed. The Central Case proposal was recommended by the Finance and Resources Committee following its meeting on 18<sup>th</sup> Sept 2006, subject to increasing the Renewal Fee to £70 per annum and reducing volume estimates in Years 3-5 on the assumption of a drop off in recruitment demand from UK health employers by that time.

**2. Decision**

- **That one of the following two Fee change outcomes be recommended to Council to take effect from July 2007. The Executive recommend adopting the Central Case.**

Note that the fee change **outcome** is the result of an even higher fee rise **proposal** going out for consultation (proposed fee level to be determined when the consultation letter is written), due consideration being given to the consultation results and assumes that the final rise is set at the figures in one of the two scenarios below. An example of the recent NMC fee rise proposal is attached, to give some idea of the type of consultation information likely to be sent out to interested parties during the consultation process.

Ideally, it would be good to propose a fee change, then get the results of the consultation and then get Committee approval on the result. However, the Executive feel it is vital to get the Committee's approval in advance of consulting with stakeholders on such a significant change. Furthermore, the Executive believe it extremely valuable for the Committee to review the Five Year Plan beforehand, to show the impact on income and the financial surplus/deficit line from the fee change **outcome**.

The Renewal fee change would only take effect for each regulated profession after 1<sup>st</sup> July *on the date of the next renewal for that profession*. The first professions to renew would be the Orthoptists and Paramedics in September 2007. By 1<sup>st</sup> February a further five professions (Clinical Scientists, Speech & Language Therapists, Prothetists/Orthotists, **Occupational Therapists** and **Biomedical Scientists**) would have renewed and the remaining six (**Physiotherapists**, Operating Dept Practitioners, Arts Therapists, Chiropodists/Podiatrists, Dieticians and **Radiographers** after that. The four providing HPC with the greatest level of income are highlighted in bold type. For the other fee types, the change would start for chargeable services provided from 1<sup>st</sup> July 2007.

The subsequent fee changes proposed (2009/2010 and 2011/12) would be timed to take effect from July of those years and would be consulted on with stakeholders closer to the time.

### Scenario One (Central Case fee outcome)

| Unit Fees                            | 2007/08 Yr | 2008/09 Yr | 2009/10 Yr | 2010/2011 Yr | 2011/2012 Yr |
|--------------------------------------|------------|------------|------------|--------------|--------------|
| Full Yr Registration (Graduates)     | £100       | £100       | £200       | £200         | £200         |
| Full Yr Registration (Non Graduates) | £280       | £280       | £310       | £310         | £340         |
| Readmission Fee                      | £110       | £110       | £120       | £120         | £130         |
| Renewal Fee                          | £70        | £70        | £78        | £78          | £90          |
| International Scrutiny Fee           | £400       | £400       | £440       | £440         | £480         |
| Grand parenting Scrutiny Fee         | £400       | £400       | £440       | £440         | £480         |

| Five Yr Plan extract     | 2007/08 Yr  | 2008/09 Yr   | 2009/10 Yr  | 2010/2011 Yr | 2011/2012 Yr  |
|--------------------------|-------------|--------------|-------------|--------------|---------------|
| Surplus/(Deficit) £000's | <b>£224</b> | <b>(£46)</b> | <b>£612</b> | <b>£156</b>  | <b>£3,567</b> |

### Scenario Two (Alternative Fee Rise – 10% volume drop with a compensating fee rise)

| Unit Fees                            | 2007/08 Yr | 2008/09 Yr | 2009/10 Yr | 2010/2011 Yr | 2011/2012 Yr |
|--------------------------------------|------------|------------|------------|--------------|--------------|
| Full Yr Registration (Graduates)     | £140       | £140       | £220       | £220         | £240         |
| Full Yr Registration (Non Graduates) | £280       | £280       | £350       | £350         | £390         |
| Readmission Fee                      | £110       | £110       | £132       | £132         | £145         |
| Renewal Fee                          | £70        | £70        | £90        | £90          | £100         |
| International Scrutiny Fee           | £420       | £420       | £450       | £450         | £480         |
| Grand parenting Scrutiny Fee         | £420       | £420       | £450       | £450         | £480         |

| Five Yr Plan extract     | 2007/08 Yr  | 2008/09 Yr    | 2009/10 Yr  | 2010/2011 Yr | 2011/2012 Yr  |
|--------------------------|-------------|---------------|-------------|--------------|---------------|
| Surplus/(Deficit) £000's | <b>£493</b> | <b>(£294)</b> | <b>£258</b> | <b>£547</b>  | <b>£4,700</b> |

### 3. Background information

The two fee change scenarios shown in our latest Five Year plan (“Central Case” and “Alternative Fee Rise”) model the price change scenarios highlighted above.

They also model the trends in our key business drivers over the next five years, including; likely net Registrant volumes by profession, Fitness to Practice costs, Computer costs, Partner costs, Employee levels and costs by department and associated Occupancy costs.

#### 3.1 Fee change history

Date  
2006-07-05

Ver.  
a

Dept/Crme  
FIN

Doc Type  
PPR

Title  
General Fee Change Paper

Status  
Draft  
DD: None

Int. Aud.  
Public  
RD: None

HPC's existing fees have remained unchanged since July 2003.

### 3.2 The linkage between fees and costs

HPC Income comprises the unit fee multiplied by the volume of activity. Operating cost comprises the unit cost multiplied by the volume of activity. We therefore need to set the fees at a level sufficient to cover all of our long-run costs i.e. including covering costs not necessarily incurred every year, and fee-setting at a level that will also fund the growing indirect and overhead costs of the organisation.

The new HPC Fees General Policies, approved by Council at their 11th May 2006 meeting requires us to minimise any significant and deliberate cross-subsidisation of costs to perform one kind of service by the fees charged for another kind of service. H.M. Treasury guidelines also reinforce this policy. In order to adhere to the Fees General Policy, HPC needs at least a broad understanding of how the costs we incur relate to the services we are permitted to charge Registrants for.

Because HPC alters its fees very infrequently, we do not regularly analyse our costs in a way that attributes them to the prescribed set of chargeable services. Our monthly reporting on costs highlights them only by expense type (salaries, telephones, utilities, legal, printing and stationery etc) and by department. It does not group them by business process, by process step, by activity type or by chargeable service per se. Furthermore, no analysis is done of "direct", "indirect" or "overhead" costs for the purpose of doing cost allocations to chargeable services.

The value to us of quickly developing a cost model is that it enables us to identify fully-absorbed unit costs for each type of chargeable service. These can then form a reference point for relative price-setting for the chargeable services. However, we believe that fitness for purpose applies, i.e. the level of costing accuracy arguably needs to be higher if the purpose is to identify significant costs *for business process engineering (BPR) purposes*, rather than for fee-setting. To elaborate, fee-setting is forward-looking and reliant on cost estimates that generally become more difficult to estimate the further into the future one projects. In other words, developing a perfect cost model based on past/present costs won't necessarily guarantee accuracy on future cost behaviour. Furthermore, in fee-setting, other factors are also considered e.g. HPC fees relative to other regulator fees in our sector, consultation feedback, the ability for UK Graduates to pay certain fees (contentious) and the timing of any proposed fee rise also have a significant bearing on what level the fees should be set at.

Lastly, in creating any cost model, there are some practical considerations including; does reliable volume data exist on which to do the allocations, does getting that information take priority over other projects in progress, how quickly is the cost model needed and how much can we afford to spend on developing a cost model i.e. what level of accuracy is reasonable, given the purpose?

### 3.3 Costing study

In proposing a fee change, the Executive decided to develop a cost model highlighting how HPC costs over the long run (three years<sup>1</sup>), link to the chargeable services under the HPC (Registration and Fees) Rules Order of Council 2003, No1572, sections 14-17 inclusive. The reason why costs were analysed over at least a three period was to include “lumpy” costs such as Council elections, Partner conferences etc that don’t occur every year. The study was limited to three years in order to ensure current costs are highlighted for our present scale of operation, not those of a smaller, start-up entity.

PKF Management Consultants were commissioned to quickly perform a costing exercise on HPC’s costs, identifying and assigning them to the chargeable services. A presentation of the results of this costing study was made to the Committee at the 28<sup>th</sup> July 2006 meeting and further work on the model requested by the Committee. The combined cost of PKF developing and presenting their results was £31k VAT inclusive.

In PKF’s report, they also usefully highlighted “Key findings of this work” and “Recommendations going forward”, as well as outlining current Product Costing guidance in the Public Sector (H.M. Treasury Fees and Charges guidelines).

### 3.4 Other Regulators Costing Systems

We recently contacted the other health regulators to identify what kind of cost models they have, what they used them for and how often they updated the information. GMC responded saying they (just) have spreadsheets for their annual budget, current year forecasts and Five Year Plan. NMC responded saying they did not operate a formal cost model, but updated their current year forecasts on a monthly basis. They also update their Five Year Plan every quarter. General Optical Council responded saying they do not have a costing model as such. No responses have yet been received from the other Regulators.

### 3.5 Fee change timetable

The attached timetable shows our understanding of the broad sequence of events to implement a fee change. Further details on the fee-drafting steps are still being finalised at the time of writing. We will endeavour to run project steps in parallel in order to shorten the time to completion. Owing to the tight remaining timetable for implementation, this will be a challenging project to implement, therefore support and agreement from the Finance & Resources Committee (now approved), Education and Training Committee and Council is needed in quick succession.

For whatever reason, if we delayed the recommended fee rise (Central Case) from 1<sup>st</sup> July 2007 to 1<sup>st</sup> December 2007 say, the permanent loss of income would be at least £490k. If we delayed the proposed fee rise (Scenario One) from 1<sup>st</sup> July 2007 to 1<sup>st</sup> February 2008 say, the permanent loss of income would be at least £600k.

### 3.6 Sector Survey results on Fee levels

We did some research into fees currently changed by the other UK Health Regulators in our sector – see attached appendix. The results show that it is difficult to directly compare our fees with the other regulators as they have different combinations of bundling i.e. one fee is

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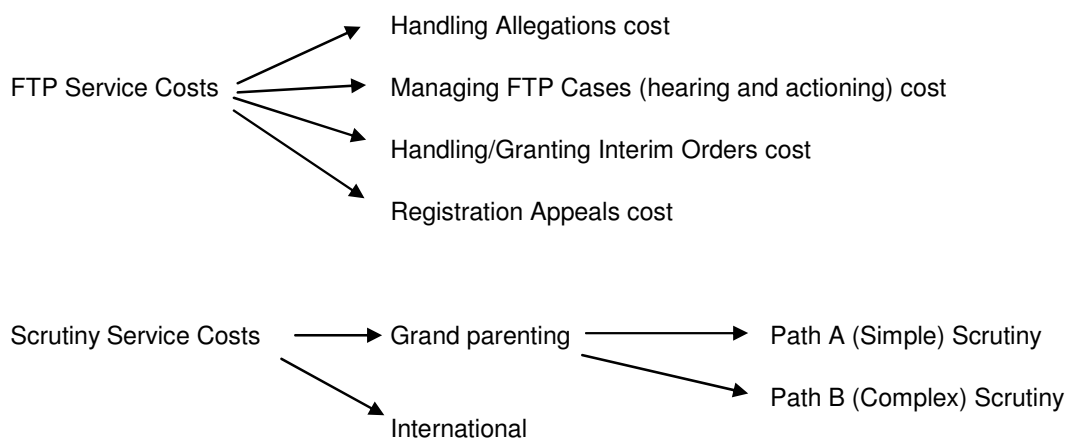
<sup>1</sup> Actual costs in the years 2004/05, 2005/06 and Budget costs for 2006/07, normalising all of the financial balances at July 2007, using Retail Price Indices over the period. .

charged to cover a number of services, while some have variable Renewal fees, depending on the practising/non practising status or type of health professional.

For Regulators with large numbers of existing Registrants e.g. GMC with 236,000 at March 2006 and NMC with 680,000 at March 2006, the current Renewal fee is £290 and £43 respectively. NMC recently announced in their fee consultation document, a proposal to raise their Renewal fee to £80 in 2007.

### 3.7 The scope of chargeable services

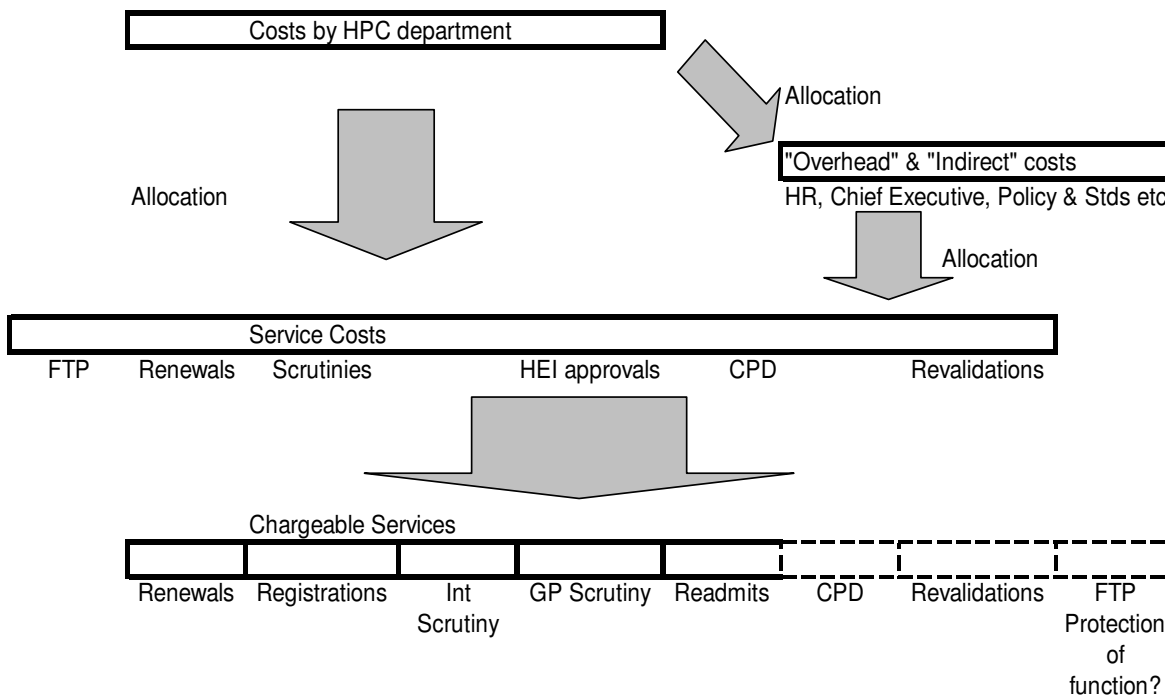
At present under our legislation, we are permitted to charge for five types of service. Going forward, if the Committee deems it desirable, we could develop a more accurate and flexible cost model with the following high level framework. In such a model, Service costs would be able to be broken down further into their components. Using FTP costs and Scrutiny costs as illustrative examples,



Furthermore, Chargeable Services could potentially be split by Customer segment as well as by chargeable service. Examples of customer segments might be; New UK Graduate, Other UK and International.

This would enable us to better understand in more detail (by activity or process) the various Service costs for Business Process Reengineering purposes (scrutinise Service Costs to identify improvements) or fee-setting purposes.

Once costs are better understood, the Committee might decide to recommend to Council that HPC lobby the Privy Council to widen the range of chargeable services, based on evidence from the model of the costs of those services and the desire to move away from the growing cross-subsidies of services performed, but not able to be charged for. Examples include; CPD in future, Revalidations potentially in future and some Fitness to Practise services, if we move to provide protection by function.



#### 4. Resource implications

Significant, as require close teamwork from at least six HPC departments; Finance, Registrations, IT, the Secretariat, Communications and Policy & Standards. It also requires the likely use of four external suppliers; BDB for drafting legislation changes, Digital Steps for LISA changes, Print UK to print out copies of the final result (notification) and consultation paper, and Newchurch to analyse consultation responses.

#### 5. Financial implications

- See the latest Five Year Plan.
- A cost in the 2006/07 year to analyse consultation responses analysed and summarised by an external agency such as Newchurch = up to £25k depending on the volume of responses.
- A cost in the 2006/07 year for the Parliamentary Agent (Jonathan Bracken at BDB) to update the proposed Fees Order legislation going to the Privy Council for review. Legal advice and drafting cost estimated at approx £5k.
- A significant cost incurred in the 2006/07 year to send out Consultation letters to all interested parties. Assuming a consultation letter is mailed to each existing Registrant with a unit cost of £0.50 (postage, envelope and employing a contractor to stuff the letter into the envelope) to dispatch, this cost is at least £85,000<sup>2</sup>.

<sup>2</sup> Note that for further correspondence to be mailed to Registrants on a range of things, it is desirable for cost reasons to perform this by email and have all Registrants provide HPC with a "hotmail" type account for time and cost-effective bulk-mailing. A hotmail account remains valid, regardless of changes of Registrant's physical address (home or Employer).

- A further £85,000 cost in the 2007/08 year to notify all Registrants of the agreed fee rise. This includes getting Registrants with DD arrangements to notify their bank to change the amounts. We would also use this opportunity to get the Registrants' bank statement notation (and on BACS documents) changed from CPSM to HPC.
- A cost incurred in the 2007/08 Year to have Digital Steps Ltd (DSL) make alterations to the LISA system to handle fee changes proposed. DSL have provided a high level cost estimate of at least £30k for this, including setting up a price table that HPC can maintain ourselves for any future fee changes beyond July 2007.
- A cost to print copies of the final notification and the consultation document itself. Based on the CDP consultation printing cost (ignoring envelopes and postage) this is approx 5p per individual pack i.e. approx £18k for both notification and consultation, half in each budget year.

## 6. Background papers

Nil

## 7. Appendices

- Fee Change Timetable
- Fees General Policies (on cross-subsidisation)
- Sector Survey – Fees
- NMC Fee Consultation document

## 8. Date of paper

18<sup>th</sup> September 2006

## Proposed Fee Change Timetable

| Project steps                    |   | Further steps  |
|----------------------------------|---|--|
| Consultation this financial year |   |  |
| 2                                | Finance & Resources Committee 5 Yr Plan and fees approval on 18th Sept and to Education and Training Committee on 28th Sept |  |
| 0                                |   |  |
| 0                                |   |  |
| 6                                | Fees proposal and Consultation approach agreed by Council at 4th October meeting Prepare & send out consultation mailing    |  |
|                                  | Consult   | Analyse responses  |
|                                  | Consult   |  |
|                                  | Consult   |  |
|                                  | Decisions document agreed by Council on 29th March. Council makes recommendation to Privy Council                           | Analyse final responses  |
|                                  | Privy Council   | LISA price change  |
|                                  | Privy Council   | LISA price change  |
|                                  | Privy Council   | Prepare mailing and notify all registrants of the fee changes. At the same time notify Registrants who pay by DD that they need to change their DD arrangements with their banks. Get the banks to also change the "CPSM" notation to "HPC" in the DD description field on the Registrants' bank statements. |
|                                  | <b>Fees rise implemented</b>  |  |
|                                  |   |  |
|                                  | Orthoptist and Paramedic Renewals   |  |



## FEES GENERAL POLICIES

Approved by the Finance and Resources Committee on 27<sup>th</sup> April 2006 and Council on 11<sup>th</sup> May 2006

- That HPC should aim to achieve a principle of “Registrant pays” (user pays) in the fees charged to Registrants (avoid significant and deliberate cross-subsidisation).
- That fee rises be made on a regular basis i.e. every two or three years, or more often in high inflationary periods.
- That fees be set at a level to maintain the agreed Reserves policy and ensure the financial viability of HPC as an independent organisation.

### 1. Background information

1.1 The Health Professions Council (Registration and Fees) Rules Order of Council 2003 No 1572, sections 14-17 inclusive, allow for four possible fees to be charged by HPC to Registrants for services provided. These are; a fee for Registrations of £60 (£120 relating to the two year renewal cycle) where graduates get a 50% discount in the two years of registration, a Renewal and Re-admission fee of £120 (relates to the two year renewal cycle), a Restoration fee<sup>1</sup> of £120 (relates to the two year renewal cycle), and a Scrutiny fee of £200 per application scrutinised. In summary, this means there are effectively two levels of fee charged; one for scrutiny of £200 per application and the other of £60 per annum for other types of chargeable services.

1.2 The processes and Registrant-servicing levels for each regulated health profession are similar, even if they have other differences. For example, in the frequency and types of Fitness to Practise allegations/hearings or the profession-specific part of the Standards of Proficiency. To elaborate further on the differences, the cost of Scrutiny of International applications and grand-parenting is likely to be different from the cost of processing Registrations, Renewals/Readmissions and Restorations because a separate, more complex process is followed. This more complex process involves case-by-case in-depth assessments that are time-consuming. For the other chargeable services, although some case-by-case handling is involved, this is in the form of a far less time-consuming administrative check on the details.

Regarding the similarities, the Registration system (LISA) maintains and provides similar types of information about Registrants regardless of profession. All professions regulated follow a similar process for Registration, a similar process for Renewal and Readmission, a similar process for /Restoration and a similar process for International Scrutiny. The Grand-parenting scrutiny process is also similar, albeit that it only (now) applies to new professions that come on the Register. For all professions, Renewal fees apply over the same length of cycle (two years). HPC also operates a Partner arrangement and currently has Council and Committee governance in a similar way across all the professions.

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<sup>1</sup> Restorations relate to Registrants struck off or suspended, returning to the HPC Register. Restorations are very rare and reported in the Re-admissions income in the financial statements.

1.3 Until and unless HPC becomes in a position (under the Rule Order of Council for fees charging) to *consider* charging directly for services such as Fitness to Practise hearings or Standards of Proficiency setting, then where such costs differ significantly by profession, some cross subsidisation (one profession’s fees partially covering another profession’s costs) will be inevitable. However, for the types of fees allowable in the Rules Order of Council on fees, in the interests of fairness, the proposal is that HPC should aim to achieve a general principle of “Registrant pays” in the fees charged to Registrants, to avoid significant and deliberate cross-subsidisation. It is proposed that “beneficiary pays” in this context means that the fee charged (in compliance with the Rules Order of Council on fees), will be adjusted to fully cover the long run<sup>2</sup> direct costs of providing that service (by one or more departments and external suppliers including HMRC<sup>3</sup>) and preferably contribute something to covering the long run “infrastructure support” or “head office” costs, being those not readily assignable to the fee services published in the Rules Order of Council on fees.

1.4 It is desirable that Registrant fees be raised by small increments on a regular basis (every two or three years say), rather than by large increments on an infrequent basis (every five years say), for several reasons.

Firstly, Registrants will find budgeting for small increases on a regular basis easier to accommodate (absorb the cost of, or pass it on in their charge-out rate).

Secondly, it reduces the “inter-generational” subsidy between Registrants. To elaborate, if a large fee increase is agreed at a specific point in time, the last profession renewing at the old rate will have up to a 15 month delay before having to pay the significantly higher new rate and in the meantime be subsidized by other professions renewing in the interim.

Thirdly, for health professions interested in potentially joining the Register, they will no doubt want to “fast-track” their agreed application process once they hear about a significant fee rise and in any case, may be put off by the prospect of a large fee rise from approaching HPC as their potential health regulator in the first place!

Fourthly, even with the best intentions and efforts, it is difficult to identify the fairest fee to be charged at any point in time. This is because the net rate of growth across all professions and the timing of new professions joining the register is uncertain. Meanwhile, cost changes across a wide range of suppliers and internal costs are regularly occurring (price and/or volume). Furthermore, external factors such as changes in legislation can also cause additional, unbudgeted or under-budgeted compliance costs.

To compensate for the inherent difficulty of identifying and quickly implementing “fair” fees, it is desirable that regular and small fee changes be implemented.

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<sup>2</sup> Long-run costs for the purposes of this paper can be read as the unit costs that are direct costs of providing a specific service. If some spending is lumpy across several years (to purchase capacity increments), then the average over the life of the capacity effectively represents the long-run period.

<sup>3</sup> Her Majesties Revenue and Customs, formerly Inland Revenue Dept.

It is worth noting that within our sector, RPSGB and Pharmaceutical. Society of Northern Ireland raise their Registrant fees on an annual basis. NMC operate a three year renewal cycle, but reserve the right to raise fees every two or three years.

- 1.5 Changing fee levels does not have an immediate financial impact, since the different health professions that HPC regulate, operate on different anniversary renewal cycles. In raising fees we need to retain the flexibility to review future fee levels as circumstances change, including coping with changes in legislation or industry changes. HPC continues to seek economies of scale and other operating efficiencies. However, ultimately we need to maintain a prudent level of reserves (to smooth out cash-flow fluctuations and handle financial “shocks” in the very short term) to ensure the financial viability of HPC as an independent organisation, in order to meet our stated objectives.

## Sector Survey - Scrutiny Fees

|   | <u>2006 Yr</u> | <u>Notes</u>   |
|---|----------------|--|
| <b>Health Professions Council (HPC)</b>               | <b>200</b>     | <b>For International &amp; Grandparenting</b>  |
| Nurses & Midwifery Council (NMC)                      | 173            | Includes £140 for scrutiny and £33 for first joining the register                              |
| General Optical Council                               | 100            | No plans to change the Int Fee amt in the near future  |
| General Medical Council (GMC)                         | n/a            | Included in Registration fee   |
| General Dental Council (GDC)                          | n/a            | Don't charge scrutiny fees   |
| General Osteopathic Council                           | n/a            | Don't charge scrutiny fees   |
| General Chiropractic Council (GCC)                    | n/a            | Don't charge scrutiny fees   |
| Royal Pharmaceutical Society of Great Britain (RPSGB) | 595            | If the Committee resolves to interview an applicant a further interview fee of £595 is payable |
| Pharmaceutical Society of Northern Ireland            | n/a            | Don't charge scrutiny fees   |

## Sector Survey - Restoration/Readmission Fee

|   | <u>2006 Yr</u> | <u>Notes</u>  |
|---|----------------|---|
| <b>Health Professions Council (HPC)</b>               | <b>60</b>      |   |
| Nurses & Midwifery Council (NMC)                      | n/a            | See Renewal fee                                     |
| General Optical Council                               | 239            | Optometrists, Dispensing Opticians & Body Corporate |
| General Medical Council (GMC)                         | 290            |   |
| General Dental Council (GDC)                          | 100<br>10      | Dentists<br>Hygenists/Therapists (DCP's)            |
| General Osteopathic Council                           | n/a            |   |
| General Chiropractic Council (GCC)                    | n/a            |   |
| Royal Pharmaceutical Society of Great Britain (RPSGB) | n/a            |   |
| Pharmaceutical Society of Northern Ireland            | n/a            |   |

## Sector Survey - Renewal Fees

|   | <u>2006 Yr</u> | <u>Notes</u>   | <u>2007 Yr</u>     |
|---|----------------|--|--------------------|
| <b>Health Professions Council (HPC)</b>               | <b>60</b>      | <b>per yr</b>  |                    |
| Nurses & Midwifery Council (NMC)                      | 43             | per yr. Covers Registration Applications & Readmissions also | 80 per yr proposed |
| General Optical Council                               | 169            | per yr, Opticians, Dispensing Opticians & Body Corporates    |                    |
| General Medical Council (GMC)                         | 290            | per yr   |                    |
| General Dental Council (GDC)                          | 409            | Dentists per yr  |                    |
|   | 68             | Hygenists/Therapists (DCP's) per yr                          |                    |
| General Osteopathic Council                           | 750            | per yr   |                    |
| General Chiropractic Council (GCC)                    | 1000           | Practising   |                    |
|   | 100            | Non Practising   |                    |
| Royal Pharmaceutical Society of Great Britain (RPSGB) | 267            | Practising   |                    |
|   | 60             | Non Practising, UK resident                                  |                    |
|   | 106            | Non Practising, non UK resident                              |                    |
|   | 150            | Premises   |                    |
|   | 88             | Technician, practising                                       |                    |
|   | 67             | Technician, non practising                                   |                    |
| Pharmaceutical Society of Northern Ireland            | ?              |  |                    |

## Sector Survey - Initial Registration Fee

|   | <u>2006 Yr</u> | <u>Notes</u>  |
|---|----------------|---|
| <b>Health Professions Council (HPC)</b>               | <b>30</b>      | <b>Graduates</b>  |
|   | <b>60</b>      | <b>Non Graduates</b>                                      |
| Nurses & Midwifery Council (NMC)                      | n/a            | See Renewal fee   |
| General Optical Council                               | 20             | Student optometrists & dispensing opticians               |
|   | 169            | Optometrists, Dispensing Opticians & Body Corporates      |
| General Medical Council (GMC)                         | 290            | Limited registration up to 12mths, including scrutiny fee |
|   | 435            | Limited registration up to 18mths, including scrutiny fee |
|   | 290            | Limited to full registration, including scrutiny fee      |
| General Dental Council (GDC)                          | 408            | Dentists  |
|   | 10             | Hygenists/Therapists (DCP's)                              |
| General Osteopathic Council                           | 375            | New Grad fee  |
|   | 500            | 2nd yr New Grad fee                                       |
|   | 750            | 3rd yr New Grad fee                                       |
| General Chiropractic Council (GCC)                    | 1250           | Practising  |
|   | 100            | Non practising  |
| Royal Pharmaceutical Society of Great Britain (RPSGB) | 129            | New Member  |
|   | 474            | Premises  |
| Pharmaceutical Society of Northern Ireland            | ?              |   |

# Consultation on the annual registration fee

## 1 About the NMC

The Nursing and Midwifery Council (NMC), is the UK regulator for nurses and midwives. Our primary purpose is to protect the public. We are required by the Nursing and Midwifery Order 2001<sup>1</sup> (the Order), to keep a register of all nurses and midwives eligible to work in the UK and to set standards for education, training and conduct for those on the register (collectively known as 'registrants'). We also deal with allegations of impairment of fitness to practise on the grounds of misconduct, lack of competence or ill health. Currently there are more than 682,000 nurses, midwives and specialist community public health nurses on the register.

The way the NMC is organised is different from its predecessor bodies. The Council is made up of registrant members and non-practitioner members of the public – known as lay members.<sup>2</sup> This balance of registrant and lay members ensures that the NMC's activities are fully scrutinised and reviewed in partnership with the public - because protecting the public is our core function.

This consultation document sets out the reasons behind the NMC's proposal to increase the registration fee from the current £43 to £80 from August 2007.

## 2 Self-regulation

The UK has a long tradition of professional self-regulation. Nurses and midwives were amongst the first to recognise the importance of registration, standards, training, education, and a code of conduct as tools for ensuring safe practice and increasing the professionalism of nursing and midwifery.

Registration with the NMC is, in effect, a licence to practise and is compulsory for anyone wishing to work in the UK as a nurse or midwife. Registration provides patients, employers and the public with proof that a person is fully qualified, trained, competent to work, and is someone worthy of public trust and confidence.

Self-regulation means that nurses and midwives retain control of the standards for nursing and midwifery. Through the NMC, registrants establish entry standards for those seeking to practise as a nurse or midwife, and the standards of conduct, performance, training and education required to practise safely throughout their career. The Council is responsible for handling allegations of impairment of fitness to practise against registrants.

Choosing a career in nursing or midwifery means accepting the responsibilities of self-regulation and the role and requirements of the statutory regulator – the NMC.

In common with doctors, dental hygienists, solicitors, opticians, architects and other professionals, nurses and midwives pay for their self-regulation with an annual registration fee.

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<sup>1</sup> *The Nursing and Midwifery Order 2001* (Crown copyright 2002)

<sup>2</sup> The governing Council has 35 members: 12 registrant members, 12 alternate registrant members and 11 lay members. Only the 12 registrant members and 11 lay members are allowed to vote/

### 3 About this consultation

Before the NMC makes any rules (including those implementing a fee rise), sets any standards or gives any guidance, we are legally obliged to consult with registrants' representatives, employers, and any other relevant groups and organisations.

Over the past four years, the NMC has implemented efficiency measures, cut operating costs and absorbed rising business costs. We've worked hard to meet our legal responsibilities within the confines of the tough financial recovery plan that was put in place to manage the difficult financial position we inherited from the previous regulator. However, whilst the registration fee has remained unchanged since 2004, the cost of delivering our statutory functions continues to rise.

This consultation paper sets out the reasons why the NMC is proposing an increase in the registration fee in August 2007.

### 4 Understanding the role of the NMC

We know that some registrants are unclear about the NMC's role, what professional self-regulation is, and why they pay an annual registration fee. There is also some confusion about the NMC and the role of other organisations, such as the Royal College of Nursing (RCN), the Royal College of Midwives (RCM), the Community Practitioners' and Health Visitors' Association (CPHVA) and UNISON.

We need to be clearer and more proactive in tackling this confusion and we need to explain to nurses and midwives what we can and cannot do. The most frequent comments and questions we have received from registrants during the last four years are addressed below.

#### *"The NMC does not represent me"*

Some of our feedback indicates that a small number of registrants believe that our role is to represent their interests by campaigning for better pay and conditions, and defending them in disputes with the government, employers and patients. The NMC was not set up to do any of these things.

Under the Nursing and Midwifery Order 2001, the NMC's prime responsibility is to protect the public by:

- Setting consistent standards for entry onto the register.
- Setting and monitoring the standards, guidance, education and training for maintenance of registration.
- Investigating and dealing with allegations of impaired fitness to practise.
- Establishing and monitoring standards for the local supervising authorities for midwives and the statutory supervision of midwives.

Our role is to ensure that only the right people get onto the register, that nurses and midwives understand what they need to do to remain safely on the register throughout their careers, and that we deal fairly and effectively with those facing allegations and complaints. We also support nurses and midwives who are being pressured to act against their professional code.

We work in partnership with nursing and midwifery organisations, employers, government, educators, patients and the public to develop the policies and activities that we need to deliver our core functions.



***“I pay fees to a professional body or trades union. Why do I have to pay the NMC too?”***

Professional organisations represent and campaign on behalf of registrants both as individuals and as groups. Registrants can choose whether or not to join these bodies and pay their fees. Registration with the NMC is a licence to practise as a nurse or midwife. It is key to a practitioner’s professional independence – giving them the right and responsibility to practise as they see fit, within the code of conduct and the standards set by their peers.

***“I make sure I practise safely. Why should I pay for registrants who get into trouble with the NMC?”***

It is highly reassuring to know that the vast majority of registrants practising in the UK will never come into contact with our fitness to practise procedures. However, each year we receive approx 1,400 complaints (and rising), about the conduct of a registrant or their fitness to practise due to ill health.

Our fitness to practise work is based on legal processes which ensure that action is taken against registrants who jeopardise public safety. This work protects the reputation of the nursing and midwifery professions.

Panels of registrants and lay people consider the allegations and, if there is a case to answer, refer the matters to a full hearing. There are a number of sanctions available to a panel at the conclusion of a hearing, ranging from a caution (which will appear on the register), to a conditions of practice order or a suspension order, through to striking the registrant’s name off the register. 106 registrants were struck off the register in 2004/5 – preventing them from working with patients and the public – whilst 41 were cautioned.

As with anyone facing an allegation, registrants have the right to fair and equal treatment and the right to a fair hearing. Dealing with allegations is a careful and structured process that costs a lot of money.

Those registrants who serve as panellists for fitness to practise cases, regard this work as one of the most important functions of professional self-regulation.

***“The registration fee is already too high – why should I pay more?”***

In addition to fitness to practise cases, the registration fee pays for maintaining the 682,000 strong register. Each year, this involves processing 280,000 applications for registration, renewal and readmission to the register, together with numerous updates to personal details, such as change of address.

The fees also pay for:

- Research, development and implementation of new standards and guidance.
- Monitoring and evaluating the quality of education and training for the professions.
- Monitoring the impact of EU and national legislation on nursing and midwifery practice.
- Running the call centre and Professional Advisory Service.

Many registrants are probably unaware that they may be entitled to claim tax relief on their registration fees – not just for the current tax year but also for up to six years in arrears. This benefit, which remains unclaimed by the vast majority of registrants, can help to bring down the cost of the registration fee. See section 11 of this document for further information.

## 5 What we have achieved since the last fee increase

The majority of registrants, their patients, and employers experience real benefits from the work of the NMC on a daily basis without realising it. Just one of these benefits is *The NMC code of professional conduct: standards for conduct, performance and ethics*<sup>3</sup> (the Code), which protects registrants as well as the public. The Code sets the framework for safe and effective practice and helps inform the professional judgements and decisions taken by nurses and midwives every day.

However, when questioning the need for a fee increase, registrants have told us that they want more information about what we have delivered since the last fee increase and how we will spend the income from this proposed increase.

### Achievements behind the scenes

A substantial proportion of the money from the last fee increase was spent on introducing the essential systems and processes that are needed for us to operate effectively and efficiently.

#### **A new call centre**

When the NMC started in 2002, only 5 per cent of telephone calls were answered, and long queues of registrants were a common sight at the NMC building. The new 28-strong call centre, with specially trained customer-focused staff and targets for call handling, completely banished queues at the NMC. The call centre typically handles 50,000 calls each month. The majority of calls are answered in less than 30 seconds.

#### **Annual payments and direct debits**

During the last fee consultation in 2004, registrants told us that they wanted a variety of options for payment of their registration fee. In addition to credit card and other methods, registrants wanted to see Direct Debit options. Annual payment of fees was introduced in January 2006 and an annual Direct Debit payment facility will be introduced in early 2007.

#### **Operations and governance**

We focused on systems and processes to strengthen our financial management and procurement activities, and our annual accounts are published and open for public scrutiny. Mechanisms to ensure proper accountability for the work and decisions of all NMC committees were introduced. We also made good progress in involving patients and the public in developing standards and guidance and in hearing their views on the work of the NMC.

#### **Implementation of new fitness to practise procedures**

The introduction of new fitness to practise rules in August 2004, required the NMC to operate two sets of legal procedures side by side. Transitional provisions required us to hear the new cases under the new rules, whilst existing cases continued to be heard under the old rules.

#### **The new register**

As a result of the legal requirement to streamline the old 15-part register, we set up a new, three-part register for nurses, midwives and specialist community public health nurses. This was a technically challenging project for us. Over the course of one weekend, the details of more than 644,000 registrants were successfully migrated onto the new register, with minimal disruption to registrants and employers. For the first time the professional register was made publicly accessible on our website.

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<sup>3</sup> *The NMC code of professional conduct: standards for conduct, performance and ethics* ([www.nmc-uk.org](http://www.nmc-uk.org))

## **Achievements for public protection**

The NMC's focus on public protection has resulted in a number of major new policies since 2002.

### **Overseas nurses programme**

The overseas nurses programme (ONP) introduced a more rigorous approach and common entry standards (such as an English language test for all applicants), to prepare overseas-trained nurses for work in the UK.

### **Advanced nurse practitioners**

The Council approved a new sub-part of the nurses' part of the register for senior nurses working at a higher level of expertise and practice. The new advanced nurse practitioner standard will clearly set out for registrants, employers and the public, the NMC's requirements for a practitioner using this title.

### **Professional Advisory Service (PAS)**

PAS handles calls from registrants seeking advice and guidance on a wide range of practice and ethical issues. The online *A-Z of Advice* received over 47,000 hits in the month following its April 2006 launch. PAS also helps to identify emerging practice issues, which often contribute to the development of new standards and guidance. Visit the *A-Z of Advice* on the NMC website at [www.nmc-uk.org](http://www.nmc-uk.org)

### **Midwifery**

The Midwifery team developed the first ever UK-wide standards for the supervision of midwives, reviewed the policy and process for overseas midwives applying for registration, and is about to introduce standards for the preparation and practice of supervisors of midwives. The team also produced guidance on a range of issues – from medicines legislation to home births – to help women make safe choices during and after pregnancy.

### **Strengthening entry to the register**

The NMC took action to strengthen the entry standards for those coming onto the register for the first time. We worked with patients' groups, educators and the nursing and midwifery sector to look at ways of strengthening the competence of newly qualified nurses and midwives. We also reviewed our processes for quality assuring training and education for student nurses. This work will not only increase public protection but will also protect nurses and midwives by ensuring that they are better prepared for the work environment.

### **European and International Regulation**

The European Union (EU) has introduced a raft of new legislation aimed at promoting free movement of workers across the EU member states. The NMC joined forces with other UK healthcare regulators to alert the EU to the regulatory and public protection implications of this legislation. This joint work also involved developing procedures for sharing fitness to practise information about suspect practitioners, and recognition of qualifications throughout the EU. A new health directive announced in the spring of 2006 will mean an increase in this area of work.

## 6 The need for a fee increase

During the last fee consultation in 2004, we listened to the views of registrants and increased the fee by the lower option of £43 instead of £48. The fee has not changed since then. This is in marked contrast to some professional bodies that increase their fees every year.

The current fee level is not realistic if the NMC is to carry out its statutory duties effectively. Although we have achieved many important milestones since the last fee increase, the ongoing shortfall in financial resources has meant that a number of essential pieces of work have been limited or have been put on hold. These include:

- Utilising computer technology to enhance internet security, and enable new services for registrants, such as renewing registration or changing an address online.
- Providing targeted online training, education, advice and guidance services for registrants, such as the new online *A-Z of Advice*.
- Improving public information about what to expect from a registrant.
- Developing a new system for revalidation and continuing professional development.
- Making it easier for registrants to budget their fee payments.
- Providing more opportunities for engagement with registrants across the UK.

### **Fitness to practise**

The new fitness to practise rules, which came into effect in August 2004, have had a significant impact on our workload. This legislation increased the range of sanctions available to the NMC and, in effect, lowered the threshold for referral of cases to a full hearing. This has resulted in a considerable increase in the number of cases being referred, and an unacceptable backlog in the hearings.

The NMC has worked hard to drive down costs and to manage cases more efficiently – without compromising the judicial procedures. But even with these improvements, cases can cost approximately £6,000 per day. We will continue to face difficulties unless we can secure additional funding for this vital statutory function.

### **External influences**

The NMC is responsible for the largest register of healthcare professionals in the world. We operate in a fast-changing environment that is affected by developments in national healthcare policy, European and global workforce movements, changing demands in public expectations and the impact of major healthcare incidents and emergencies.

We do not, and cannot, operate in isolation from these events as they can have an impact on the regulation of nurses and midwives at any time. The unpredictable nature of these events makes it extremely difficult to estimate the costs and resources that may be needed to manage any new responsibilities that might emerge.

Two landmark reviews<sup>4</sup> of the regulation of healthcare professionals – both of which came about as a result of the activities of Shipman – were published in mid-July. The reviews recommended changes to the regulation of doctors – including losing the power of adjudication in fitness to practise hearings. The recommendations could be extended to other healthcare regulators (including the NMC) in the future and additional resources would be needed to implement any changes. We will analyse the reviews over the summer and consult the professional organisations and other stakeholders on what the recommendations will mean for the NMC.

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<sup>4</sup> *The regulation of the non-medical healthcare professions* - July 2006 ([www.dh.gov.uk/publications](http://www.dh.gov.uk/publications))  
*Good doctors, safer patients* - July 2006 ([www.dh.gov.uk/cmo](http://www.dh.gov.uk/cmo))

## 7 Guiding principles

Following the last fee consultation, the following guiding principles were agreed:

1. The cost of providing professional self-regulation must be covered by income generated from the registration fee.
2. Fees charged should be used to improve information, advice and guidance for registrants and the public.
3. Fees charged should be enough to allow us to continue with our ongoing financial recovery plan to establish and maintain good financial health.
4. Fees charged should be enough to cover future growth in regulatory activity and provide a contingency for managing the impact of future unexpected external events.

## 8 The consultation proposals

Under the Nursing and Midwifery Order 2001, the Council is required to consult with registrants and other relevant parties before varying any of the fees related to registration.

### **The fee proposal**

At its June meeting, the Council agreed that the NMC should seek a fee increase that would enable it to carry out its statutory functions effectively and efficiently, and which would provide adequate funds for the organisation to plan against future uncertainties.

Council accepted that many registrants would be dismayed by a steep increase in the registration fee but felt that the organisation's ability to carry out its statutory functions effectively would be severely compromised by a smaller increase. Following a lengthy and difficult discussion, Council agreed that we should consult registrants on a proposal to increase the registration fee to £80 per year.

### **An option for more frequent payments**

We are introducing an annual Direct Debit payment option early in 2007. However we know that many registrants want greater control over budgeting for the fee and want to make more frequent payments. The Council is prepared to offer registrants the option of paying their fees by monthly Direct Debit. However, this option will only be available after a single payment of a full year's fee in advance, followed by monthly payments thereafter.

Look at [www.nmc-uk.org](http://www.nmc-uk.org) to see in detail how the proposed fee has been calculated and how the proposed fee compares with registration fees paid by other healthcare professionals.

## 9 The consultation process

This consultation paper has been sent to all registrants. It has also been sent to a number of organisations including professional bodies and trades unions, consumer groups and government health departments, and is available on the NMC website.

## 10 How to respond to the consultation

If you would like to take part in this consultation a questionnaire is available on our website [www.nmc-uk.org](http://www.nmc-uk.org). There are clear instructions about how to complete and submit it. We would encourage you to do this online because it will help save us – and you – money. We will not have to pay for the following: printing, stationery, postage, and staff time. Online completion of the questionnaire also means that collecting your response is more accurate because we won't have to retype it or decipher handwriting. Overall, a web-based survey will be more efficient for us than a paper-based survey. Recent experience shows that an increasing majority of responses to consultations have been made by email or via the web.

However, we recognise that not everyone will have easy access to the web so a single paper copy of the questionnaire can be obtained by telephoning 020 7333 6514/6524 or by writing to us at Fees Questionnaire, NMC, 23 Portland Place, London W1B 1PZ.

Paper copies should be returned to NMC Consultation, SEA 1044, Freepost, PO Box 2106, Hove, BN3 5ZB and not the NMC.

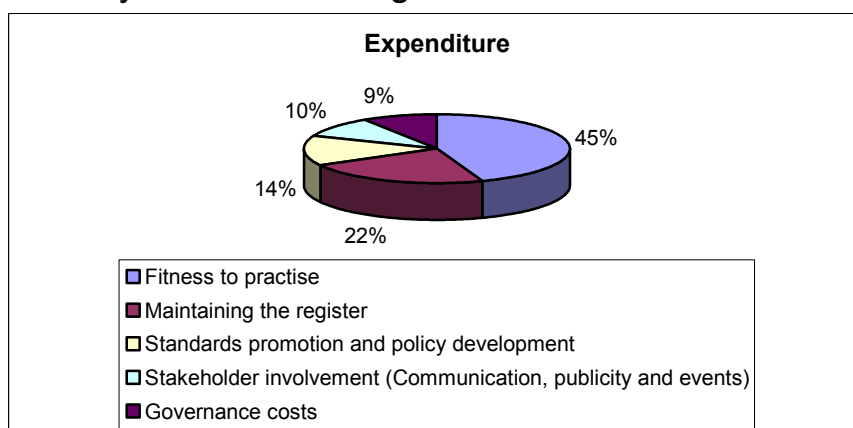
The closing date for receipt of responses to this consultation is:  
**5pm Friday 17 November 2006.**

Employment Research Ltd will carry out independent analysis and reporting for this consultation.

## 11 How to claim tax relief on your registration fee

For more information about how you can claim tax relief on your registration fee, visit the website of HM Revenue Collection at [www.hmrc.gov.uk](http://www.hmrc.gov.uk). Click on '*Individuals*' then '*contact my local office*', or ask your employer's payroll department for details of your local office. We can provide a summary of the fees that you have paid in the last six years. Just telephone our call centre on 020 7333 9333 and ask for a letter confirming your payments.

## Where your current fee goes



## How the additional funds will be used

Analysis of the proposed fee:

|  |              |
|--|--------------|
| <b>Current fee (see pie chart)</b>   | <b>43.00</b> |
| <i>Breakdown of how we will use the additional funds</i>   |              |
| Targeted funds to clear the fitness to practise backlog  | 6.00         |
| Compliance with Charity Commission financial best practice   | 10.00        |
| Estimated impact of changes to regulation following outcome of reviews linked to Shipman                               | 5.50         |
| Development activity on quality assurance of training and education and modernising fitness for practice               | 3.40         |
| Upkeep and maintenance of NMC HQ building  | 1.60         |
| Regulatory work projects (eg: revalidation; information and advice; fitness for practice at the point of registration) | 5.50         |
| Introduction of higher English language test requirement for overseas trained nurses and midwives                      | 1.00         |
| Payment of annual fee in advance by Direct Debit   | 4.00         |
| <b>Proposed fee</b>  | <b>80.00</b> |

## Survey of registration fees and salaries

| Regulator name                             | Retention fee (£) | Agenda for Change band | Starting salary | % of salary |
|--|-------------------|------------------------|-----------------|-------------|
| Health Professions Council                 | 60                | 5                      | 19166           | 0.3%        |
| General Dental Council (dental hygienists) | 68                |                        |                 |             |
| Nursing and Midwifery Council              | 80 (proposed)     | 5                      | 19166           | 0.4%        |
| General Optical Council                    | 169               | 6                      | 22886           | 0.7%        |
| Royal Pharmaceutical Society               | 267               | 6                      | 22866           | 1.2%        |
| General Medical Council                    | 290               |                        | 20741           | 1.4%        |
| General Dental Council (dentists)          | 409               |                        | 32041           | 1.3%        |

**The consultation paper will be available online.**

**The questionnaire can be completed online and submitted direct to Employment Research Ltd who will be collecting the data and doing the analysis.**