

**Health Professions Council
Council Meeting –11th May 2006**

SCRUTINY FEES - PUBLIC PAPER

Executive Summary and Recommendations

1. Introduction

This paper proposes an increase in the International/Grand-parenting Scrutiny fee.

2. Decision

The Council is asked to agree the following:

- That the Scrutiny fee be raised from £200 to £350 per application, effective from 1st January 2007.

3. Background information

3.1 Some revenue-modeling work was done by the Management Accountant in October 2005 and subsequently in February 2006 about potentially raising the Scrutiny fee from £200 to £350 per application, applicable from 1st January 2007. A meeting was held in December 2005 with Jonathan Bracken, Parliamentary Counsel about the process and timeframe for a potential fees rise relating to such a fee increase, since it requires Statutory approval from the Privy Council - refer Section 45 (1) of the Health Professions Order 2001.

3.2 A paper was presented on the fee rise at the Finance and Resources Committee meeting dated 8th February 2006 and approved in principal, subject to providing more information on the indirect costs, amending the fee level and conducting a UK Health Regulator sector survey on comparative fees charged.

3.3 At the Council meeting on the 1st March meeting, the Council agreed to waive the scrutiny fee for applicants in the following categories;

(i) those with refugee status;

(ii) those with exceptional leave to remain (granted before April 2003)

(iii) those with humanitarian leave to remain (granted on or after 1 April 2003)

(iv) those with discretionary leave to remain (granted on or after 1 April 2003)

The Council noted that there would be a requirement that the applicant would produce a Home Office letter confirming their refugee status or leave to remain.

3.4 The updated Fees paper was presented to the Finance and Resources Committee at their meeting on 22nd March and approved.

- 3.5 The International Scrutiny Fee paper was then presented to the Education and Training Committee (ETC) for a review of the proposal, at their meeting dated 29th March. The ETC identified a wider policy issue that it requested the Council to clarify, relating to whether Registrant fee cross-subsidisation was acceptable (if so, to what extent and by whom?). The ETC requested that a paper be prepared for the Council, requesting a decision on whether each type of fee charged should be based on HPC’s “economic costs”, or whether the fee charged for one service provided to Registrants should intentionally subsidise other services provided – refer ETC 29th Match minutes, Item 7.06/7, pt 7.7. A paper on this fee general policy issue is covered separately – refer Fees General Policy paper. This paper was also presented to the Finance and Resources Committee on the 27th April and approved by them.
- 3.6 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 Registration applications of £60 (£120 relating to the two year renewal cycle) where graduates get a 50% discount in the first two years of registration, a Renewal and Re-admission fee of £120 (relates to the two year renewal cycle), a Restoration fee¹ 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.
- 3.7 Regarding the scrutiny fee, based on costing work done already relating to HPC’s actual 05/06 costs by the HPC Management Accountant, the direct cost per application (mostly Assessor and International Registrations staff costs) is £297. A further indirect cost per application (mostly International/Grand-parenting Registrations dept property, IT and office services-related costs) of £47 can be added to that. Since the current scrutiny fee is £200 per application, this implies that the other fees charged (Registration, Restoration, Renewal/Readmission) have been partially cross-subsidising the Scrutiny service costs. In a break-even or surplus year², by deduction, they are also funding “head office” or “infrastructure support” costs occurring in the HR dept, Chief Executive dept, Secretariat dept, Policy dept, Operations Office, Approvals and Monitoring dept, Communications dept, Finance dept, Office Services dept and IT dept.

Further detailed costing work could be done to separately identify Registration, Restoration, Renewal & Readmission costs. However in combination, “the four R’s” have been partially subsidising Scrutiny services, so performing the costing work at this point won’t change the issue of whether the Scrutiny fee should be increased to at least cover its related costs.

Similarly, further costing work could be done to assign 2005/06 “infrastructure support” costs to the four services (Registration, Renewals/Readmission, Restoration and Scrutiny). However, “infrastructure support” cost assignments are controversial. To elaborate, allocation methods can be somewhat arbitrary, robust metrics to make the

¹ Restorations relate to Registrants struck off or suspended, returning to the HPC Register. Restorations are very rare and reported in the Readmissions income in the financial statements.

² In an HPC deficit year or across a series of HPC deficit years, such Registrant servicing costs are effectively being funded by Registration fees captured and held in reserves, creating an “inter-generational” Registrant subsidy.

allocations may not exist (because we have never invested in the relevant non financial measurement systems to the required level of accuracy) and some “infrastructure support” costs are fixed over a 1-2 year period, regardless of changes in Registration, Renewals/Readmission, Restoration and Scrutiny activity levels.

Therefore, providing the proposal in the Fees General Policy paper is agreed to, then it is proposed that the Council take a pragmatic approach and approve the recommended fee rise for Scrutiny fees.

- 3.8 Following further consultation and application to the Privy Council, there would be likely enough time for statutory approval to be reached, in time for the proposed fee increase to go live from 1st January 2007. The increased annual income from a fee increase has been calculated at £660,000 based on the £150 fee increase and conservatively assuming 4,400 applications per annum processed.
- 3.9 Using budget data for the year ending March 2007, the direct costs of processing Scrutiny applications is estimated at approx £300 per application (mostly Assessor and International Registrations dept employee costs). A further indirect cost per application (mostly International Registrations dept property, IT and office services-related costs) of £39 can be added to that, making the fee rise desirable to cover costs and contribute towards covering other central overhead costs.
- 3.10 Recently, a brief survey of other Health Regulators International Scrutiny fees was performed and UK health regulator websites searched to obtain comparative prices for similar services provided. The results are attached. The General Osteopathic Council, did not respond to the survey.

Note that if the other health regulators have a similar unit cost of £339 per International/GP application in the 2006/07 period, this implies they are cross-subsidising these costs from other fees charged, or other income earned.

4. Resource implications

Nil

5. Financial implications

The 06/07 Budget assumes the proposed Scrutiny fee rise is approved and implemented at the Council May meeting. However, if the Council decides not to approve the proposed Scrutiny fee rise in May 2006, the remaining steps to implement the fee rise to go live on the 1st January will be delayed. Note that a three month delay is equivalent to a loss of extra fee income of £165k, assuming 1,100 applications processed and scrutinised during that time.

6. Background papers

Sector Survey – International Scrutiny Fees (updated)

7. Appendices

Nil

8. Date of paper

27th April 2006