

Agenda Item 12

Enclosure 9

**Health and Care Professions Council
20 September 2017**

Annual report – Key Financial information

For discussion and approval

**From Andy Gillies, Director of Finance and
Jacqueline Ladds, Director of
Communications**

Council, 20 September 2017

Annual report – key financial information

Executive summary and recommendations

Introduction

As noted at the May Council meeting, the Executive have prepared a summary of the annual report for electronic publication on the HCPC website.

Decision

Council is asked to approve the summary annual report for publication.

Background information

The summary is extracted from the full annual report and accounts for 2016-17 which was approved by Council in July and has been laid in the Westminster and Scottish parliaments. The NAO reviewed the draft and were content that it did not require to be audited by them. Footnote 1 on page 3 was added in agreement with the NAO in response to their review. The draft has also been reviewed by Jonathan Bracken.

As discussed at the May Council meeting, the purpose of this document is to present HCPC's finances in a more accessible and visual manner than the full annual report and accounts. The document uses the visual style first used in the latest Education Annual Report.

The annual report and accounts has previously been produced to fulfil accountability, compliance and governance purposes, from a primarily financial perspective. It has normally only included discussion of operational performance and plans to the extent that they have an impact on our finances. However, we are considering widening the scope of the annual report and accounts for 2017-18 or 2018-19 onwards to include a broader discussion of our performance more in the style of a corporate annual report. It still needs to include the accountability, compliance and governance elements, although we are looking at how we can make the document more accessible and visual.

Resource implications

None

Financial implications

Design fees for 2016-17 summary £1,104.

Appendices

Draft Annual report – key financial information

Date of paper

8 September 2017

2016–17

Annual report – Key financial information

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Introduction

Welcome to the summary of key financial information from the Health and Care Professions Council's Annual Report and Accounts. This summary covers the 2016–17 financial year and trends over the preceding years, and includes the operating statistics that are most relevant as drivers of our income and expenditure.

The performance of the HCPC in our education and training and fitness to practise functions is set out in detail in separate reports which are published annually and are available on our website.

Information in this document is an extract from the HCPC's full Annual Report and Accounts for 2016–17, on which the auditor's opinion was unqualified.¹ For more detail and a full understanding of the HCPC's finances and governance, please see the full Annual Report and Accounts.

¹ This document is not a strategic report with supplementary material in terms of section 426 of the Companies Act 2006 or paragraph 5.1.9 of the HM Treasury Financial Reporting Manual. This document has not been audited.

Introduction

About us

Our over-arching objective is the protection of the public. To fulfil that objective, we set standards for the education and training, professional skills, conduct, performance and ethics required to practise in the professions we regulate; we keep a register of professionals who meet those standards (known as registrants); we approve programmes which professionals must complete before they can register with us; and we take action when registrants do not meet our standards.

As of 31 March 2017 we regulated 350,330 registrants, from the 16 professions we regulate. We are an independent, self-funding organisation and are regarded as a public body, but are not part of the Department of Health or the NHS. All our operational financial costs are funded by fees from registrants.

Professions we regulate



Arts therapists



Biomedical scientists



Chiropodists / podiatrists



Clinical scientists



Dietitians



Hearing aid dispensers



Occupational therapists



Operating department practitioners



Orthoptists



Paramedics



Physiotherapists



Practitioner psychologists



Prosthetists / orthotists



Radiographers



Social workers in England



Speech and language therapists

Section 1: Operating statistics and commentary

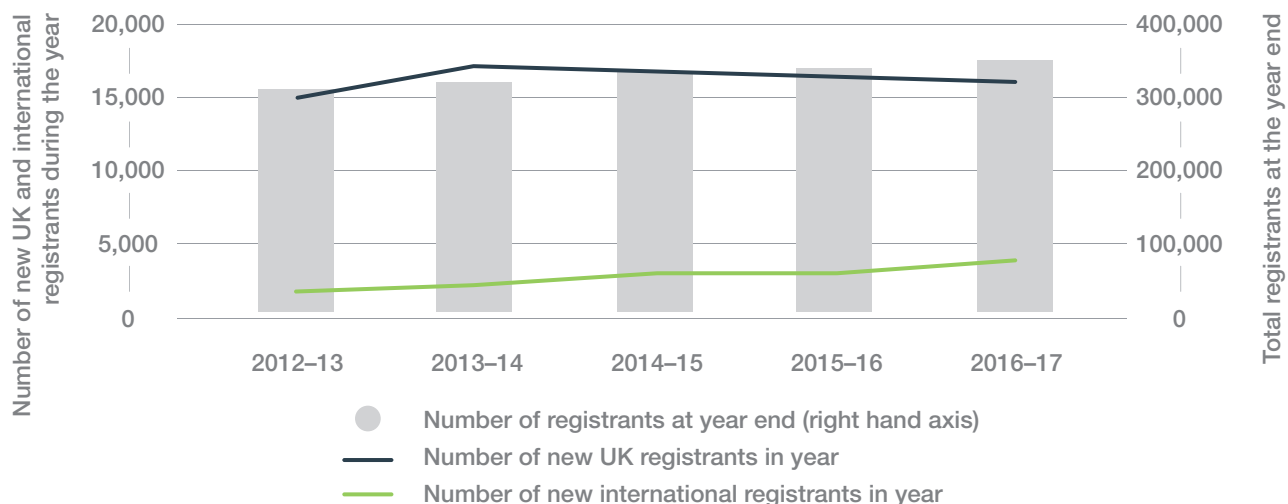
During 2012–13, the regulation of 88,000 social workers in England was transferred from the General Social Care Council to the HCPC. Since then, the number of professionals on our Register has grown by approximately 10,000 a year, or an average of three per cent a year.

New UK graduates entering the professions have been fairly constant, between 15,000 and 17,000 a year, while the number of professionals joining from abroad has increased from 2,000 a year to 4,000 a year.

HCPC Register growth



Registration statistics



Section 1: Operating statistics and commentary

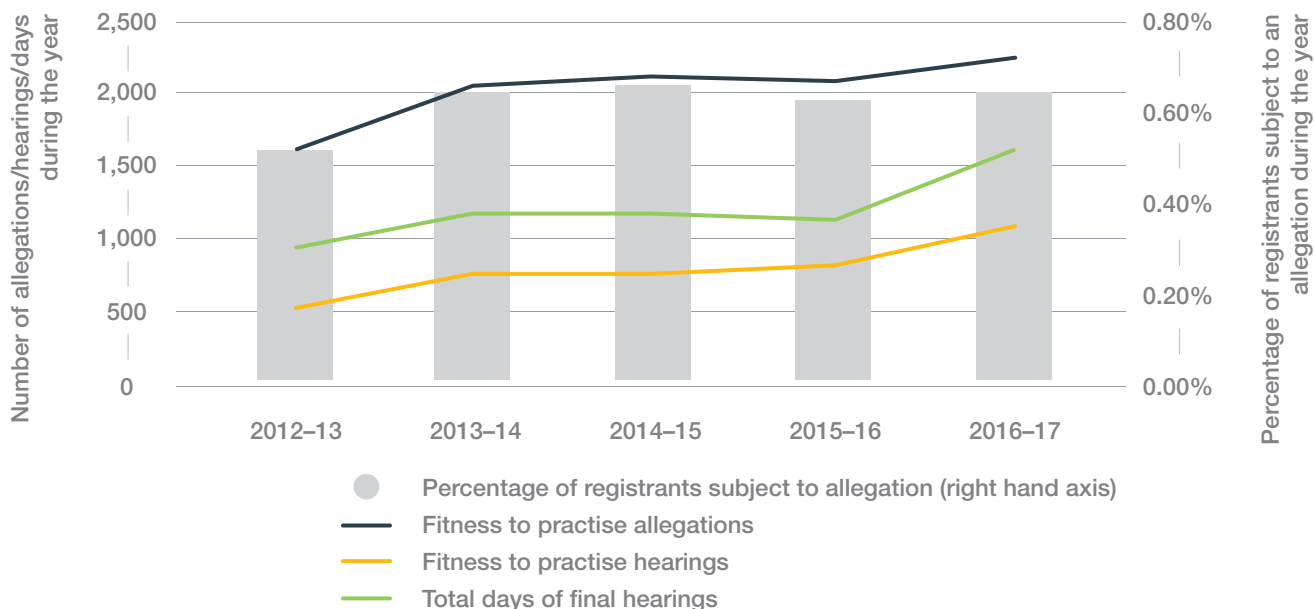
Each year, only a very small percentage of HCPC registrants are subject to a fitness to practise allegation. The percentage has remained almost constant over the past four years, at around 0.6%, or 6 registrants in every 1,000. Therefore the total number of allegations we receive has increased only proportionately to the overall growth in the Register. However, the total number of hearing days, which is a key driver of costs, has risen disproportionately in 2016–17 due to increasing complexity of cases.

HCPC registrants subject to a fitness to practise allegation



0.6%

Fitness to practise statistics



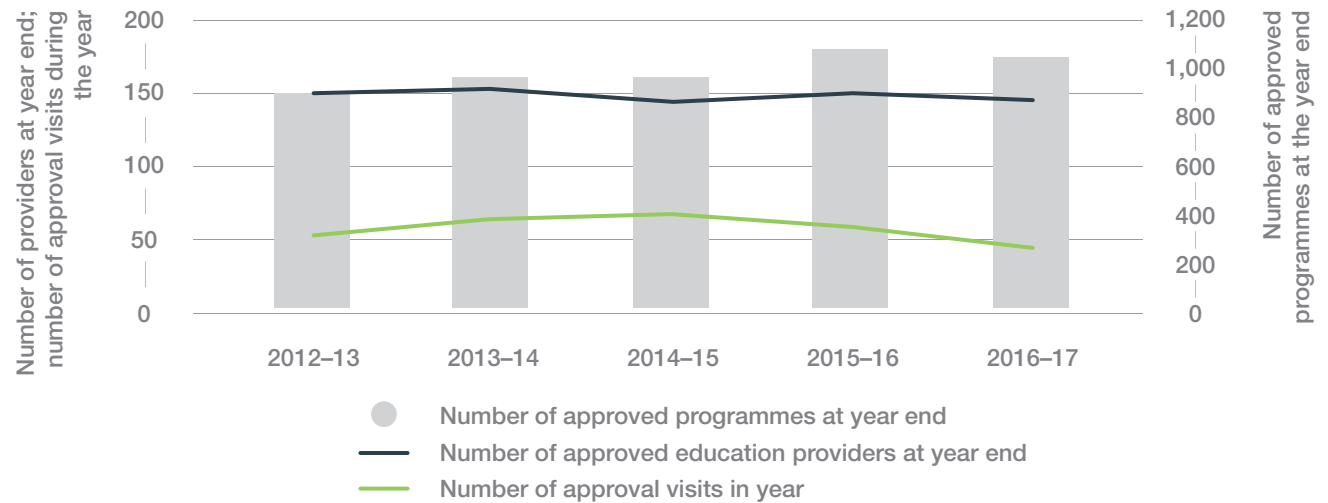
Section 1: Operating statistics and commentary

The number of approved education providers and approved courses has remained fairly constant since social workers in England were transferred into regulation by the HCPC in 2012. The decline in the number of approval visits since 2014–15 reflects the initial work to approve social work programmes against HCPC standards in the first three years following the transfer.

Number of approved programmes at year end

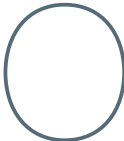


Education Department statistics



Section 2:

Financial statistics and commentary

 Our renewal fee at £90 per year (discounted by 50% for graduates of approved UK programmes for their first two full years on the Register) is the lowest of all the nine UK statutory regulators of health and care professionals overseen by the Professional Standards Authority for Health and Social Care.

By applying standard processes across all our professions, we enable economies of scale, which has kept the costs of some of our functions relatively flat, despite the growth in registrant numbers. But other areas are “demand led”, and in some cases as discussed below, our costs have increased as fast as or faster than the growth in registrant numbers.

Fitness to practise costs

Fitness to practise² costs have risen from £8.5m to £14.9m over the past five years and from £13.2m to £14.9m over the past year. The main drivers of these costs are the number of allegations, the percentage that result in hearings, and the average

² The fitness to practise investigations process is explained at www.hcpc-uk.org/complaints/raiseaconcern/investigations

Income and expenditure summary

	2012–13 £000	2013–14 £000	2014–15 £000	2015–16 £000	2016–17 £000
Registrants' fee income	20,152	25,141	26,303	28,310	31,449
Other income	1,804	330	303	135	130
Total income	21,956	25,471	26,606	28,444	31,578
Payroll costs	7,167	8,343	9,481	10,426	11,456
Non-payroll costs	13,564	14,813	16,002	17,038	18,741
Depreciation and impairment	980	1,463	682	566	1,097
Total expenditure	21,711	24,619	26,165	28,030	31,293
Surplus/(deficit) for the year	245	852	441	414	285
Revaluation gains			104	486	261
Total recognised gains	245	852	545	900	546

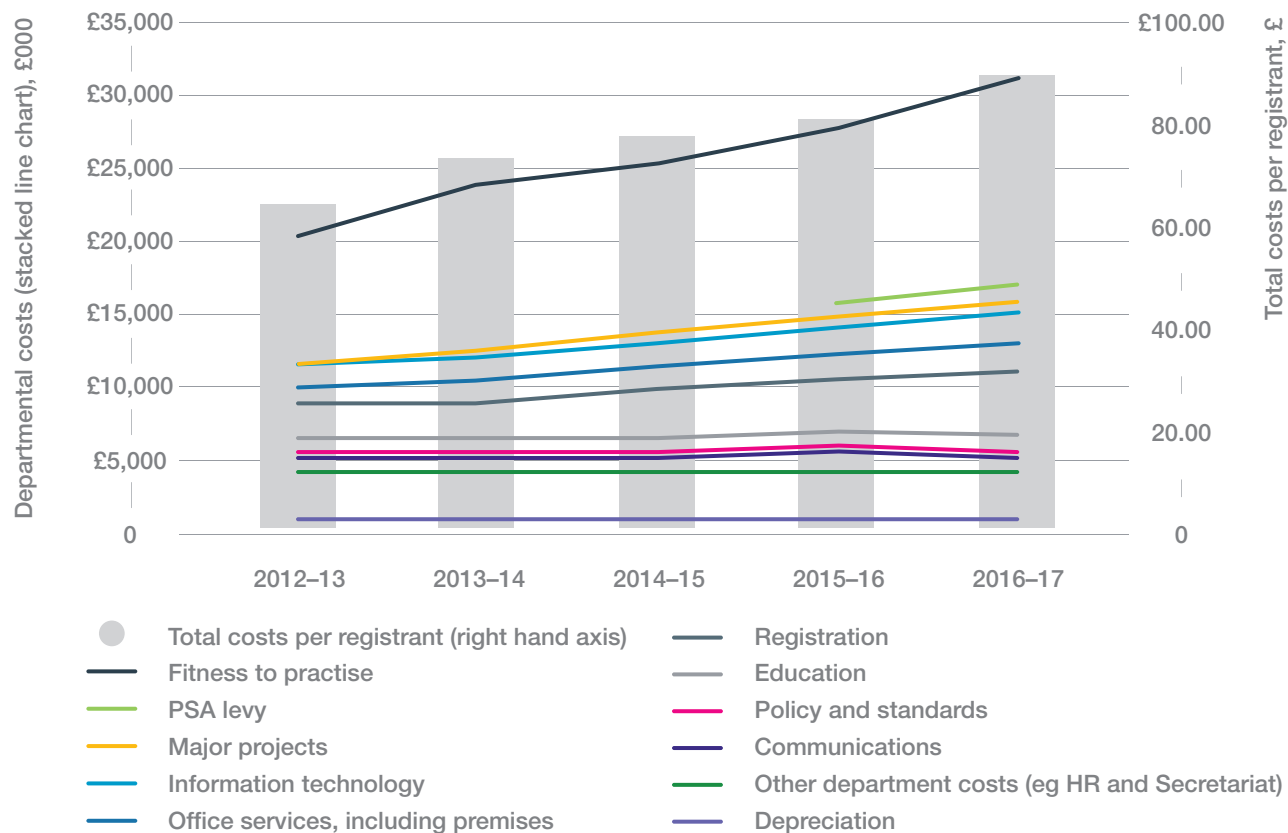
Section 2: Financial statistics and commentary

length of time of the hearing. As noted above, the total number of allegations received has increased only proportionately to the overall growth in the Register. However, due to a range of factors including increasing complexity of cases, the length of time cases were taking to conclude has increased, which drives up costs as well as having a negative impact on all those involved in the process. In 2016–17 we realigned the Fitness to Practise Directorate to provide greater specialisation, and increased the resources of the Directorate, in order to process more cases and reduce the length of time from receipt of allegation to conclusion. The results of this can be seen in the increase in the number of hearings and total days of hearings in figure 2 above.

We have also increased our focus on the initial “triage” stage of the fitness to practise process, and the assessment of cases against our Standard of Acceptance³ for allegations. This ensures that resources are used effectively to protect the public and are not diverted into investigating matters which do not raise cause for concern.

³ www.hcpc-uk.org/assets/documents/10004E79Factsheet-Standardofacceptanceexplained.pdf

Operating costs by department, total costs per registrant



Section 2:

Financial statistics and commentary

Information technology costs

There are a number of changes to the IT infrastructure that have improved the effectiveness of the HCPC business processes but have introduced additional costs.

In particular, the Registrations transformation and improvement project will deliver fundamentally revised business processes, a single highly automated system and an online service that will enable registrants to more easily interact with the HCPC.

The project will be delivered over five financial years and is expected to cost around £4m. The creation of online channels will improve customer service and the efficiency of the Registration Department by reducing avoidable calls and emails, and reducing printing costs. A single system will improve data quality, reduce the potential for errors and allow us to focus on the cases that require greater scrutiny.

These changes and others improve our effectiveness and the quality of service we provide to registrants and the public, and enable us to manage increasing workloads without proportionate increases in staffing, but they also increase costs both in the development of new

Operating costs by department, and total costs per registrant

	2012–13 £000	2013–14 £000	2014–15 £000	2015–16 £000	2016–17 £000
Depreciation	852	719	761	822	1,103
Other department costs (eg HR and Secretariat)	3,453	3,422	3,309	3,446	3,326
Communications	1,047	1,106	1,141	1,374	1,054
Policy and standards	257	315	382	434	395
Education	841	874	889	1,047	1,113
Registration	2,534	2,544	3,104	3,211	3,732
Office services, including premises	1,060	1,495	1,465	1,754	2,369
Information technology	1,310	1,466	1,659	1,805	1,951
Major projects	234	368	546	616	461
PSA levy	–	–	–	589	859
Fitness to practise	8,461	11,567	12,881	13,189	14,938
Total operating expenditure	20,049	23,876	26,137	28,287	31,301
	£	£	£	£	£
Total costs per registrant	64.48	74.14	78.99	82.77	89.35

Section 2:

Financial statistics and commentary

systems and in the ongoing licencing and support costs. As a result the costs of our IT Department have increased from £1.8m in 2015–16 to £2m in 2016–17 and are budgeted to increase to £2.2m in 2017–18.

Premises costs

Our new hearings centre at 405 Kennington Road was brought into use in January 2015 and is delivering the expected improvement in the experience of hearings for all the parties involved. The hearing centre added £1m to our costs in 2016–17, its first full year of operation, and is budgeted to add £1.1m in 2017–18.

In 2016–17 we began a major project to refurbish 186 Kennington Park Road, the adjoining building bought in 2013, which has since remained in a relatively poor state of decoration. We expect to spend up to £2.75m during 2017–18 on the project, which will be a mixture of operating costs and capital expenditure. The outcome, as with the work done on 405 Kennington Road in the prior year, will be good quality office space that promotes effective team and cross-team working.

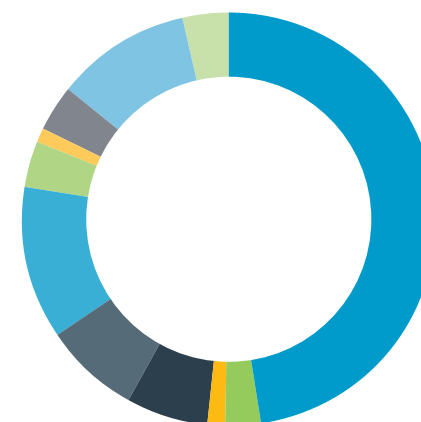
Professional Standards Authority fees

The Professional Standards Authority for Health and Social Care (PSA) oversees the nine UK statutory regulators of health and care professionals. From August 2015, the PSA has been funded by the regulators it oversees, pro-rata to registrant numbers. We are the second largest regulator by registrant numbers, with 22 per cent of the total registrants across all nine regulators overseen by the PSA, so we contribute 22 per cent of the PSA’s funding requirement. Our contribution was £0.86m for 2016–17 and will be £0.88m for the year 2017–18.

Creation of new regulator for social workers in England

The Children and Social Work Act 2017, which received Royal Assent on Thursday 27 April 2017, provides for the creation of a new body, Social Work England (SWE), which will regulate social workers in England. Implementation timescales are uncertain at this stage, but we have been working constructively with colleagues in government as they begin work to establish the new regulator.

Share of total expenditure in 2016–17 by department

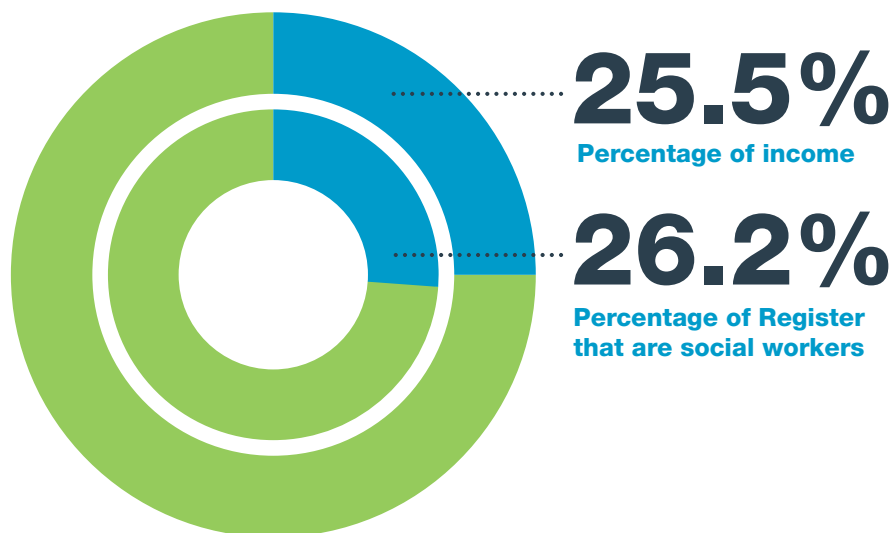


Section 2: Financial statistics and commentary

This change will in due course have a significant impact on the HCPC's operations, income and expenditure. Social workers in England represent over a quarter of our total registrants; income from social workers was £8m in 2016–17 and is budgeted to be £8.5m in 2017–18.

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal costs. However fixed costs such as rent and rates may not be easily reduced. There will be a gap between the loss of income and the reduction in costs, and we will review the impact of this and our options to close that gap as the details of the government's plans emerge. We anticipate that the costs of the transfer of functions will be funded by a grant from the government, as it would be inappropriate for those costs to be borne by our remaining registrants.

Percentage of the Register that are social workers and percentage of income from social workers

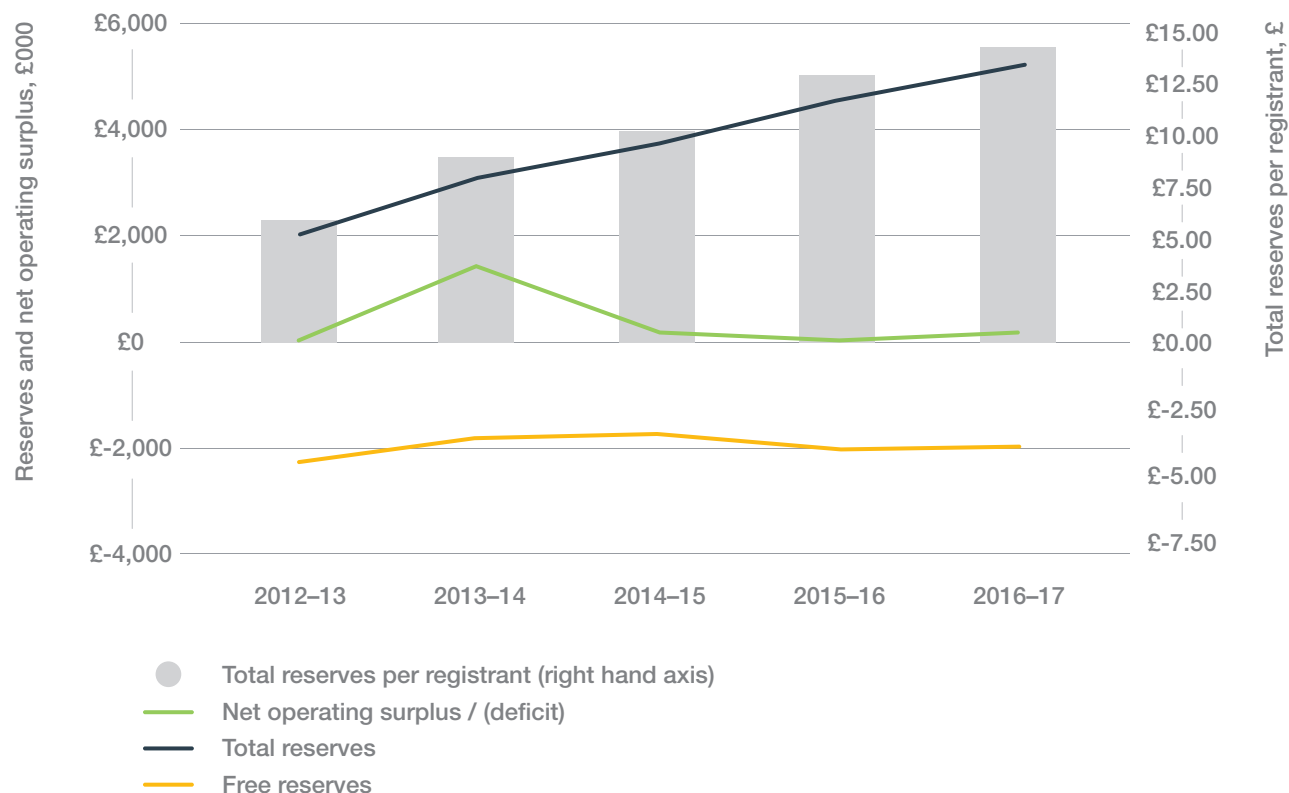


Section 2: Financial statistics and commentary

HCPC's total accumulated reserves – the net total of all surpluses, deficits and property revaluation gains of HCPC and its predecessor organisations – are £5m at 31 March 2017. This represents less than £15 per registrant.

'Free reserves' is a concept commonly used in the not for profit sector. It refers to reserves that are not tied up in fixed assets, and which are therefore available for use as a source of working capital or to fund new investment. The book value of our fixed assets is greater than our total reserves, so HCPC has negative free reserves. The requirement for registrants to pay in advance has meant that we have not needed large free reserves to fund our fixed assets or working capital, and we are able to operate with negative free reserves. We do not aim to hold or accumulate excessive surpluses or deficits, as that would imply current registrants subsidising future registrants or vice versa.

Reserves, net operating surplus, reserves per registrant



Section 3:

Future developments

In addition to our day to day operations, our plans for 2017–18 include:

- continuing the Registration transformation and improvement project;
- completing the 186 Kennington Park Road refurbishment project;
- development of communications and stakeholder engagement plans in relation to regulatory reform and the regulation of social workers in England;
- approving new programmes in podiatric surgery, orthoptist exemption programmes and considering changes to existing prescribing programmes (if further changes are made to legislation);
- carrying out a number of pilots to explore the viability of further developments in the fitness to practise process including hearings ‘on the papers’; bringing service of documents forward; and exploring the use and value of screeners or case examiners; and
- working with the government on their proposals for the regulation of social workers in England.

Park House
184 Kennington Park Road
London SE11 4BU

tel +44 (0)300 500 6184
fax +44 (0)20 7820 9684
www.hcpc-uk.org

**To request this document in Welsh or an alternative format,
email publications@hcpc-uk.org**