

**Health Professions Council**  
**Finance and Resources Committee Meeting –27<sup>th</sup> April 2006**

**FEES GENERAL POLICIES - PUBLIC PAPER**

**Executive Summary and Recommendations**

**1. Introduction**

This paper is a response to the Education and Training Committee's request for a general policy clarification on fee cross subsidies.

**2. Decision**

The Committee is asked to agree the following *general* policies:

- 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.

**3. Background information**

3.1 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.

3.2 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

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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.

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.

3.3 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.

3.4 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

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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.

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.

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.

- 3.5 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.

#### **4. Resource implications**

Nil

#### **5. Financial implications**

Nil

#### **6. Background papers**

Nil

#### **7. Appendices**

Nil

#### **8. Date of paper**

13<sup>th</sup> April 2006