Council meeting, 7 February 2013

Review of the cost effectiveness and efficiency of the health professional regulators

Executive summary and recommendations

Introduction

In November 2012, the Professional Standards Authority for Health and Social Care ('PSA'; previously known as the Council for Healthcare Regulatory Excellence) published its finalised advice to the Secretary of State for Health on the cost effectiveness and efficiency of the nine professional regulators within its remit, including the HCPC. The advice was published alongside a report from the Centre for Health Service Economics and Organisation. Both reports are attached.

The Council previously discussed a pre-publication copy of the reports at its October 2012 away day. The Executive submitted detailed comments on the draft reports in response to a request to the regulators from the PSA.

Decision

The Council is invited to discuss the attached reports.

Background information

The PSA review was a commitment in the 2011 Command Paper 'Enabling excellence' which said:

'….we will commission the CHRE to lead a sector wide review of the cost-efficiency and effectiveness of each regulator within the CHRE's remit, with a view to identifying significant costs savings.' (Paragraph 2.6, page 11)

Resource implications

None as a result of this paper.

Financial implications

None as a result of this paper.

Appendices

- Professional Standards Authority (2012). Review of the cost effectiveness and efficiency of the health professional regulators. (Advice to Secretary of State)

- Centre for Health Economics and Organisation (2012). Cost efficiency review of the health professional regulators.

Date of paper

28 January 2013

Review of the cost effectiveness and efficiency of the health professional regulators

November 2012

professional standards authority

About the Professional Standards Authority

The Professional Standards Authority for Health and Social Care[1] oversees statutory bodies that regulate health and social care professionals in the UK. We assess their performance, conduct audits, scrutinise their decisions and report to Parliament. We also set standards for organisations holding voluntary registers for health and social care occupations and accredit those that meet them.

We share good practice and knowledge, conduct research and introduce new ideas to our sector including our concept of right-touch regulation[2]. We monitor policy developments in the UK and internationally and provide advice on issues relating to professional standards in health and social care.

We do this to promote the health, safety and well-being of users of health and social care services and the public. We are an independent body, accountable to the UK Parliament.

Our values are at the heart of who we are and what we do. We are committed to being independent, impartial, fair, accessible and consistent in the application of our values. More information about our work and the approach we take is available at www.professionalstandards.org.uk.

1 The Professional Standards Authority for Health and Social Care was previously known as the Council for Healthcare Regulatory Excellence

2 CHRE. 2010. Right-touch regulation.

Contents

1. Executive summary

1.1 This advice reports on analysis of the costs associated with UK health professional regulation, and the effectiveness and efficiency of the regulators involved. It is provided in response to a request from the Secretary of State in 2011, and builds on discussion of the cost effectiveness of the regulators' operations in the Command Paper, *Enabling Excellence*.

1.2 Stakeholders need to feel confident that the registration fee charged by regulators is being used to support effective regulation in an efficient manner. As part of this, regulators must balance the level of the registration fee charged on registrants with the actions necessary to fulfil the statutory functions outlined in regulators' legislation.

1.3 Regulators' costs are influenced by a range of factors, for example, statutory duties, requirements in rules, operational processes, non-statutory work, variation in the professions regulated, number of new and renewed registrations, number of internationally qualified registration applications, size of education provider sector, and thresholds for referrals to final fitness to practise hearings. These all can have an impact on the costs of regulation discussed in this report.

1.4 There are limits in the approach we have adopted for this review which should be considered when interpreting the findings. This is the first time that a cost-effectiveness and efficiency review of the health professional regulators has been formally conducted. Therefore the data was collected and processed in a short timeframe, without the benefit of an established and consistent dataset. There are only nine organisations in the study, which limits the sophistication of analytical techniques. The efficiency analysis uses self-reported data from a single point in time, and we are aware that cost savings have been achieved by some regulators in the meantime. The data collected to derive estimates of compliance costs were limited, based on recall and from a self-selecting sample of respondents.

1.5 The effectiveness of the regulators is assessed through our annual performance review process, against 24 Standards of Good Regulation across four core regulatory functions: Standards & Guidance, Education & Training, Registration and Fitness to Practise. The most recent review, in 2011/2012, found that the regulators were generally performing well against most of the standards, but there were areas for improvement, most notably in fitness to practise.

1.6 With help from the Centre for Health Service Economics & Organisation (CHSEO) we analysed the operating costs of the nine regulatory bodies in a single financial year (2010/2011) and examined the question of efficiency in different regulatory functions. The CHSEO model identified four different influences on costs:

- Scale

- Task for each regulator – as judged through metrics assessing the complexity of the task and the extent of regulatory force required to deliver statutory duties
- Effectiveness
- Scale-adjusted efficiency.

1.7 The aim of the analysis was not to comment on absolute efficiency but to identify stand-out differences in relative cost-efficiency among the nine organisations. It confirmed the widespread expectation that scale (size of register) has an impact on efficiency. It found that a doubling the registrant base was associated with a 19 per cent reduction in unit operating costs, and that most scale economies appear to be realised around a registrant base of 100,000 to 200,000. Economies of scale appeared across the core regulatory functions, although the strength of this association varied: Standards & Guidance and Education & Training showed the greatest economies of scale, while Fitness to Practise was least influenced by scale.

1.8 Once the impact of scale on unit costs had been controlled, CHSEO examined the impact of the task facing each regulator through external factors that would have an influence on the cost of regulatory operations. These metrics – such as the length of pre-registration education and training programmes, frequency and extent of harm linked to profession, size of education provider sector and type of allegations made about fitness to practise – were judged to explain some of the variation above and below the expected scale-adjusted unit cost. However, not all variation could be explained. This indicates that there may be opportunities to share cost-efficient operational practices across regulators in some functions.

1.9 There are a number of levers available to improve the effectiveness and efficiency of regulation. As part of this advice, we have assessed regulators' proposals for changes to legislation against a set of criteria established by the Department of Health. Introducing these changes through a section 60 order would help regulators improve the effectiveness and efficiency of their operations. However, in our view this is only one of a variety of options open to regulators and we have been encouraged by the range of non-legislative actions, individually and collectively, that the regulators have reported.

1.10 As this debate continues, we would advise that the role of third parties and the costs they incur is more actively considered. Our report includes an indicative assessment of some of the costs borne by registrants and education providers in complying with health professional regulation. We recommend that this is considered more thoroughly. First, the active participation of third parties such as professional bodies, employers, education providers and the public is essential at different points in the regulatory process, and acknowledging the extent of this input may help prioritise changes to improve the effectiveness and efficiency of delivery of regulatory outcomes. Second, findings that indicate there is no evidence of cost-shifting in the sector may help to identify good practice that may be shared between regulators.

1.11 Our recommendations focus on good practice for regulators in demonstrating cost-effective and efficient working. We advise the Department of Health to proceed with a section 60 order (or changes to primary legislation) to allow for the adoption of good practice more widely across regulatory bodies. We also recommend that this exercise is repeated in two years' time, to maintain the focus on cost-efficient operations and to allow the impact of current improvement activities to be evaluated. Finally, we have identified some issues that may be usefully addressed by the Law Commission simplification review and draft legislation.

2. Introduction

2.1 In June 2011 CHRE were commissioned to provide advice to the Secretary of State for Health on the cost efficiency and effectiveness of the nine health professional regulators we oversee. We were asked to:

- Review the scope for improving the cost efficiency and effectiveness of each regulator
- Identify where significant cost reductions could be made over the next three years
- Set out advice on the priority of the reforms needs to deliver greater cost-effectiveness and efficiency across the regulatory bodies.

2.2 The full text of the request can be found in Annex A. This report provides our advice to the Department.

Background

2.3 The Government raised the issue of the efficiency and effectiveness of the health professional regulators in the 2011 Command Paper on health and social care professionals, *Enabling Excellence*[3], specifically the question of how to reduce the costs of regulation while still protecting the public. The impetus for this question can be found in a number of areas. In recent years the number of complaints and concerns about health professionals raised with the professional regulators has been rising. Fitness to practise processes are usually the most costly elements of a regulator's work and if steps are not taken to improve their cost-effectiveness and efficiency, more resources would be needed to meet this rising demand. This could mean an increase in the fees on registrants at a time when there are other pressures on salaries.

2.4 The Command Paper also reflects on the prevailing economic situation and the impact on pay for workers in the public sector:

‘The Government would not expect registration fees to increase beyond their current levels, unless there is a clear and robust business case that any increase is essential to ensure the exercise of statutory duties.’ [para 2.6]

2.5 Annual registration fees already vary significantly between regulators: at the time *Enabling Excellence* was published they ranged from £76 to £1,000. Some of this variation has been attributed to economies of scale within regulators, but there are likely to be other reasons for some regulators having lower registration fees than others. *Enabling Excellence* suggested this could be a result of a leaner and more business-like approach to work among some regulators. Other factors considered include variation in the use of legal advice or differences in the range of sanctions available during fitness to practise processes.

[3] Department of Health. 2011. *Enabling Excellence: Autonomy and Accountability for Health and Social Care Staff.*

2.6 These three factors – increasing workload, variation in registration fees, and the impact of pay restraint – set the context for our advice alongside the current Law Commissions' review of legislative framework for health professional regulation in the UK and social care professional regulation in England.[4] The request for advice asked us to identify our recommendations as legislative and non-legislative and where we make legislative proposals to consider the fit with thinking emerging from the Law Commissions' review.

Our approach

2.7 There is no established model for assessing cost-effectiveness and efficiency of health professional regulators and to our knowledge this is the first time such an analysis has been attempted. We are aware of studies that have looked at the cost effectiveness of a single regulator or at the impact in a change in regulatory structures on the efficiency and effectiveness of regulation. These studies, in other regulatory sectors, are interesting, but do not help address particular issues of a sector-wide review of health professional regulation.

2.8 Focusing solely on the cost of regulation in the name of efficiency may impede the delivery of effective regulation, threatening public protection and undermining confidence in the regulatory system. We consider that it is strength in both of these aspects of the request for advice that should be encouraged: effectiveness, as the capacity of regulators to deliver their statutory functions to a high standard, with efficient use of registration fees and other resources in meeting this aim.

Effectiveness

2.9 CHRE's annual assessments of regulators' performance allow us to reflect on the effectiveness of individual regulators in the core regulatory functions. Our Standards of Good Regulation focus on the outcomes regulators should be demonstrating if they are to meet expectations of professional regulation. They are, for the purposes of this advice, an agreed and established measure of the effectiveness of a regulator and we discuss recent performance review findings in Chapter 3.

Efficiency

2.10 We commissioned primary research and analysis from the Centre for Health Service Economics & Organisation (CHSEO) to understand more about the scope for efficiencies in the work of the regulators. Their analysis was based on the most recent full year operating cost data (2010/2011) and was informed by metrics relating to nature of the regulatory task facing each organisation.

2.11 We asked CHSEO to consider the costs associated with six areas of activity: the four core functions reflected in CHRE's Standards of Good Regulation, plus continuing fitness to practise and governance. Using operating cost data for each function, alongside other key organisational data, CHSEO have built

[4] Law Commission. 2012. *Regulation of Health and Social Care Professionals Consultation*.

a model to allow us to start to understand where there may be scope for efficiencies. The full report from CHSEO is available on our website.[5]

Limits of the approach

2.12 This is the first time that a cost-efficiency review of the health professional regulators has been formally conducted and there are limitations in the approach which have an impact on interpretation of the findings. CHSEO describe these in their report. The key points to note are:

- The absence of an established process for collecting and comparing expenditure incurred by the regulators, using a consistent set of standards and data definitions, has meant that data had to be collected specifically for the purpose of this review
- While efforts have been made to establish clear and consistent definitions and to validate the submitted data against other sources, much of the data analysed in this review has been self-reported by the regulators (submitted to tight timescales) and is therefore potentially subject to a degree of reporting error
- Furthermore, observing expenditure across just nine organisations has necessarily limited the sophistication of the analytical techniques adopted
- The analysis represents a predominantly desk-based review of self-reported data. The aim of the analysis is to identify the stand-out differences in relative cost-efficiency across regulators at a particular point in time. As such, it does not comment on the absolute efficiency of any particular regulator or of the system as a whole – merely whether there is evidence that some regulators appear to operate more efficiently than others
- In addition, since this review observes regulators at a single point in time – i.e. the year 2010 or its closest annual equivalent – it does not reflect any changes in relative efficiency since then, or any proposed future changes.

2.13 In spite of the limitations of the data and the model, the CHSEO analysis is a useful perspective on the question of the efficiency of the regulators and a valuable starting point for discussions of this nature. However, we must be cautious with any conclusions we draw from these results and further work would be necessary.

Our advice to the Secretary of State

2.14 This advice is presented in three sections:

- Chapter 3 provides an overview of the costs of professional regulation, reflecting on the variation in operating costs across the regulators, the impact of the economies of scale in the sector, and the costs of compliance

[5] www.professionalstandards.org.uk

- Chapter 4 provides an overview of individual regulators, reflecting on effectiveness, the scope for efficiencies and areas of improvement
- Chapter 5 presents analysis and recommendations, reflecting the early agreement with the Department of Health that we would not recommend savings where it was clear to us that it would have a negative impact on public protection.

Acknowledgements

2.15 This report would not have been possible without the cooperation of the nine health professional regulators we oversee and we thank them for their contribution. We are also grateful to the 20 organisations and individuals who responded to our call for ideas, and those who responded to the surveys conducted by CHSEO.

3. Overview of the costs of professional regulation

3.1 The costs of professional regulation are predominantly reflected in the registration fees charged to health professionals. As *Enabling Excellence* observed, and as discussed in the previous chapter, the registration fees charged by regulators to fund the delivery of their functions vary considerably, as does the size of the registrant base, suggesting that there may be some economies of scale in this sector. Table 1 below reproduces data on register size and registration fee from our most recent performance review to illustrate this. These two factors – register size and registration fee – are the major determinants of the budget available to each regulator.

Table 1 – The health professional regulators in 2011/2012

Regulator	No. of registrants*	Fee*	Total income
GCC	2,700	£800 practising £100 non-practising	£3,071,849
GDC	99,518	£576 dentists £120 dental care professionals	£30,695,000
GMC	246,075	£390 with licence to practise £140 without licence to practise	£101,630,000**
GOC	23,935	£270	£5,805,704**
GOsC	4,585	£375 year 1 £500 year 2 £750 after year 2	£3,200,000**
GPhC	66,179	£267 pharmacists £120 pharmacy technicians	£21,237,000
HPC	219,918	£76	£17,404,000
NMC	672,095	£76	£52,781,000
PSNI	2,098	£372	***

** Data taken from CHRE Performance Review 2011/2012*

*** Includes grant income from Department of Health*

**** Data unavailable at time of publication*

Variation in operating costs

3.2 CHSEO's analysis was based upon regulators' operating costs in 2010/2011. Based on the data submitted by the regulators, CHSEO estimated the total operating expenditure for the nine organisations at £195m for 2010/2011 (see Table 2).

Table 2 - Total operating expenditure by regulator in 2010/11

Regulator	Year	Start of financial year	Total expenditure
GCC	2010	01 Jan	£2,971,547
GDC	2010	01 Jan	£26,796,000
GMC	2010	01 Jan	£87,342,000
GOC	2010/11	01 Apr	£5,156,909
GOsC	2010/11	01 Apr	£3,030,577
GPhC	2010/11	01 Apr	£8,339,000
HPC	2010/11	01 Apr	£16,257,000
NMC	2010/11	01 Apr	£44,716,000
PSNI	2010/11	01 May	£870,966
Total			£195,479,999

Source CHSEO

3.3 Within any financial year we can reasonably expect there are items of exceptional or non-core expenditure. CHSEO adjusted the operating cost data for these for each regulator to take this into account (as far as possible). The adjusted figures were the basis for CHSEO's calculations of the operating cost per registrant across six core areas of regulatory activity ('adjusted unit operating cost'). The adjusted unit operating costs for each regulator, by function are reported in in Table 3 below. Table 4 provides details of the mean per cent share of expenditure, and the range of per cent share of expenditure for each function.

Table 3 – Unit operating costs by core function and regulator, adjusted for exceptional and/or non-core expenditure

Regulator	Standards & Guidance	Registration	Education & Training	Fitness to practise	Continuing fitness to practise	Governance	Overall
GCC	£25.18	£104.07	£0.00	£409.75	£73.63	£108.37	£721.00
GDC	£6.09	£63.06	£12.60	£179.10	£2.91	£14.61	£278.36
GMC	£5.82	£64.48	£20.28	£244.37	£11.50	£21.93	£368.39
GOC	£9.77	£31.81	£24.11	£73.30	£19.36	£33.87	£192.22
GOsC	£131.65	£141.60	£52.52	£205.53	£75.14	£104.83	£711.28
GPhC	£6.39	£33.55	£21.53	£73.43	£10.20	£19.52	£164.62
HPC	£2.94	£15.68	£6.87	£45.25	£0.41	£4.43	£75.58
NMC	£5.30	£11.18	£2.66	£41.83	£0.54	£5.99	£67.50
PSNI	£23.49	£47.16	£56.60	£65.90	£103.78	£43.15	£340.07
Overall	£5.68	£27.58	£8.79	£92.97	£4.01	£10.95	£149.98

Source CHSEO

Table 4 – Share of expenditure by function

Function	Average share of expenditure	Range of share of expenditure
Standards & Guidance	3.77%	1.6%–18.5%
Registration	18.32%	10.3%–22.7%
Education & Training	5.84%	0.00%–16.6%
Fitness to practise	62.14%	19.4%–69.1%
Continuing fitness to practise	2.66%	0.5%–30.5%
Governance	7.27%	5.2%–17.6%

Source CHSEO

3.4 These two tables illustrate the range of variation across these nine organisations. We would not expect this range of variation in share of expenditure if the major determinant of operating costs was the size of the organisation. It indicates that operating costs are influenced by more than just economies of scale and suggests that regulators are faced with qualitatively different tasks.

3.5 This is in line with what we have observed through CHRE's ongoing oversight of the regulators. There are a number of different factors that influence how they meet the overall aim of public protection and maintaining confidence in health professionals and themselves, and all of these have the potential to influence the cost of regulation. In addition to the factors highlighted in chapter 2 – increasing numbers of complaints about fitness to practise and the opportunities for economies of scale – the following factors may apply:

- Individual regulators may have other statutory duties beyond these four functions, as set out by their legislation, such as registration of students or businesses
- The rules that regulators make to govern procedures associated with their statutory duties can lead to contrasting approaches and therefore different costs
- Operational processes can vary even if rules are similar
- Regulators may undertake additional work beyond their statutory functions
- Variation in the characteristics of the professions being regulated may have an impact on the nature of the workload the regulators have to manage, for example:
- The number of new and renewed registrations each year

- The number of applications for registration from international graduates
- The number of education and training programmes and institutions that require approval and accreditation
- The number of fitness to practise cases that are referred to a hearing before a panel.

3.6 For the basis of their analytical model, CHSEO identified four sources of influence that theoretically would determine regulators' unit operating costs, and examined these in further detail:

- Scale
- Task
- Effectiveness
- Scale-adjusted efficiency.

We'll consider the first of these here. The impact of the other factors is discussed in the next chapter.

Impact of economies of scale

3.7 CHSEO analysed the operating cost data provided by the regulators to understand more about the impact of scale on efficiency. Their analysis revealed that on average, a doubling of the registrant base is associated with a 19 per cent decrease in unit operating costs and that most scale economies appear to be realised once regulators achieve a registrant base of around 100,000 to 200,000. These findings support the view that the size of the registrant base influences the registration fee that needs to be charged.

3.8 The analysis also found that economies of scale appear to be prevalent across each of the core regulatory functions, although the degree and strength of the relationship varies:

- The assurance of education and training providers and the setting of professional standards exhibit the strongest scale economies
- The unit operating costs of processing fitness to practise complaints appear to be least influenced by scale.

3.9 Based on these observations, CHSEO investigated the potential savings that might be realised, through consolidation of entire regulators or specific functions. These experiments were based upon the model established from scale economies shown by the operating cost data. We highlight these examples here to demonstrate the power of the economies of scale within the sector. They are hypothetical and any estimate of potential savings does not include any assessment of the transition costs that would inevitably arise from the disruption involved in consolidation on this scale. The cost of this has not been estimated and would need to be assessed against any potential future savings. None the less, we consider these data are interesting and illustrate the power of the scale economies in this sector:

- **Consolidation of two small regulators could offer savings of £0.6m in operating costs:** the model predicts a total annual unit operating cost

of £514 for a regulator with 3000 registrants. If two regulators of this size consolidated their activity, the model predicts the total annual unit operating cost would fall to £416 for 6000 registrants

- **Consolidation of one small regulator with a large regulator could offer savings of £1.2m per year in operating costs:** the model predicts a total annual unit operating cost of £514 for a regulator with 3000 registrants, and a total annual unit operating cost of £143 for a regulator with 200,000 registrants. If these two organisations consolidated their activity, the model predicts that the total annual unit operating cost for 203,000 registrants would be £143
- **Consolidation of education and training across three medium sized regulators offers the potential to save £1.1m per year:** the model predicts the annual unit operating cost for education and training for a regulator with 50 programmes to quality assure would be £17,360. If three regulators of similar size (ie 50 programmes each to quality assure) collaborated, the annual unit operating cost across 150 programmes would be £9,873 each.

3.10 The inverse relationship between number of registrants and registration fee is one option that could be explored further if savings are needed and we note that there are recent examples of this that could be evaluated, such as the transfer of hearing aid dispenser regulation from the Hearing Aid Council to the HPC. However, we have not been asked to advise on this. We leave it to the Department of Health to assess the value of investigating this approach further. The significance of this observation for our advice is the limit that scale places on smaller regulators in making savings.

Compliance costs

3.11 Health professional regulation would struggle to fulfil its statutory duties without input from third parties, especially in registration, education and training, and fitness to practise. This activity incurs costs which are met by third parties as they work with the health professional regulators, for example:

- Education and training providers' time and resources in preparing for regulators' quality assurance activities
- Employers' costs where staff are suspended pending the investigation of a fitness to practise concern by a regulatory body
- Registrants' time spent complying with registration requirements
- Costs to witnesses involved in fitness to practise processes and attending hearings.

3.12 The indirect costs have, to our knowledge, been less well quantified to date but they are important in the context of analysing the cost effectiveness and efficiencies of the regulators. Aside from a broad interest in the compliance costs incurred by third parties, we were also interested to understand whether there was any evidence of cost-shifting in the sector, that is,

regulators achieving a low operating cost for a function at the expense of third parties.

3.13 Within the scope of this project we were only able to focus on a subset of compliance costs. CHSEO provided us with some estimates of the costs incurred by registrants and education providers. They considered the time registrants spent registering and renewing their registration with the regulator and the time education providers spent complying with quality assurance requirements regulators establish for pre-registration courses. We were interested to see if there was evidence of any relationship between the direct and indirect costs of regulation.

3.14 This small study, based on data provided by a self-selecting sample of respondents, estimated that compliance costs imposed on registrants and education and training providers in these areas to be equivalent to around £37.5 million a year. Within the small sample CHSEO detected variation in the use of online systems for renewal and CPD reporting. They found that there was a greater mean satisfaction score reported by those who used online methods (7.1 out of 10) than among those who did not (5.9 out of 10).

3.15 We are pleased that CHSEO's analysis did not reveal any clear evidence to suggest that regulators achieve lower unit operating costs by shifting the burden to registrants and education and training providers. More work to investigate the costs of a wider range of compliance activities would be useful to understand more about the nature of these costs and their relationship to the operating costs incurred directly by the regulators.

Discussion

3.16 The CHSEO assessments of the direct costs and compliance costs provide useful benchmarks. The scale economies in this sector are considerable but exploring these further is outside the scope of this request for advice. The findings on compliance costs suggest that this issue would benefit from further study; however we are heartened by the indication from this initial analysis that there is no evidence of cost-shifting onto third parties. This finding may be helpful when considering the scope for more cost-effective approaches in the delivery of particular regulatory functions.

4. Effectiveness and efficiency of regulators

4.1 We need to look beyond economies of scale in the sector to understand the immediate opportunities to improve cost effectiveness and efficiency at the level of the individual regulator. In this chapter we reflect on this recent activity and regulators' proposals for more cost effective and efficient working, alongside assessments of the effectiveness of regulation and the scope for efficiency savings.

4.2 This chapter focuses on individual regulators and summarises evidence on

- Effectiveness, assessed through CHRE's 2011/2012 Performance Review
- Efficiency, via analysis of 2010/2011 operating cost data
- Actions to improve and future opportunities including legislative change, identified by the regulators.

4.3 Prior to the publication of *Enabling Excellence* some regulators were focusing efforts on improvements to the cost effectiveness of their operations, but the command paper and this project provided added impetus to this work. This has been reflected in the establishment of the Directors of Resources group and the inter-regulatory action to facilitate on-going improvements in the interests of cost-effectiveness. We understand that the Directors of Resources are establishing cross regulatory benchmarks to enable financial and operational comparisons between regulators.

Effectiveness of regulators – 2011/2012

4.4 Our annual Performance Review report provides data on each regulator's activity across their four core functions. In our 2011/2012 report[6] we found that the regulators are generally performing well against most of the 24 Standards of Good Regulation and meeting their statutory responsibilities. However, we found that eight regulators' performance either did not meet one or more of the standards, or gave us concern about the consistency of their performance against one or more of the standards.

4.5 It may not be significant for public protection that a regulator fails to meet one standard. It may reflect a regulator's developing policy position, for example around continuing fitness to practise. However, a failure to meet some other standards may have more serious implications for public protection.

4.6 We found that all regulators were effective in meeting the Standards of Good Regulation for Standards & Guidance. In Education & Training, standards were widely being met, with most exceptions in the area of continuing fitness to practise, which is a developing area of regulatory activity. Within the registration function, standards were broadly being met with the exception of one regulator (the NMC) which did not meet a standard relating to public access to information.

[6] CHRE, 2012. Performance Review Report.

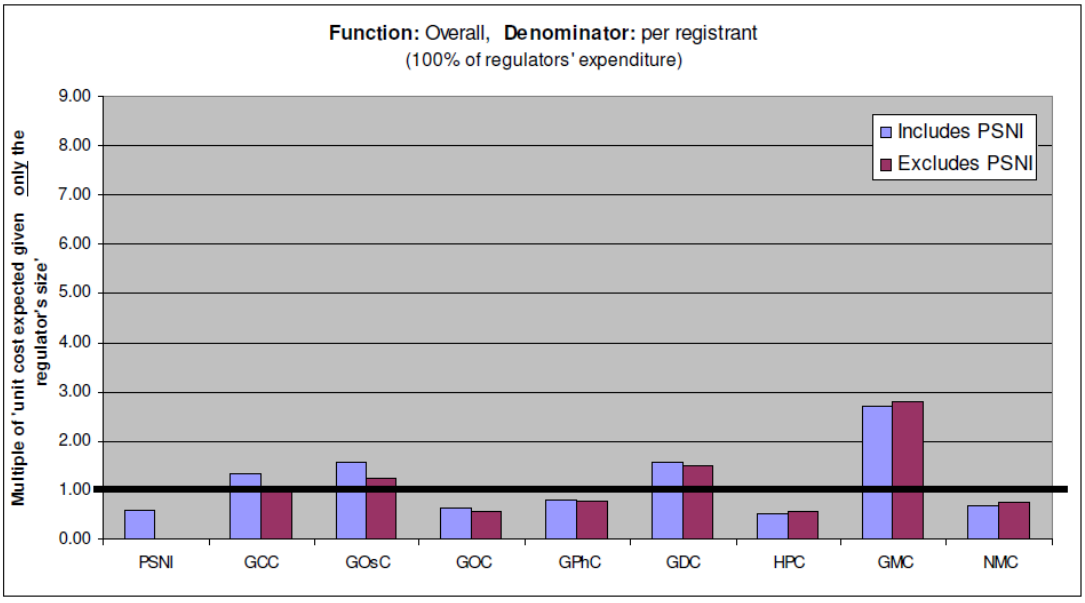
4.7 We observed the greatest variation in performance within the Fitness to practise function. Most regulators are managing their caseload effectively, but some are still struggling to control the core elements of their process, such as timely and robust investigation and decision making. Within this function, risks to good regulation arise from:

- Poor management and administration of cases
- Failure to follow established processes and information security policies
- Delays and poor communication with key participants.

4.8 Fitness to practise is therefore an area where greater effectiveness could be achieved by those who in 2011/2012 were failing to meet the standards.

Efficiency analysis – 2010/2011

4.9 We know from chapter 3 that scale has an impact on operating costs. CHSEO took the 2010/2011 data on unit operating costs and controlled for the impact of the size of each organisation. The variation in scale-adjusted unit costs is represented in section 5 of CHSEO's report in 'distance from the line' charts, the 'line' being the expected unit cost given the size of the regulator. One example of these charts is reproduced below, reflecting the distance from the line chart for total operating costs ('overall').



4.10 CHSEO urge caution when interpreting these distances from the line for the smaller regulators as the model is more sensitive to changes in reported expenditure for these organisations. Furthermore, they carried out two calculations to find the distance from the line – one including the PSNI and one excluding their data. They took this approach because of the differences between PSNI and the other regulators.[7]

[7] The PSNI were operating with a limited sanction set for fitness to practise in 2010/2011. It also has a closer working relationship with other agencies to deliver pharmacy regulation in Northern Ireland, notably the DHSSPSNI.

4.11 CHSEO used these charts as the basis for an investigation into the extent of the variation in unit costs of different regulatory functions. CHSEO reasoned that scale-adjusted unit costs may vary between regulators because of the following factors:

- The 'task' faced by each regulator is different, due to varying complexity and/or regulatory force required
- The level of effectiveness that a regulator operates at may vary
- The level of efficiency that a regulator operates at may vary.

4.12 For their analysis, CHSEO assumed that effectiveness was constant, so by attempting to account for the degree to which each regulator's task varies, it was possible for CHSEO to examine each regulator's scale-adjusted efficiency.

Regulatory task

4.13 CHSEO considered the task facing each regulator using a number of metrics. These are the external factors that could influence the cost of regulation and may vary in their impact across the nine organisations in this study. These either related to the regulatory force required to regulate the profession(s) or the operational complexity of the task and include the following:

- Length of pre-registration education and training for each profession
- Frequency and extent of harm linked to profession
- The source of complaints received about the profession
- Number of professions regulated
- Maturity of profession
- Number of education providers
- Type of allegations made about impaired fitness to practise.

4.14 CHSEO used the metrics to examine how far they could explain the variation in scale-adjusted unit costs above and below the line expected. They looked at the total operating cost (overall) and five of the six core functions. Continuing fitness to practise was excluded as it would be difficult to compare the regulators' activity in this function due to the varying stages of development of this function.

Scope for efficiencies

4.15 CHSEO identified the 'stand-out' differences above or below the line in the 2010/2011 data. These variations are noted in the regulator summaries (below) and indicate theoretical scope for efficiency; that is, where we may have usefully looked for savings in 2010 if we had this analysis at that time.

4.16 CHSEO reported that it would be impractical to aggregate the savings that may be indicated by this analysis across all regulators, not least because among those who are operating ineffectively at present it is difficult to quantify the extra expenditure that would be needed to deliver effective regulation. However, to aid comparison with the opportunities for efficiency

savings offered through realising economies of scale, CHSEO calculated that annual scale-adjusted efficiency savings within a single regulator demonstrating greatest distance from the line overall and not explained by evidence of regulatory task would be around £650,000, based on 2010/2011 data.[8]

Areas of improvement, including legislative changes

4.17 The summary tables (below) also list actions taken and opportunities to improve cost effectiveness that regulators have identified themselves. Some of these are operational changes that have already been introduced. Others proposed by the regulators require a change in their primary legislation. Seven regulators submitted a list of proposed changes they would like to see made to their legislation under section 60 of the Health Act 1999.[9] While offering an opportunity to remedy problematic legislation, using a section 60 order to make a change to primary legislation is not a swift process and can take up to two years. Given the concurrent Law Commissions' review of legislation, the Department of Health indicated that they would need to be persuaded that amending the law now would be a proportionate course of action to take. The Department established criteria for CHRE to use to assess the merit of proposals put forward by the regulators. These were:

- The amendments are required to protect patients and the public
- The amendments will improve the efficiency and effectiveness of the regulatory body
- The amendments are consistent with overall Government policy
- The amendments do not pre-empt or contradict any proposals from the Law Commissions.

4.18 We have already advised the Department of Health where we believe these proposals fit with the criteria they have established in reports submitted between March and September 2012. The tables below highlight those changes we believe meet the Department's criteria and should feature in any forthcoming section 60 orders. The majority of proposals relate to fitness to practise amendments.

[8] These estimated savings do not include any up-front costs associated with transition.
[9] The HPC did not propose any changes, and the PSNI do not fall under the Section 60 legislation.

General Chiropractic Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GCC met the majority of the Standards of Good Regulation. We expressed concerns about weaknesses in performance relating to aspects of fitness to practise, and the management of risks associated with the practice of chiropractic by non-registrants. The GCC is taking steps to address these concerns.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Education & Training - no expenditure reported for year, unclear why but may relate to the small number of education providers leading to greater fluctuation year on year.

Fitness to practise - above unit cost expected line but caution due to size of organisation. Variation not obviously explained by metrics on regulatory force required, source of complaints, type of allegations, or financial means. Mix of allegations for GCC suggests this function would be more costly than average. Cases more are likely to reach the end stages of the FTP process, which would explain some of the variation. Would need to understand whether this high proportion of cases reaching final hearing is warranted or not.

Overall – above unit cost expected and not obviously explained by the regulatory metrics

Improvements – actions and opportunities

- Reduced annual registration fee in 2012 from £1000 to £800
- Taking steps to reform fitness to practise, using in-house expertise to draft allegations, present cases, and instruct counsel. Stop requirement for affidavit at investigation committee stage, greater use of videoconferencing for meetings to avoid lengthy delays, greater use of expert opinion at IC stage, to avoid unnecessary PCC hearing – predicted to save £380,000 per annum.

Proposals for legislative change

- Replacement of Investigating Committee with case examiners and an interim orders panel
- Replacement of the threshold test of ‘case to answer’ with ‘realistic prospect’
- Power for professional conduct committee to impose a Wasted Costs order.

General Dental Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GDC met all except two of the Standards of Good Regulation during 2011/2012. The standards that have not been met relate to its fitness to practise function. We are encouraged by the work that has been undertaken and look forward to seeing evidence of the impact of the improvement work.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Registration – appears to have been significantly above the line but this could be explained by metrics, as dentists may demand more regulatory force than the average profession, with the additional responsibility of specialist registers to maintain

Improvements – actions and opportunities

- Anticipated saving £2.4m in 2013, and £4m in subsequent years
- Greater use of digital communications, renegotiating contracts and changing suppliers
- Fitness to practise reforms including improving triage of complaints, reducing panel sizes, paperless working, case management, expert clinical input earlier in cases, introduce case examiners
- Changing size of council and sub-council governance structure.

Proposals for legislative change

- Introduce case examiners to reduce use of Investigating Committee.

General Medical Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GMC has maintained and in many ways improved its performance as an effective regulator across all of its regulatory functions. It does not yet meet one standard, around CPD and revalidation, but it has made significant progress in this area.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Registration – significantly above the line. Could be explained by metrics, as doctors may demand more regulatory force, with the additional responsibility of specialist registers to maintain and the cost of running Professional and Linguistic Assessment Board

Education & Training – an outlier, but the model is focused on pre-registration responsibilities and GMC have significant responsibilities for provisional registration period and for post-registration education and training (since the 2010 merger with the Postgraduate Medical Education and Training Board) which could explain the variance from the unit cost expected

Governance – GMC is significantly above the line expected, not obviously explained from metrics

Improvements – actions and opportunities

- Annual retention fee reductions in 2012, doctors with licence to practise from £420 to £390, doctors without a licence to practise from £145 to £140
- Three year efficiency programme in place, yielded savings of £8m in 2011, through expanded in-house legal service, reduced panel size from 5 to 3, daily transcripts threshold moved to 15 days from 11 days, in-house IT specialists, expenses policies on travel and subsistence, rent review, greater use of e-communications
- Future plans include business process improvement, contract renegotiations, relocate adjudication team, co-locate registration team with tribunal service staff, reduce council size.

Proposals for legislative change

- Include language proficiency among the categories of fitness to practise impairment
- Remove the test of fitness to practise at the point of transition from provisional to full registration
- Introduce a presumption of erasure for serious criminal convictions
- Powers to test the competence of doctors before returning them to unrestricted practice.

General Optical Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GOC has generally performed well and has met the majority of the Standards of Good Regulation, but, we have concerns relating to two standards for fitness to practise. We note that the GOC is already taking appropriate action to address these concerns.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Fitness to practise - below the line expected. GOC refer almost all cases to Investigating Committee, but refer fewer onto final hearing than others in this position

Improvements – actions and opportunities

- Annual registration fee reduced from £270 to £260, and low income retention fee from £170 to £160
- Plans to introduce case examiners, pending rule changes agreed with the Privy Council.

Proposals for legislative change

- Allowing the Fitness to Practise committee to impose an immediate order following a review hearing
- Contacting primary care organisations during investigations
- Delegation of Investigation Committee power to direct an assessment, and allowing referral for non-compliance with an assessment direction
- Complaints screening.

General Osteopathic Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GOsC has continued to perform effectively against the Standards of Good Regulation across all four of its regulatory functions and is now taking the opportunity brought about by the *Enabling Excellence* agenda to review its role in the development of the profession (the second of its statutory duties).

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Standards & Guidance – unit cost of around 4 times than that which would be expected of a regulator of this size, not obviously explained by metrics

Registration – unit cost above that which is expected, but caution because of the small numbers

Education & Training – below the unit cost expected, may be due to outsourcing

Fitness to practise - above the line expected – not obviously explained by reference to metrics on regulatory force required, source of complaints, type of allegations, financial means. Mix of allegations is more costly than average. Stand out factor is that more are likely to reach the end stages of the fitness to practise process

Overall – above the line unit cost, not obviously explained by the regulatory metrics

Improvements – actions and opportunities

- Registration fee reduced from £750 to £675 in 2012, with anticipation of further reduction in 2013 to c.£600 arising from ongoing review of costs
- Debate around balance of responsibility for profession development
- Proposing further legislative changes to make efficiency savings, including reducing size of Council
- Cloud computing initiative to reduce ongoing IT support costs.

Proposals for legislative change

- Allow powers to include within the remit of the Investigation Committee convictions for criminal convictions committed outside the UK
- Extend length of time Interim Suspension Order can be imposed
- Removal of lacuna in legislation in relation to interim suspension orders
- Abolishing the role of the screener and create new role of case examiner
- Provide power for administrative removal from the Register for those not cooperating with the fitness to practise process.

General Pharmaceutical Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

The GPhC has met all of the Standards of Good Regulation apart from one, which relates to the timely progression of fitness to practise cases. However, we consider that it is taking appropriate action to improve its case progression. We also have concerns about the GPhC's performance in consistently complying with the second Standard of Good Regulation for registration.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Education & Training – above the unit cost expected, but may be explained by the additional work in the pre-registration year and assurance associated with this

Fitness to practise – below the unit cost expected, explained perhaps by closure of cases before Investigating Committee

Improvements – actions and opportunities

- Renewal fees reduced in 2012, pharmacists from £267 to £240, pharmacy technicians from £120 to £108
- Reforms to fitness to practise to reduce costs, such as use of external legal experts, increased use of registrar in less serious cases, fewer investigating committee sittings
- Keen to end 'rolling register' through legislative change.

Proposals for legislative change

- Require evidence of English language competence from EEA applicants for registration
- Remove the detail which specifies registration expiry dates in legislation; and enable the Council to deal with these matters (including the 'rolling register') in rules, following consultation
- Increase the flexibility and efficiency of the initial stages of the fitness to practise procedure
- Requiring third parties to provide information about applicants for registration, as well as information about current registrants
- Require certain European pharmacist applicants and all European pharmacy technician applicants to meet the standards of proficiency for safe and effective practice of pharmacy prior to registration
- Removing the requirements to specify the intervals for routine inspections, and the circumstances for special inspections and other visits, in rules.

Health Professions Council	
Effectiveness – performance against Standards of Good Regulation in 2011/2012 Met the majority of standards of good regulation. We had concerns about performance against two of the standards but we are encouraged by the steps the HPC are taking to address these.	*Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)* **Standards & guidance** – HPC is significantly below the line. Potentially notable scale-adjusted efficiency **Governance** – HPC is significantly below the line expected, not obviously explained by metrics **Overall** – significantly below the unit cost expected
Proposals for legislative change The HPC did not submit any proposals for amendment of their legislation under a section 60 order or details of any plans to change their operational processes as they were focusing on the transfer of the regulator functions from the GSCC to the HPC and adjusting its operational processes. The Department of Health predicted that this transfer would save around £15–20 million each year.[10]	

[10] Paragraphs E77 and E78 included in the impact assessment that accompanied the Health and Social Care Bill 2011 looks at the savings from abolishing the GSCC: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsLegislation/DH_123583

Nursing and Midwifery Council

Effectiveness – performance against Standards of Good Regulation in 2011/2012

Although the NMC has met most of the Standards of Good Regulation we expressed concerns that six of the standards have not been met, and that there are weaknesses in performance when meeting a further two. Our concerns related to the NMC's education, registration and fitness to practise functions.

We are encouraged that the NMC has already recognised the need to focus on delivering real improvements in its core regulatory functions.

Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)

Standards – unit cost around 1.8 times what may be expected for an organisation of this size

Registration – below the unit cost expected – unclear whether this is efficiency or under resourcing

Fitness to practise – near the line, but regulatory force would anticipate that costs would be above it

Overall – below the line, but given the regulatory force required, would expect to be closer to the line, or even above it

Improvements – actions and opportunities

- Reforms to fitness to practise process, through more in-house investigations, legal assessors, direct referrals of interim order cases, earlier involvement of employers.
- Considering a move to online registration, and digital distribution of publications

Proposals for legislative change

- Use voluntary removal more widely, during investigation, when suspended (interim or substantive), subject to conditions of practice order
- Allow removal from one part of the register
- Allow removal of additional entries on the register
- Introduce case examiners to investigate and refer cases
- Registrar powers to deal with fraudulent or incorrect entries to the register
- Interim orders - reduce frequency of reviews hearings and allow orders to stay in place following remittance for a re-hearing
- Power to cancel hearings
- A single committee for fitness to practise
- Establishing a separate registrations appeal panel

Pharmaceutical Society of Northern Ireland	
Effectiveness – performance against Standards of Good Regulation in 2011/2012 The PSNI has maintained its performance as an effective regulator. It continues to meet the Standards of Good Regulation, to the extent that this is possible given the confines of its current legislative framework. We have concerns about inconsistent compliance with one standard for fitness to practise and have encouraged the PSNI to work with other agencies to review practice.	*Efficiency - Notable variation in scale adjusted costs according to CHSEO (2010-2011 operating cost analysis)* CHSEO made no comment on variation from the line of unit cost because of differences observed that limited the application of the model they had developed to the PSNI (see above and CHSEO report, page 20 for further discussion on this point).
Improvements – actions and opportunities The PSNI have been preparing for the substantial reforms to their governance, fitness to practise and continuing professional development functions arising from Pharmacy (1976 Order) (Amendment) Order (Northern Ireland) 2012.	

Discussion

4.19 These summary tables bring together effectiveness, efficiency and improvement ideas. Viewed collectively they reveal that:

- Across the core regulatory functions fitness to practise is the area with greatest room for improvement in effectiveness
- Variation above and below the unit cost expected by the CHSEO model can be explained by the nature of the regulatory task in some circumstances, but not all
- The regulators' reliance on legislative change to improve the efficiency of operations varies.

4.20 The CHSEO analysis also reflects what we noted in Chapter 3 about the variation in regulators' responsibilities and approaches to education and training, although we note the relatively small proportion of operating costs associated with this function.

4.21 We are pleased to see that action has been taken to improve how regulation is delivered among those regulators whose costs appeared above the unit cost expected by the CHSEO model. We are encouraged that those regulators who were assessed to be above the expected unit cost in CHSEO's model using 2010/2011 data have since taken action to reduce their registration fee.

4.22 We see that different regulators take different approaches to the use of the various levers available to improve cost-effectiveness and efficiency. The inter-regulatory initiative under the Directors of Resources is encouraging and we are hopeful that it may offer a collaborative means of improving the cost-effectiveness and efficiency of individual regulators as well as opportunities to demonstrate good practice more widely across the sector.

4.23 In terms of improvement activity, the focus on fitness to practise is understandable. *Enabling Excellence* highlighted this function as a candidate for improving cost-effectiveness. The data collected by CHSEO (see Table 3 and 4) shows how this function often demands the greatest share of resources. The nature of the improvement proposals indicates that the source of some of the demand is considered to arise from the nature of the legislative framework regulators must work within. However, this is not the only determinant, and we have observed through our performance reviews that operational processes and approaches to fitness to practise also influence the overall effectiveness and efficiency the delivery of this function.

4.24 Rule changes need external support to introduce and therefore take longer to implement. Section 60 order amendments to primary legislation require even more input from other agencies, notably the Department of Health, and it can be two years before changes are delivered. Therefore, while we have supported a number of proposals from regulators to change legislation on fitness to practise, with the effect of speeding up the decision making process and providing for resolution of cases outside a formal hearing where appropriate, we do not consider that this is the only route to improving cost

effectiveness, especially in the short term, and a willingness to learn and share good practice should be the norm.

4.25 These changes are predominantly focused on fitness to practise, but there are other changes that can help to improve effectiveness of regulatory bodies now, such as reducing board size. In 2011 we advised the Secretary of State on the question of effective board sizes for the health professional regulators. Following an assessment of literature and research we identified that boards with eight to 12 members were associated with greater effectiveness. At the time of the advice the health professional regulators councils ranged in size from 12 to 24 members. Since this time, the Department has taken steps to reduce the board sizes of the GMC, GDC and NMC to 12 members each.

4.26 It is important to note that the savings that may be realised from this reduction in board size are a consequence of the desire for more effective boards, rather than a reason for the change of policy direction. One of the consequences of our advice will be some benefits to the cost-effectiveness of regulators, through a reduction in the costs associated with recruiting and remunerating the council. The overall cost savings from these proposals cannot be estimated until the final board size has been determined, but the DH have already estimated that the GMC and GDC will save 16-19% of the costs of the appointment campaigns.[11] In July 2012 the GMC indicated that they will save £90,000.

4.27 Finally, we note that five regulators have taken steps to reduce their registration fees. Any recommendations we make in this report must respect these changes. Furthermore, it would also be inappropriate for us to recommend fee reductions for others when they are involved in important work to maintain or enhance their effectiveness. Therefore we will focus on broader themes in our recommendations in Chapter 5 rather than a detailed list of specific changes that the regulators should make over the next three years. This approach is consistent our emphasis on regulatory outcomes, respecting individual regulators' ownership and responsibility for their own operations and processes.

[11] Analysis carried out by DH shared with CHRE.

5. Analysis and recommendations

5.1 Each regulator is responsible for resourcing their work appropriately. The registration fee funds the work that allows regulators to fulfil the threefold purpose of professional regulation:

- Protection of the public
- Declaring and upholding professional standards
- Maintaining public confidence in the profession and the regulatory process.

5.2 The cost-effectiveness and efficiency of regulators means balancing the level of the registration fee charged on registrants with the actions necessary to fulfil the statutory functions outlined in regulators' legislation. As part of this balance, we need to feel confident that the registration fee charged by regulators is being used to support effective regulation in an efficient manner. This is in the context of the limits of regulation. We know from the work we commissioned on the impact of regulation on health professionals' behaviour that there are limits to regulation's ability to protect the public, so we must anticipate an upper limit to a registration fee. However, professional regulation is not a 'free good', and public protection demands some investment to support the delivery of core regulatory functions stipulated in regulators' legislation, so there would be a theoretical minimum to the fee, too.

5.3 Within these limits, it is widely expected that registration fees will be appropriately spent by regulators, and during this work third parties expressed to us their expectation that improvements in the interests of cost-effectiveness will be actively pursued by regulators. Economies of scale play a part, as we have seen, but this is not the only factor and others are influential such as the regulatory force required, legislative constraints and operational processes.

Levers for change

5.4 There are a range of levers available to improve regulatory operations in the interests of cost effectiveness and efficiency. In every instance it is essential that regulators consider the range of actions at their disposal to maintain and improve their effectiveness, and the time needed to introduce more cost-effective and efficient ways of working. It may be that the outcomes being demonstrated by an individual regulator indicates that a change in operational approach is necessary to improve the delivery of a particular aspect of work.

5.5 Changes to rules and legislation take longer to implement. Looking ahead, any section 60 order amendment is not likely to be operational for approximately two years. Therefore, while these proposals for legislative change will lead to improvements in regulation, they will not be felt for some time. Therefore, we will expect that regulators do all they can to improve their processes and demonstrate good practice through more timely interventions that do not rely on legislative change. This includes such actions as on-going

reviews and audits of processes, thorough quality assurance and elimination of errors, working and collaborating with others to share good practice, amending rules where necessary, with support of the Department.

5.6 While we can expect targeted and proportionate legislative amendments through a section 60 order will help to protect the public and allow regulators to deliver more cost-effective and efficient regulation, it is not the only solution. Any plans to introduce change through a section 60 order should be matched by clear strategic and business planning within regulators to allow them to exploit non-legislative opportunities while legislative amendments are being progressed.

5.7 Taking a sector-wide view of the need for changes to primary legislation, we consider there is value in a section 60 order now, in the context of the on-going Law Commission review, to facilitate wider sharing of established good practice in regulation. This would allow adoption of good practice to address issues that have been highlighted through our scrutiny and oversight work over the last few years.

Considering collaboration and cooperation

5.8 CHSEO analysis identified that most economies of scale are realised at around 100,000 to 200,000 registrants. For those regulators with smaller registers, other approaches such as collaboration and cooperation may need to be explored. There are striking similarities between the regulators, for all their differences. These similarities are clearly seen by third parties and instinctively they represent a source of potential efficiency savings. CHSEO's analysis indicates that there would be scope to reduce annual operating costs if regulators cooperated across functions, or in a more widespread manner.[12] Sharing back office functions is often cited as a potential source of savings and the original commission asked us to consider the Department of Health's Arm's Length Body review work to rationalise and deliver efficiencies in back office functions. The Department's review, published in July 2010, identified that integrated business support functions would allow greater efficiencies and economies of scale across the ALB sector. It was suggested that this would yield initial savings in the first 12-18 months.

5.9 However, we are cautious. Shared services schemes have not always delivered the predicted savings and may lead to some organisations incurring greater costs under the shared arrangements than they previously had to bear. Across organisations with different functions and duties the extent of potential overlap and possible integration in the interests of greater cost-effectiveness may be limited to common activities, ie back office functions. However, among organisations of a similar function, such as the regulatory bodies, we may consider a wider approach when seeking efficiencies and increased cost-effectiveness, adjusting for the variation in the size and nature of a function. Our analysis based on regulatory functions offers a different outlook on the issue of cooperating and collaborating, building on the greater similarities between the nine regulators than simply so-called 'back office'

[12] Please note that their analysis did not include the cost of any change programme to alter the delivery of functions and this should be accurately estimated in any options appraisal.

functions. In these circumstances it is encouraging that regulators are working together through the Directors of Resources group to explore opportunities to work together and share good practice.

5.10 In the short term any action of this nature will depend on the willingness of individual regulators, as independent organisations, to work together. In the longer term this is something that could be usefully supported by the work of the Law Commissions in new legislation for this sector, providing a framework to support the delivery of shared functions or services in practice.

Recognising the role of third parties

5.11 Right-touch regulation calls on the variety of agencies involved in healthcare to focus on their core role and responsibilities that contribute to the delivery of high-quality care. It recognises that third parties make an important contribution to the effectiveness and efficiency of the regulators. For example:

- Effective and efficient fitness to practise requires pre-hearing case management. If parties fail to engage with this process, it can lead to increased costs of this function. The willingness of registrants and their defence organisations are necessary for pre-hearing case management to succeed. Supporting the use of pre-hearing case management meetings with costs provisions for non-compliance may help to improve the overall effectiveness and efficiency of fitness to practise
- Complaints from service users and the public that are well handled at a local level by employers and service providers may be less likely to be escalated to regulators, reducing demand for resources
- Arguments for student indexing and registration seek to shift responsibility and cost for establishing and maintaining registers to regulators, who are not well placed to manage these risks, and away from the education providers who are.

5.12 The initial findings from CHSEO on indirect costs are helpful, but the survey limitations mean that we need to do more to understand the costs of complying with the requirements of the nine regulators in this study. Such data would inform discussions about good practice, reflecting the significant contribution made by service users and the public, employers, professional bodies, registrants and education providers to the regulatory system and inform discussions about cost effective regulatory practice.

Recommendations

5.13 We have identified the following recommendations for regulators, the Department of Health and the Law Commission simplification review:

Recommended good practice for regulators

- Regulators should maintain an overview of the sector they are regulating and use this knowledge to influence their strategic planning and resourcing. Over time, the risks associated with public protection and the

demand for regulatory action can change, as seen by the increase in complaints about fitness to practise

- Cost-effective and efficient working demands accurate management information based on data that is meaningful, that informs comparison over time, and is proportionate to the purpose for which it is collected
- In the interests of transparency regulators should report publically on how they allocate and spend registration fee income
- Regulators should share regulatory good practice in the interests of more effective and efficient operations.

Recommendations to the Department of Health

- We recommend that the Department commences work on a section 60 order to allow for the adoption of good practice more widely across the regulatory bodies. Using a section 60 order now would also mean that particular inefficiencies within individual regulators may be eliminated without any detrimental impact on public protection and without the need to wait for the Law Commissions' draft bill. It is our view that any section 60 order should prioritise those changes necessary to facilitate the adoption of existing good practice more widely, rather than those that seek to develop innovation in regulatory practice, given the Law Commissions' concurrent review. The Department may consider that it is possible to support the swift delivery of these changes via primary legislation.
- We recommend that this cost effectiveness analysis is repeated in two years' time. This will help to maintain the focus on the cost-efficiency of regulatory operations, and allow for the impact of the current improvement activities to be assessed and evaluated.[13] We also recommend that the scope of a future project is extended to allow for more thorough analysis of the compliance costs associated with this sector, anticipating that these may increase with the introduction of continuing fitness to practise schemes. Future work could also usefully investigate whether the cost of more active regulatory interventions (such as revalidation) offset expenditure on reactive interventions (such as fitness to practise). Early commitment to a follow-up study would allow a more consistent cost reporting dataset to be established, which would help to address a recommendation arising from CHSEO's report.
- Regulators made a number of proposals for section 60 order changes that we supported in principle but did not recommend to the Department as they related to subjects under discussion in the Law Commission review. We recommend that, should there be for any reason significant delays in the progress of the Law Commission's legislative proposals, the Department provides an opportunity to revisit those proposals, in the interests of cost effective and efficient regulation.

[13] This could include evaluation of the savings yielded by the transfer of regulatory functions from the GSCC to the HCPC.

Recommendations to the Law Commission

- The legislative framework is fundamental to professional regulation and therefore the current simplification review being undertaken by the Law Commission has an influential role in setting the context for future delivery of high-quality regulation. The focus on cost effectiveness should be embedded in the Law Commission's approach to new legislation, and in the new statute itself.
- The challenge we experienced in gathering comparable data for this project to allow CHSEO to analyse scope for efficiencies leads us to recommend to the Law Commission that consideration is given in their review to allow for consistent data sets to be collected and reported by the regulators. This could be achieved for example through common definitions of key points in the fitness to practise process, for example, or origins of complaints
- The new statute should also allow regulators the opportunity to develop efficient approaches to delivering their regulatory functions; for example, registration should include provision for registration periods of more than one year, without the need to amend original legislation through a section 60 order
- The new statute should be clear on the role and purpose of statutory regulation to avoid confusion with roles that sit elsewhere, in line with right-touch regulation.

Conclusion

5.14 This has been a useful exercise. Just as our annual performance reviews offer the opportunity for a sector-wide view of effectiveness and a chance to identify good practice, so this project allowed us to take a different view across the regulatory bodies and identify where there may be scope to improve. We have examined the operating costs of regulators and the levers that are available to maintain a cost-effective and efficient approach to regulating health professionals and CHSEO's analysis has uncovered new perspectives on this issue. Improving cost-effectiveness and efficiency of regulation is a multi-faceted undertaking. The obligation is on the regulators to collect just enough through the registration fee to deliver their regulatory functions effectively. We are encouraged by the savings achieved to date, and those that are anticipated for future years.

5.15 However, the urge to deliver efficiency savings must not lead to a fall in the quality or effectiveness of regulators' performance. The analysis completed as part of this project has indicated that one regulator has underfunded its regulatory activity in the past. We understand this is now being addressed, but we would be extremely concerned if this situation ever arose in the future. The pursuit of savings for registrants must not be at the expense the necessary resourcing of public protection and the delivery of good regulation.

6. Annex A: commissioning letter

Quarry House
Quarry Hill
Leeds
LS2 7UE

7 June 2011

Harry Cayton
Chief Executive
Council for Healthcare Regulatory Excellence
157-197 Buckingham Palace Road
London
SW1W 9SP

Dear Harry

In accordance with section 26(7) of the NHS Reform and Health Care Professions Act 2002, I am writing on behalf of the Secretary of State to ask the CHRE for advice on the matter outlined below. We would appreciate an **interim update on progress to officials by the end of August 2011** and a final report by **December 2011.**

We understand that CHRE has agreed processes for the development of advice. We would request that the work take into account the differing systems in operation across the UK that impact on regulation of the healthcare professions.

The focus of this advice is look at the efficiency and effectiveness of regulators in delivering a high quality regulatory regime. This would build on CHRE's experience and take account of any work that the regulators have in hand which is likely to deliver improvements.

It will be used to inform the development of a vision of what a modern cost effective and efficient regulatory system looks like for the health professional regulators. As such it should be seen as complementary to the ongoing Law Commission Review and should not duplicate the work being undertaken there. In light of this, any recommendations should be clearly identified as legislative and non-legislative in their nature. Where legislative proposals are made we will need to consider the fit with any emerging thinking on the part of the Law Commission. As such, it would be helpful if CHRE could liaise with the Law Commission before drawing up its final report.

It would assist the Secretary of State, if the Council could, in presenting the advice:

(i) take account of the views of the patient and public representative groups, Regulatory Bodies referred to in section 25(3) of the 2002 Act, and healthcare practitioners and their employers;

(ii) provide evidential detail including a range of qualitative and quantitative evidence demonstrating that the exercise considered impact on equality; and

(iii) clearly indicate in the advice the opinions of each of the groups with whom CHRE engaged and of the Devolved Administrations.

We suggest the work could progress through three key phases:

1. Following review of earlier CHRE work such as the 2009 report on Shared Functions and the work that is in hand to identify points of learning from the proposals for OHPA, review what scope there is to improve the cost-efficiency and effectiveness of each regulator within the CHRE's remit. We anticipate that this will also draw on and where relevant, make appropriate links to learning from the review of the Department's arms lengths bodies back office functions.

2. Identify for each regulator areas where significant cost reductions could be secured over the next three years.

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3. Setting out detailed advice to Ministers on CHRE's view of the reforms needed, including the relevant priority of any proposed reforms to deliver greater cost effectiveness and efficiency across the health professions' regulatory bodies. This should include the matters raised under paragraph 3.14 of *Enabling Excellence* in relation to the case for moving to smaller councils. This advice should take account of good practice and also consider what scope there is for appropriate harmonisation across the regulators. Detailed advice should be submitted by December 2011, with an interim update on progress to officials in August 2011. The interim report should include any indicative recommendations that have been identified by that point.

We would welcome sight of the proposed plan for delivery of the advice at the earliest opportunity.

We will agree with CHRE resources required for this work before the work commences and support the necessary business cases required by Government.

I am copying this letter to Chief Executives of the other healthcare regulatory bodies.

Yours Sincerely

Matthew Fagg
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Centre for
Health Service Economics
& Organisation

Cost-efficiency review of the health professional regulators

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Report No. 4, November 2012

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Table of contents

This report has seven annexes which are presented in a separate document. The contents of these annexes is presented on the next page.

Table of contents (Annexes, see separate document)

1. Executive summary

The statutory regulation of healthcare professionals costs about £200 million a year to operate.

The Government maintains an interest in the efficiency and effectiveness with which the system operates because:

- professional regulators possess a degree of monopoly pricing power in the charging of fees to registrants – i.e. statutorily registered professionals must be registered as a condition of practice and cannot exercise choice either about whether they wish to be registered or whom they wish to be registered with;
- recent pay restraint for some healthcare professionals (particularly those operating in the NHS) may have limited registrants' ability to pay fees for registration and renewal; and
- taxpayers make an implicit contribution to the cost of the system, because registration fees are tax deductible and because regulators receive a degree of grant funding and certain small tax concessions – the percentage split in the burden of running costs is estimated to be about 70% borne by registrants and up to 30% by taxpayers.

This report presents information collected from the UK's 9 statutory regulators to compare unit operating costs across a core set of 6 regulatory functions, in order to comment on the potential for significant efficiency savings to be realised.

In addition, it includes information collected directly from registrants and education & training providers to estimate the compliance costs imposed by regulators on third parties. This is done in order to determine whether regulators operate efficiently merely by shifting costs onto others.

The key findings from this report are summarised under the following three headings.

1.1. Economies of scale

- There is evidence to suggest that regulation of healthcare professionals exhibits economies of scale.
- On average, a doubling of the registrant base is associated with a 19% decrease in unit operating costs.
- Most scale economies appear to be realised once regulators achieve a registrant base of around 100,000 to 200,000.
- Economies of scale appear to be prevalent across each of the core regulatory functions, although the degree and strength of the relationship varies: the assurance of education & training providers and the setting of professional standards exhibit the strongest scale economies, whereas the unit operating costs of processing fitness to practise complaints appear to be least influenced by scale.
- Experiments to illustrate the potential savings that might be realised, through consolidation of entire regulators or specific functions within them, indicate the following potential annual savings:
    - consolidation of two small regulators: £0.6m;
    - consolidation of one small regulator with a large regulator: £1.2m;
    - consolidation of two small regulators with a large regulator: £2.5m; and
    - consolidation of a specific function (education and training) across three medium sized regulators: £1.1m.

- It should be noted, however, that the above estimates do not take into account any potential upfront or transition costs associated with consolidation, which may be significant.

1.2. Scale-adjusted efficiency

- By controlling for the influence of scale, it is possible to calculate scale-adjusted unit costs.
- 'Scale-adjusted' unit costs may vary because:
    - the 'task' faced by each regulator is different, due to varying complexity and/or regulatory force required;
    - the level of effectiveness that a regulator operates at may vary; and
    - the level of efficiency that a regulator operates at may vary.
- By attempting to account for the degree to which each regulator's task varies (and by assuming that effectiveness is constant), it is possible to comment on each regulator's scale-adjusted efficiency.
- There is evidence to suggest that some of the variation in scale-adjusted unit operating costs can be explained by variation in 'task'.
- However, there remain some deviations that cannot be easily explained in this way. It is suggested that further investigation is required in order to determine whether such deviations can be explained by: a) a different level of effectiveness (and, if so, whether this is desirable from the point of view of value for money); and/or b) a different level of efficiency (and, if so, what specific processes are driving apparent under-/over-performance).
- For the regulator with the largest (positive) deviation in unit operating costs that cannot be explained by their task, reducing their unit operating costs to a level that might be expected of a regulator of the same size and task is estimated to deliver savings of about £0.65 million. This is of similar magnitude to the merging of two small regulators (referred to above).
- It should again be noted that the above estimate does not take into account any potential upfront or transition costs associated with the adoption of best practice, which may be significant.

1.3. Compliance costs

- Compliance costs imposed on registrants and education & training providers are estimated to be equivalent to around one fifth of the total operating costs, or about £37.5 million a year.
- There is no clear evidence to suggest that regulators achieve low unit operating costs by shifting the burden to registrants and education & training providers.

2. Introduction

2.1. Context

There are nine statutory regulators of healthcare professionals operating in the UK. A list of these regulators, along with the professions that they regulate, can be found in Annex 1. Their primary focus is patient safety and the protection of the public and, more specifically, their responsibilities can be divided into the following core regulatory functions (taken from the CHRE annual review of regulators' performance[1]):

- Standards and guidance;
- Registration;
- Education and training; and
- Fitness to Practise (FtP);

plus a further two functions, capturing:

- Continuing Fitness to Practise (Continuing FtP)[2]; and
- Governance.

The system of statutory regulation of healthcare professionals costs (in 2010/11 prices) about £200 million a year to operate. The Government maintains an interest in the efficiency and effectiveness with which the system operates because:

- professional regulators possess a degree of monopoly pricing power in the charging of fees to registrants – i.e. statutorily registered professionals must be registered as a condition of practice and cannot exercise choice either about whether they wish to be registered or whom they wish to be registered with;
- recent pay restraint for some healthcare professionals (particularly those operating in the NHS) may have limited registrants' ability to pay fees for registration and renewal; and
- taxpayers make an implicit contribution to the cost of the system, because registration fees are tax deductible and because regulators receive a degree of grant funding and certain small tax concessions – the percentage split in the burden of running costs is estimated to be about 70% borne by registrants[3] and up to 30% by taxpayers (see Annex 2).

Enabling Excellence, the Command Paper published by the Department of Health in February 2011[4], commissioned the Council for Regulatory Excellence (CHRE, the body that oversees the nine statutory regulators), 'to lead a sector-wide review of the cost-efficiency

[1] Performance review report, Changing regulation in changing times 2010/11; see http://www.chre.org.uk/_img/pics/library/110623_Final_-_CHRE_Performance_Review_report_2010-11_%28Colour_for_web_-_PDF_version%29.pdf

[2] This function covers activities relating to the on-going assessment of registrants' performance, such as monitoring compliance with Continuing Professional Development and planning for the introduction of periodic revalidation.

[3] In some instances, the cost of paying fees associated with registering with a particular statutory regulator is passed from the registrant to the employer – i.e. either in the form of the employer directly paying the fee on behalf of the registrant or indirectly through the annual wage negotiation process. Since the extent to which this practice occurs is not known (and the associated tax implications are hard to discern), the estimation of the implicit taxpayer contribution is made on the assumption that registrants meet the cost of fees.

[4] See http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_124359, paragraph 2.6, page 11

and effectiveness of each regulator within CHRE's remit, with a view to identifying significant cost savings'.

This report has been prepared to support CHRE in responding to this commission. It follows an analytical approach to comparing expenditure across each of the regulators, with a view to quantifying possible efficiency savings.

This is the first time that a review of the cost-efficiency of the health professionals' regulators has been formally conducted. The absence of an established process for collecting and comparing expenditure incurred by the regulators, using a consistent set of standards and data definitions, has required data to be collected specifically for the purpose of this review. While efforts have been made to establish clear and consistent definitions and to validate the submitted data against other sources, much of the data analysed in this review has been self-reported by the regulators (submitted to tight timescales) and is therefore potentially subject to a degree of reporting error. However, sensitivity analysis has been conducted, where possible, to test the robustness of the report's key analytical findings.

Furthermore, observing expenditure across just nine organisations has necessarily limited the sophistication of the analytical techniques adopted.

The analysis that follows represents a predominantly desk-based review of self-reported data. The aim of the analysis is to identify the stand-out differences in relative cost-efficiency across regulators at a particular point in time. As such, it does not comment on the absolute efficiency of any particular regulator or of the system as a whole – merely whether there is evidence that some regulators appear to operate more efficiently than others.

In addition, since this review observes regulators at a single point in time – i.e. the year 2010 or its closest annual equivalent – it does not reflect any changes in relative efficiency since then, nor any proposed future changes.

2.2. Structure of the report

More specifically, the purpose of this report is:

- to identify whether scale economies exist in the regulation of healthcare professionals, and where appropriate, to estimate the potential for efficiency savings to be realised through consolidation;
- to provide an initial benchmarking of regulators to help identify areas where efficiency savings may be realised through the adoption of best practice;
- to estimate the key compliance costs imposed on individuals and organisations by the system of professional regulation; and
- to establish an analytical framework for possible future iterations of this review.

Section 3 of this report, describes the approach taken to collect operating expenditure in order to produce a set of *unit* operating costs by regulator for each of the regulatory functions.

Section 4 uses the operating expenditure collected to explore the relationship between unit operating costs and scale of operation, by regulator and regulatory function.

Section 5 controls for the scale effects identified in Section 4 and comments on regulators' 'scale-adjusted efficiency' at overall level and for each regulatory function by attempting to control for variation in regulatory 'task' across regulators.

Section 6 describes the approach taken to estimate the key compliance costs imposed by regulators on third parties (i.e. registrants and education and training providers) with a view to establishing the total size of compliance costs imposed and whether regulators that appear to be efficient from an operating expenditure point of view achieve such apparent efficiency by transferring costs onto other parts of the system.

Section 7 summarises the report's main findings and makes some recommendations for further work.

The general format of the report includes core analysis and key messages within the main body of the report, with further detail included within a number of annexes.

3. Operating Costs

3.1. Introduction

The purpose of this section is to describe the approach adopted in arriving at a set of data, relating to the operating costs of regulating healthcare professionals, that can then be compared and analysed on a consistent basis in the main sections of this report – i.e. sections 4 and 5.

Each of the nine statutory regulators of the UK's healthcare professions are required to publicly report their annual expenditure incurred in carrying out their regulatory duties. For the year 2010, or its nearest equivalent, this data is shown in the table below.

Table 3A: Total operating expenditure by regulator, 2010/11

Year	Start of financial year	Regulator	Total expenditure
2010/11	01-Apr	NMC	£44,716,000
2010	01-Jan	GMC	£87,342,000
2010/11	01-Apr	HPC	£16,257,000
2010	01-Jan	GDC	£26,796,000
2010/11	01-Apr	GPhC	£8,339,000
2010/11	01-Apr	GOC	£5,156,909
2010/11	01-Apr	GOsC	£3,030,577
2010	01-Jan	GCC	£2,971,547
2010/11	01-May	PSNI	£870,966
Total			**£195,479,999**

Source: Regulators' Annual Reports

Commenting on relative efficiency by comparing the total expenditure of each regulator would not only be crude, but also inappropriate, for the following reasons:

1. Not all regulators are required to carry out the same regulatory functions. For example, some regulators are required to register businesses as well as individual healthcare professionals.
2. Regulators choose to report their expenditure by regulatory function either in different ways, or not at all.
3. Regulators do not regulate the same volume of professionals.
4. Regulators do not regulate the same professions.

3.2. Data collection

To overcome the first two issues, data was collected from each regulator using the Operating Expenditure Template presented in Annex 3.1. The purpose of this exercise was to enable expenditure (in a common set of core functions) to be summarised at a high level, excluding (as far as possible) expenditure on non-core functions – i.e. those functions not carried out by all.

(The Operating Expenditure Template was also used to collect some information used to interpret variation in scale-adjusted unit costs, presented in more detail in Section 5).

To overcome the third issue, expenditure has been calculated per registrant to provide a unit operating cost for each core function and each regulator. This is done by dividing expenditure in a particular core function (or overall) by the number of registrants regulated (or, in some instances, a more appropriate denominator of scale). Unit operating costs and their relationship to scale is explored further in Section 4.

The table below presents data on the number of registrants at the end of 2010 (or nearest equivalent), submitted by each statutory regulator through means of the Operating Expenditure Template.

Table 3B: Number of registrants by regulator, 2010/11

Regulator	Number of registrants	As at (date)
NMC	662,417	31-Mar-11
GMC	239,253	31-Dec-10
HPC	215,095	31-Mar-11
GDC	95,463	31-Dec-10
GPhC	62,825	31-Mar-11
GOC	18,582	31-Mar-11
GOsC	4,456	31-Mar-11
GCC	2,663	31-Dec-10
PSNI	2,103	30-Apr-11

Source: Completed Operating Expenditure Templates
GOC figure excludes students and bodies corporate

The fourth issue – that of heterogeneity of professions – is explored further in Section 5 of this report.

3.3. Quality assuring the submitted data

Since the data submitted by regulators through means of the Operating Expenditure Template was self-reported, a degree of quality assurance of the returns was undertaken in order to identify obvious issues or possible inconsistencies.

Total expenditure and total number of registrants were reconciled to published sources. In addition, the percentage split between direct and overhead costs , the percentage shares of expenditure across functions and the method of overhead apportionment across regulators were examined for consistency. Regulators were asked to explain significant anomalies.

3.4. Removing 'non-core' activity

Expenditure incurred in the regulation of main registrants (i.e. not including the regulation of students and/or businesses) in the following six functions was defined as 'core':

- Standards and guidance;
- Registration;
- Education and training; and
- Fitness to Practise (FtP).

(These function headings are taken from CHRE's annual review of regulators' performance[5]).

Plus additional functions for:

- Continuing Fitness to Practise (Continuing FtP); and
- Governance.

Exceptional, one-off items of expenditure incurred in the year being analysed were also removed.

Finally, expenditure reported under a function described as 'Other' was either re-allocated directly to one of the six core functions listed above or added to overheads and apportioned in the same way as all other overheads.

The following table details the impact of excluding non-core expenditure and exceptional items on the unit operating costs of the nine regulators.

Table 3C: Summary of adjustments made to operating expenditure submitted by regulators

2010, 2010/11	**Total expenditure per registrant (derived from Tables 3A and 3B) £**	**Total expenditure per registrant (minus exceptional, one-off items and non-core activities)* £**	**% change**	**Reason for adjustment**
NMC	68	68	0%	
GMC	365	368	1%	Reversal of a provision not fully offset by the costs of merging with PMETB
HPC	76	76	0%	
GDC	281	278	-1%	'Compensation payouts'
GPhC	217 (1)	165	-24%	Transition costs associated with the transfer of functions from the RPSGB and regulation of premises
GOC	209 (2)	192	-8%	Regulation of students, regulation of Bodies Corporate and the costs of a major restructuring
GOsC	711 (3)	711	0%	
GCC	1,116	721	-35%	Costs associated with letting out a significant share of meeting room space and the costs of processing Claims Complaints
PSNI	414	340	-18%	'Professional body' functions and regulation of premises

(1) Unaudited expenditure data for year commencing 1st September 2010.
(2) Includes expenditure on students and bodies corporate and registrant numbers for these groups and excludes IT capital expenditure reported in error as revenue expenditure in the 2010/11 Annual Accounts
(3) Expenditure includes 'designated spending' of £138,870
* Source: Completed Operating Expenditure Templates

[5] Performance review report, Changing regulation in changing times 2010/11; see http://www.chre.org.uk/_img/pics/library/110623_Final_-_CHRE_Performance_Review_report_2010-11_%28Colour_for_web_-_PDF_version%29.pdf

Table 3C above is not only helpful in setting out the impact of regulator-specific adjustments, it also reveals that making even quite significant amendments – up to a 35% reduction - to the reported figures in order to arrive at a more consistent set of data does not significantly alter the rank order of regulators in terms of their unit operating cost.

This suggests that even if there remain differences in the way regulators have allocated expenditure to particular functions or classified overheads, this is unlikely to significantly alter the distribution in unit operating costs across regulators.

3.5. Other sensitivity analysis – business premises

Another possible distortion to operating expenditure figures submitted by the regulators is the variable arrangements each have in terms of the business premises they occupy. For example, some regulators own their premises outright (whether through donation or through a mortgage they have repaid in full), some are repaying debt used to buy their premises, while others are renting through either a short or more long-term leasing agreement.

Sensitivity analysis was undertaken to estimate the impact of different premises arrangements on regulators' reported expenditure. The value of fixed assets (land and buildings) reported in each organisation's Annual Accounts was used to impute an equivalent annual mortgage repayment. The details of this are shown in Annex 3.3. Again, the implied impact on regulators' unit operating expenditure does not alter significantly the distribution of unit costs across regulators.

3.6. Table of unit operating costs by regulator and function

The adjustments to regulators' submitted expenditure summarised in Table 3C above, can be combined with the re-allocation of 'Other' expenditure to the core functions to produce a table of unit operating costs (per registrant) by regulator and function (see Table 3D). These figures form the basis of the analysis presented in Sections 4 and 5.

The far right column of Table 3D presents overall unit operating costs across the regulators as a whole. It is equivalent to an average of the unit costs of the individual regulators weighted by each regulator's number of registrants. It is important to note that the overall expenditure per registrant shown in the table is based on the current configuration of regulators, with varying registrant bases.

3.7. Theoretical determinants of unit operating costs

Since unit operating costs form the basis for the analysis contained within this report it is helpful, at this stage, to provide an overview of those factors that theoretically determine unit operating costs:

- scale – a lower unit operating cost might be expected to be achieved at a greater scale of operation;
- 'task' – a more costly regulatory 'task' might be expected to lead to a higher unit operating cost;
- effectiveness – a higher level of effectiveness in performing regulatory functions might be expected to lead to a higher unit operating cost (on the assumption that higher quality is usually associated with higher cost); and

- ‘scale-adjusted’ efficiency – a higher level of efficiency, having accounted for the influence of scale on unit operating cost, might be expected to lead to a lower unit operating cost.

These issues are explored in more detail in the remainder of this report, particularly in Sections 4 and 5.

Table 3D: Unit operating costs by core function and regulator, after adjustments (listed in Table 3C) and re-allocation 'Other' expenditure

		Regulator									
		NMC	**GMC**	**HPC**	**GDC**	**GPhC**	**GOC**	**GOsC**	**GCC**	**PSNI**	**Overall**
Function	**Standards**	£5.30	£5.82	£2.94	£6.09	£6.39	£9.77	£131.65	£25.18	£23.49	£5.68
	Registration	£11.18	£64.48	£15.68	£63.06	£33.55	£31.81	£141.60	£104.07	£47.16	£27.58
	Education & Training	£2.66	£20.28	£6.87	£12.60	£21.53	£24.11	£52.52	£0.00	£56.60	£8.79
	FTP	£41.83	£244.37	£45.25	£179.10	£73.43	£73.30	£205.53	£409.75	£65.90	£92.97
	Continuing FTP	£0.54	£11.50	£0.41	£2.91	£10.20	£19.36	£75.14	£73.63	£103.78	£4.01
	Governance	£5.99	£21.93	£4.43	£14.61	£19.52	£33.87	£104.83	£108.37	£43.15	£10.95
	Total	£67.50	£368.39	£75.58	£278.36	£164.62	£192.22	£711.28	£721.00	£340.07	£149.98

Source: Completed Operating Expenditure Templates

4. Scale analysis

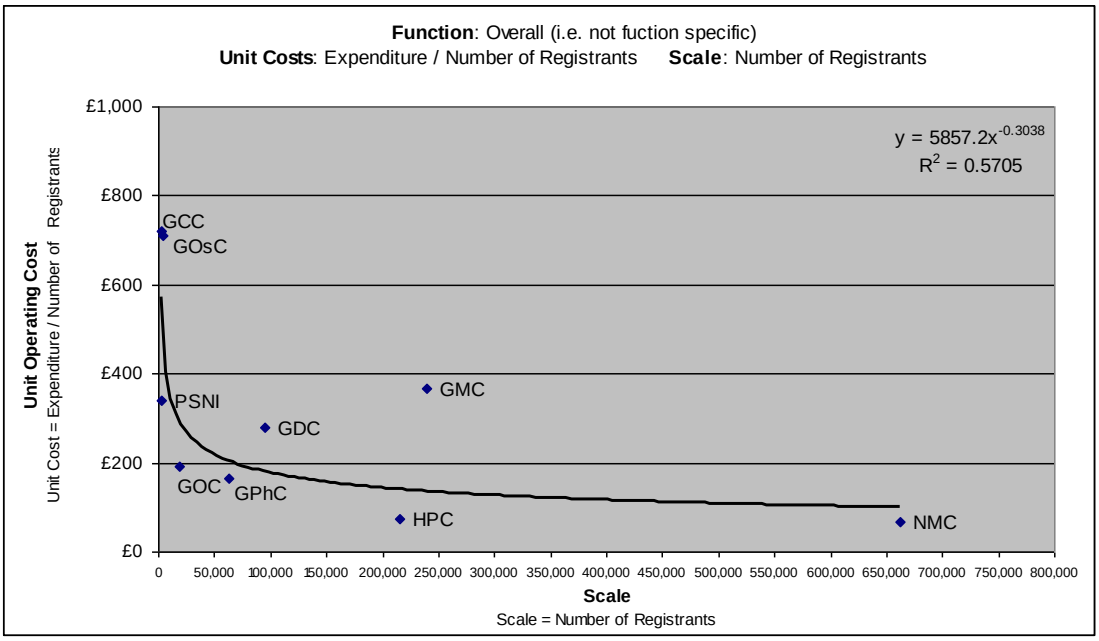
The purpose of this section is to explore whether there is evidence of a relationship between regulators' unit operating costs and their scale of operation, and if so, to quantify the strength of that relationship.

4.1. Scale economies

4.1.1. Overall level

Chart 4A plots each regulator's overall unit operating costs (expenditure per registrant - see Table 3D, Section 3) against the size of the regulator (number of registrants, see Table 3B, Section 3).

Chart 4A: Unit operating costs against scale



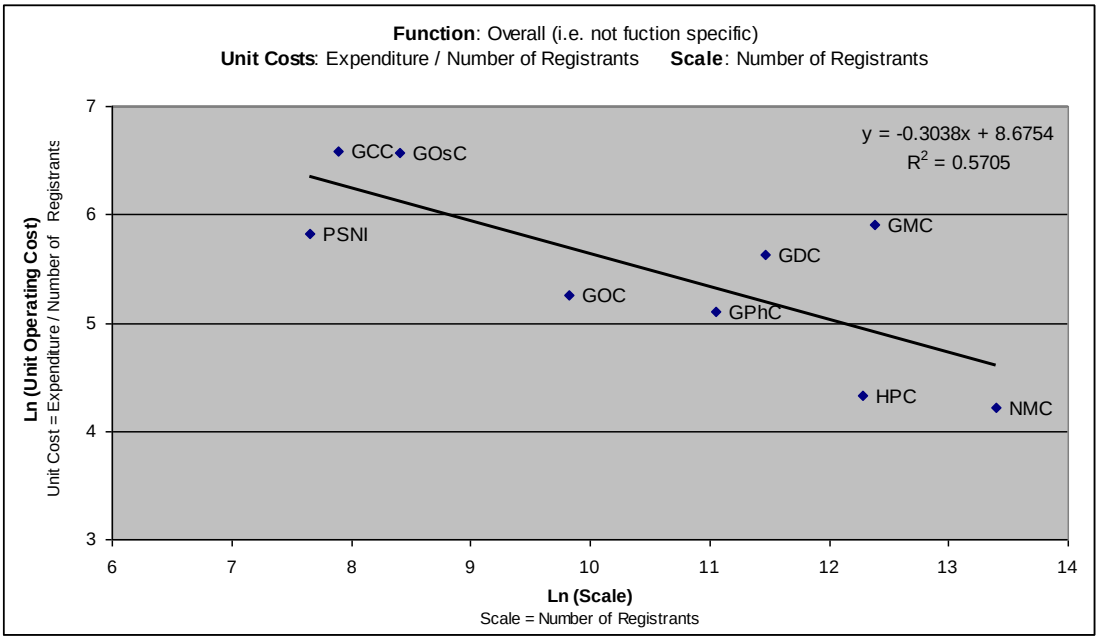
There are only nine data points, therefore this chart needs to be interpreted with caution. However, the chart indicates that there do appear to be significant scale economies – as a regulator's size (number of registrants) increases, unit operating costs decrease. The shape appears to be a 'power' relationship (see line of best fit) - where a percentage increase in size leads to a percentage decrease in unit costs. Although there are only nine data points, the R^2 statistic[6] of 0.5705 (see chart) indicates that this relationship appears to be relatively strong. This apparent scale economy can also be observed at a more simplistic level through the fact that the four smallest regulators, on average, have a unit operating cost of around £500 whereas the four largest regulators, on average, have a unit operating cost of £200.

[6] An R^2 statistic ranges from 0 to 1 and indicates the proportion of variability in a data set that is accounted for by the statistical model (in this case, the 'power' relationship line of best fit). If the regression line (line of best fit) were to pass exactly through every point on the scatter plot it would be able explain all of the variation - and the R^2 statistic would be 1.

The chart indicates that a scale of around 100,000 to 200,000 registrants appears to be sufficient to achieve most of the scale economies – i.e. regulators do not appear to significantly benefit from being really large. There are, however, no regulators of size 650,000 registrants or more, therefore, it is not possible to comment definitively on expected unit costs for regulators beyond this size. The chart also indicates that regulators of around 2,000 to 4,000 registrants do not appear to be large enough to benefit from significant scale economies.

A good way to visualise a "power" relationship is to take natural logarithms of both variables. A "power" relationship then appears as a straight line, allowing the potential scale economies to be visualised more easily – see Chart 4B. (Note that a natural logarithm is referred to as "Ln".)

Chart 4B: Ln-Ln chart of unit operating costs against scale



The downward slope indicates potential scale economies, with the steepness of the slope indicating the strength of the scale economies. The slope coefficient is -0.3038. This means that a doubling of the number of registrants appears to lead to a 19% decrease in unit operating costs[7].

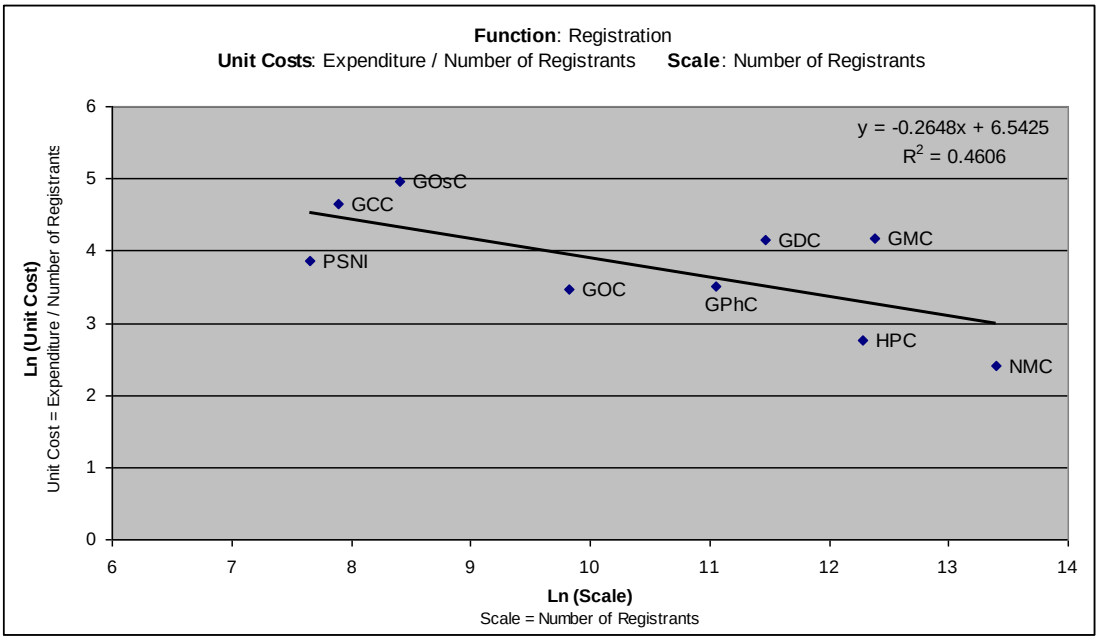
(It should be noted that whilst this chart demonstrates which regulators are above and below the fitted line, it must be kept in mind that this is a Ln-Ln chart and therefore the distances from the line are not linear and not comparable to each other in a straightforward way. Please refer to Chart 4A for the absolute distance from the line. Each regulator's relative distance from the fitted line is explored in detail in Section 5).

[7] $1-(2^{-0.3038})$

4.1.2. Function level

Scale economies can also be presented at regulatory function level. Chart 4C below is a Ln-Ln chart, similar to Chart 4B, however it relates to expenditure on the 'registration' function only.

Chart 4C: Ln-Ln chart of unit operating costs against scale for 'registration' function



Again, the downward slope indicates potential scale economies, with the steepness of the slope indicating the strength of the scale economies. The slope coefficient is -0.2648. This means that, for the 'registration' function, a doubling of the number of registrants appears to lead to a 17% decrease in unit costs[8].

Up to this point unit operating costs have been defined as 'expenditure per registrant' (either at overall or function level). It is intuitive that the scale of a regulator should be defined predominantly by the number of registrants that it regulates. However, examination of unit costs at function level highlights that, for some functions, scale can be better defined using alternative denominators. In particular, for the 'education and training' function, it is arguable that scale can also be thought of as driven by the number of courses assured. Similarly, for the 'FtP' function it is arguable that scale might also be driven by the number of 'FtP' complaints received. Therefore, for these functions, unit costs can also be defined as 'education and training expenditure per course assured' and 'fitness to practise expenditure per complaint received'.

Charts of scale versus unit costs for each function (and where appropriate also using alternative denominators) have been plotted and can be found in Annex 4.1 (non Ln-Ln charts) and Annex 4.2 (Ln-Ln charts). Table 4D below summarises the strength of the scale economies that appear to be present at overall and function levels.

[8] $1-(2^{-0.2648})$

Table 4D: Summary of scale economies at overall and function level

Regulatory Function	Denominator	Scale Coefficient	Doubling of scale appears to lead to x% reduction in unit costs	R^2 statistic[9]
Overall	Number of registrants	-0.3038	19%	0.5705
Standards	Number of registrants	-0.4419	26%	0.6568
Registration	Number of registrants	-0.2648	17%	0.4606
Education & Training	Number of registrants	-0.4498	27%	0.7949
	Number of pre-registration courses that are assured	-0.5137	30%	0.4920
Fitness to Practise	Number of registrants	-0.1561	10%	0.1661
	Number of complaints	-0.1895	12%	0.2497
Governance	Number of registrants	-0.4626	27%	0.7748

Table 4D indicates that scale economies appear to be prevalent across each of the functions, although the strength of the relationship varies.

The 'education and training' function appears to exhibit the strongest scale economies, with a doubling of the *number of pre-registration courses assured* being associated with a 30% reduction in unit cost. (Using the alternative *per registrant* denominator, a doubling of the number of registrants is associated with a 27% reduction in unit costs). However, it should be noted that two of the regulators (the NMC and the GOsC) outsource the quality assurance of training courses to third parties. Therefore, the unit costs achieved for these two regulators, are, in some sense, driven by the scale of third party organisations.

The 'standards' function also appears to exhibit strong scale economies (a doubling of the number of registrants is associated with a 26% reduction in unit costs). However, whilst not insignificant, the 'FtP' function appears to be least influenced by scale (a doubling of the number of registrants is associated with a 10% reduction in unit costs).

It should be noted that the 'continuing FtP' function (not included in Table 4D) appears to exhibit particularly large economies of scale (a doubling in the number of

[9] An R^2 statistic ranges from 0 to 1 and indicates the proportion of variability in a data set that is accounted for by the statistical model (in this case, the 'power' relationship line of best fit). If the regression line (line of best fit) were to pass exactly through every point on the scatter plot it would be able explain all of the variation - and the R^2 statistic would be 1.

registrants is associated with a 45% reduction in unit costs). However, this relationship is somewhat artificial since a significant share of expenditure in this function is supported by central grants allocated to help regulators plan for possible future revalidation of registrants' fitness to practise. Without knowing exactly how government have allocated these grants, it seems likely that scale of operation – i.e. the number of registrants – was an important consideration. More generally, the 'continuing FtP' function is not directly analysed in this report because regulators are at different stages in the process of preparing for revalidation so comparison in a given year would not be appropriate.

As described in Section 3.7, unit operating costs are not only potentially determined by size of organisation, but also by the regulator's 'task' (a more complex task being assumed to be more costly to perform), level of effectiveness (a higher level of effectiveness being assumed to be more costly to achieve) and the level of scale-adjusted efficiency. It has not been possible to quantitatively control for variation in 'task' and effectiveness; it is therefore acknowledged that the relationships identified above may be influenced by these other factors. If there is a strong correlation between 'task' and/or effectiveness and scale (i.e. larger regulators have a less complex 'task' to perform and/or achieve lower levels of effectiveness (and vice versa)) then the scale economy relationships identified above could be artificial. However, the data that has been gathered relating to each regulator's task (for use within Section 5 – see table of metrics, Table A5G, Annex 5.2) indicates that there is no obvious relationship between scale and complexity of task. In addition, there is no evidence to suggest that larger regulators operate less effectively or smaller regulators more effectively. Furthermore, the apparent scale economies, identified above, appear to be pervasive across each of the regulatory functions. In order for these relationships to be artificial, a strong relationship between size and costliness of 'task' and/or effectiveness would need to be present across each of these functions – which is somewhat unlikely. Therefore, it is possible to be relatively confident that strong scale economies appear to exist.

4.2. Potential savings through consolidation

Section 4.1 demonstrates that there appear to be strong scale economies both at the overall level and at individual function levels. This finding naturally leads to a consideration of how large the potential efficiency savings through consolidation of regulators (either at overall or at function level) might be.

Table 4E, below, presents some example *theoretical* experiments to provide estimates of the *order of* savings that might be realised through consolidation of regulators at overall or function level.

It should be noted that transition or upfront costs associated with consolidation are not directly addressed in this report and that these costs may be significant. Additionally there may be political or practical issues that affect the feasibility of consolidation which are also not considered here. However, the aim of these calculations is to provide estimates of the *order of savings* that could be achieved through consolidation to allow comparison with other means of improving efficiency.

Table 4E presents estimates of the potential savings in a number of ways: Column A presents estimates of the absolute value of the savings, Column B sets these savings in the context of the overall operating costs across the 9 regulators, Column C provides estimates of the impact on unit operating costs and Columns D and E

provide estimates of the maximum up-front costs that can be incurred in order for net savings to be realised after 1 or 3 years (respectively).

It is also important to note that these experiments assume that those regulators being consolidated are the same in every way except for the scale of their operations (i.e. they have the same costliness of task and operate at the same level of effectiveness and scale-adjusted efficiency). These experiments therefore isolate the effect of changing a regulator's scale through consolidation. Details of each of the calculations can be located in Annex 4.3.

Table 4E: Theoretical experiments to provide estimates of the order of savings that might be realised through consolidation

Description of consolidation	**(Column A)** **Estimate of the order of savings that could be realised**	**(Column B)** **% of total annual operating costs across all 9 regulators (i.e. approx. £195million)**	**(Column C)** **Impact on unit operating costs**	**(Column D)** **In order for savings to start to be realised after 1 year, upfront costs must be no more than:**	**(Column E)** **In order for savings to start to be realised after 3 years, upfront costs must be no more than:**
Consolidation of two small regulators (each of size 3,000 registrants)	£0.6m per year	Approx. 0.3%	19% reduction in unit operating costs for both regulators	£0.6m	£1.8m
Consolidation of one small regulator (of size 3,000 registrants) with a large regulator (of size 200,000 registrants)	£1.2m per year	Approx. 0.6%	Regulator of size 3,000 registrants – 72% reduction in unit operating costs Regulator of size 200,000 registrants – 0.45% reduction in unit operating costs	£1.2m	£3.6m
Consolidation of two small regulators (each of size 3,000 registrants) with a large regulator (of size 200,000 registrants)	£2.5m per year	Approx. 1.2%	Regulators of size 3,000 registrants – 72% reduction in unit operating costs Regulator of size 200,000 registrants – 0.89% reduction in unit operating costs	£2.5m	£7.5m
Consolidation of the 'education & training' function of three medium sized regulators (each accrediting 50 pre-registration courses)	£1.1m per year	Approx. 0.6%	43% reduction in 'education and training' unit operating costs for all three regulators	£1.1m	£3.3m
Consolidation of all regulators (except the NMC[10]) to a super-regulator of size 640,000 registrants	£38m per year	Approx. 19%	26% - 82% reduction in unit operating costs depending upon regulator	£38m	£114m

Whilst some of the estimated savings presented in Table 4E do not appear to be particularly large when set in the context of the overall operating costs across the nine regulators (Column B), the impact on unit operating costs (which can be thought

[10] This consolidation experiment excludes the NMC (which is of size 662,417 registrants). If the NMC were included in the theoretical 'super-regulator' its size would be 1.3 million registrants. As described in Section 4.1.1, it is not possible to comment on the impact on unit costs associated with a scale of operation beyond around 650,000 registrants.

of as a proxy for the impact on registrant fees) (Column C) indicates that the impact on those registrants moving from being regulated by a small scale regulator to a large scale regulator could be particularly significant (e.g. a 72% reduction in unit operating costs/registrant fees).

5. Scale-adjusted analysis

5.1. Introduction

Section 4 examines the relationship between unit costs and scale in order to identify whether there is a relationship between the size of register and efficiency (i.e. whether there appear to be economies of scale in the regulation of healthcare professionals). This involved plotting a line of best fit at overall and regulatory function levels (see section 4.1). These fitted lines can be used to identify whether a particular regulator appears to have a higher or lower unit cost than would be expected for an organisation of their size by examining (i) whether the regulator appears above or below the line and (ii) their distance from the line. This deviation from the fitted line can be thought of as a measure of their 'scale-adjusted' unit cost.

'Scale-adjusted' unit costs, or in other words, deviation from the fitted line may be due to one of three factors:

1. **Task:** the task that regulators are faced with potentially varies and some regulators' tasks may therefore warrant a higher unit cost (for example, some professions may warrant a greater 'regulatory force' than others and some professions may be operationally more complex to regulate).
2. **Level of effectiveness:** the level of effectiveness that a regulator operates at may vary. For example, two regulators may have the same task and work with the same levels of efficiency, however, one regulator meets the task to a superior level of effectiveness – thereby incurring higher unit costs (on the assumption that higher quality is usually associated with higher cost).
3. **Level of scale-adjusted efficiency:** the level of efficiency that a regulator operates at, given their scale, may vary. For example, two regulators may have the same task, work to the same level of effectiveness, but one regulator meets the task with greater efficiency – thereby incurring lower unit costs.

The aim of this section is to inform the assessment of regulators' scale-adjusted efficiency (factor 3 above). An assessment of regulators' scale-adjusted efficiency should allow those areas where it may be possible for efficiency savings to be realised though the adoption of best practice to be identified. In order to assess scale-adjusted efficiency, in theory, it is necessary to account for the other two factors listed above (factors 1 and 2).

5.1.1. Accounting for 'Task' (factor 1)

Whilst it is difficult to fully define each regulator's 'task' and thereby identify variation in 'task' across regulators, a number of metrics have been developed to do this (see table of metrics, Table A5G, Annex 5.2). The metrics are described further in section 5.2.2.

5.1.2. Accounting for 'Effectiveness' (factor 2)

It has not been possible to formally account for effectiveness due to limited data availability. As such, the impact of potential variation in effectiveness needs to be kept in mind when interpreting deviation from the fitted line.

5.2. Approach

As stated earlier, the aim of this section is to inform the assessment of regulators' scale-adjusted efficiency in order to identify areas where efficiency savings could be realised through the adoption of best practice. In order to do this, regulatory functions are considered in turn by:

- presenting a 'distance-from-the-line' chart, for each function – these charts provide a measure of 'scale-adjusted' unit cost (by function and regulator) and are described further, below (section 5.2.1);
- presenting metrics that attempt to capture regulators' varying 'task', (described further below in section 5.2.2); and
- using the 'distance-from-the-line' chart and 'task' metrics (to control for variation in 'task') in order to comment on 'scale-adjusted' efficiency, where possible.

Accounting for 'task' cannot be carried out in a quantitative way and, as such, the approach taken in this section is less formal and more qualitative than other sections. It should also be noted that this is a desk-based analysis with the aim of providing a framework to allow each regulator's scale-adjusted unit costs (or distance from the fitted line) to be examined. Relevant information is provided to aid the interpretation of the scale-adjusted unit costs through use of the metrics. However, there may be other factors that have not been accounted for fully (or at all, given data constraints).

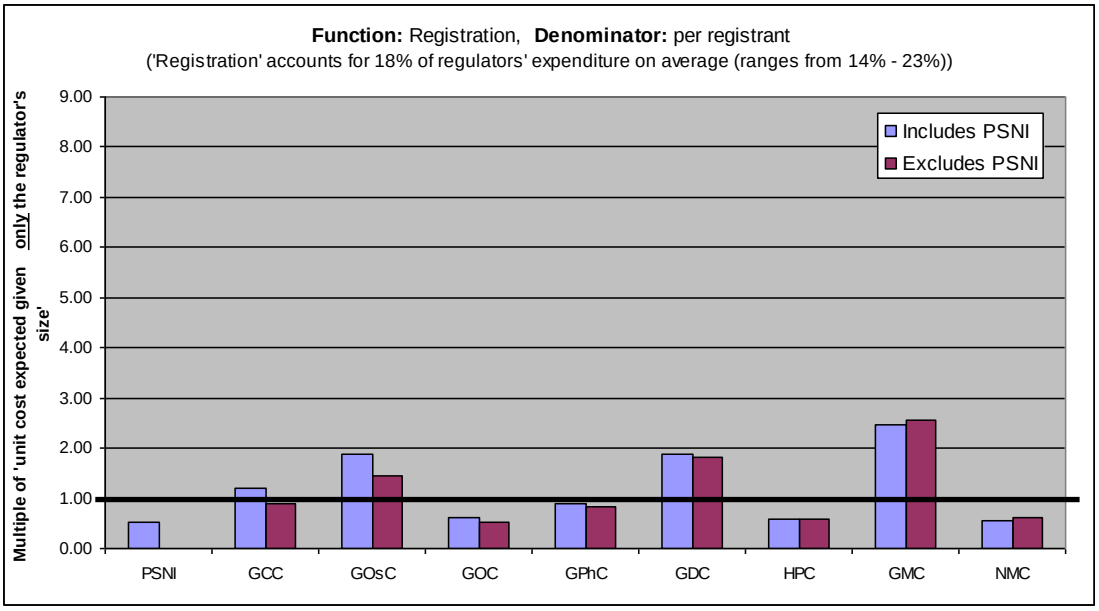
This report does not discuss the distance from the line for every regulator for each of the regulatory functions (6 regulatory functions and 9 regulators, i.e. 54 data points). Rather, the approach is to discuss the notable points where:

- a regulator appears to be significantly above or below the line; or
- a regulator's position in relation to the line might be questionable given what has been understood about their 'task'.

Finally, it should be noted that, as with the consolidation experiments described in section 4.2, transition or upfront costs associated with the adoption of best practice are not directly considered in this report. Whilst upfront costs associated with the adoption of best practice are likely to be lower than those associated with consolidation of regulators or regulatory functions, they may still be significant.

5.2.1. 'Distance-from-the-line' charts

The chart below provides an example 'distance-from-the-line' chart for the 'registration' function:



The 'distance-from-the-line' charts present the same data as the 'scale versus unit operating cost' charts presented in Section 4.1 – however, in a format where it is easier to see clearly the distance from the fitted line. The charts present each regulator's unit operating costs in terms of a '*multiple of unit cost expected given only a regulator's size*'. Where a regulator's expected unit operating cost – based solely on the regulator's size – is equal to its actual unit cost, the multiple of expected unit cost to actual unit cost is equal to 1. This is exactly equivalent to a point located on the line of best fit between scale and unit cost (see charts presented in Section 4.1). Therefore, the horizontal lines of the 'distance-from-the-line' charts (represented in bold above in the example chart) are equivalent to the lines of best fit in the scale charts in Section 4.1.

These charts allow deviations from the line to be presented on a consistent basis (independent of both the absolute size of the deviation and a particular regulator's size). In addition, each of the 'distance-from-the-line' charts are presented on a common scale, so that deviations can be compared across functions on a consistent basis.

In keeping with the approach adopted in Section 4.1, regulators are ordered along the horizontal axis from smallest (at the left) to largest (at the right), on the basis of the number of registrants.

Caution is required when interpreting the 'distance-from-the-line' for the small regulators (towards the left-hand side of the chart). This is because the lines of best fit (in Section 4.1) are more sensitive to changes in reported expenditure for the smaller regulators than for the larger regulators. In addition, the PSNI is different to other regulators in ways that might make their unit cost less directly comparable (described further below). For this reason, the 'distance-from-the-line' for individual regulators has been calculated in two ways: one which includes all regulators in determining the relationship between scale and unit cost; the other which excludes the PSNI in determining this relationship. The PSNI is excluded from the second 'distance-from-the-line' calculation because it is different from other regulators in the following ways:

- Since it regulates professionals registered to practise only in Northern Ireland, it has a different relationship with the government department responsible for health and social care, including the requirement on it to provide various 'professional body'-type functions. Isolating expenditure on these additional functions from their core functions is difficult, particularly in the case of a small organisation where staff are more likely to operate across a range of activities.
- The PSNI works closely with its equivalent regulator on the mainland – the GPhC. This raises the possibility that, by sharing certain activities and/or information with the GPhC, it benefits (to an unknown degree) from some of the larger organisation's scale economies.
- In the area of expenditure generally considered to be the largest – 'FtP' – the PSNI have been granted a comparatively limited set of sanctions – i.e. the only action it can take is to remove somebody from the register.

Finally, the smallest of the core functions in expenditure terms – 'Continuing FtP' – has been excluded from the discussion that follows. This is because expenditure in this area has, over the period studied, been heavily influenced by the allocation of central grants to support regulators in planning for future revalidation of registrants. While not necessarily explicitly so, the size of these grants is likely to have been influenced by each regulator's number of registrants, creating a potentially 'circular' relationship to scale. In addition, in terms of planning for future revalidation of registrants (an activity that forms part of the 'Continuing FtP' function), regulators are at different stages of development, so comparing expenditure (for this function) at a particular point in time would not be appropriate.

5.2.2. 'Task' metrics

As described above, metrics are used to attempt to describe regulators' varying regulatory 'tasks'. A full set of these metrics can be found in Annex 5.2, Table A5G). These metrics have been derived using a combination of the following approaches:

- consultation with CHRE;
- common sense/ intelligent interpretation;
- some supporting analysis, identifying the key case/registrant characteristics associated with varying case-level FtP costs; and
- academic literature, where available.

Conceptually, regulators' 'tasks' may vary in two ways; in terms of:

- the regulatory force required to regulate their profession or professions; and
- the operational complexity of the 'task'.

Also, a metric may capture a certain measure of 'task' that holds at overall level (i.e. across each of the regulatory functions) – for example, the regulatory force required. However some metrics are applicable only to a particular function. As such, in Table A5G, Annex 5.2, each metric is classified according to whether it attempts to measure regulatory force required or operational complexity of task and whether it is applicable to a particular function or holds at overall level.

For ease of reference, for each metric, regulators have been rated as red, amber and green depending on how their particular metric value compares to the other regulators. Where the distribution in values does not naturally divide into three distinct groups, it has been necessary to allocate regulators to groups of five (and sometimes two) groups. In any case, a rating of red is associated with a relatively

more costly task and a rating of green is associated with a relatively less costly task (with red/amber, amber and amber/green representing progressively less costly intermediate positions).

In order to aid the reader, summary metrics are presented in the main body of this report. Those summary metrics applicable to a particular function are presented above the corresponding 'distance-from-the-line' chart. However, those summary metrics that hold across each of the regulatory functions are presented up front. It is important to note that since these metrics hold across each function, they are drawn-upon within each function-specific section.

Where possible, metrics for the GDC have been split into two (GDC – dentists and GDC – dental care professionals (DCPs)). This is because, unlike other regulators, the GDC has a rather more dichotomous regulatory task, with its registrant base split into two groups of professionals – dentists (approximately 40% of their registrant base) and dental care professionals (approximately 60%) of their registrant base. These two groups of professions, arguably, could be considered quite different in terms of the regulatory force required to regulate them.

5.3. Interpretation of 'distance from the line'

5.3.1. Overall summary metrics

The following summary metrics hold at overall level and are drawn-upon within each function-specific section:

SUMMARY METRIC 1: Overall – regulatory force required: body of knowledge

- What is the typical length of pre-registration education and training (FTE)? (Metric 0.1, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GMC GDC (dentists)		GPhC/PSNI GOsC GCC		NMC GOC HPC GDC (DCPs)

SUMMARY METRIC 2: Overall – regulatory force required – likelihood and extent of harm

- Frequency of harm – proxy: rate of complaints (number of complaints received in 2010 per 100 registrants) (see Annex 5.2.1)
- Extent of harm – proxy: US malpractice pay-outs by profession. (see Annex 5.2.1)
- These underlying metrics are multiplied together (for different central measures of malpractice pay-outs) and ranked by regulator. The table below is therefore derived from the distribution in average rank across regulators (Metric 0.2, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GMC	NMC GDC (dentists)	GOC	GCC HPC GPhC/PSNI	GDC (DCPs)

Comparable figures for the GOsC are not available due to significant differences in the role of an 'Osteopath' in the US. However, looking at the table above, it seems reasonable to conclude that the regulatory force associated with regulating UK would be in the range amber-green.

SUMMARY METRIC 3: Overall – operational complexity of task – number of professions

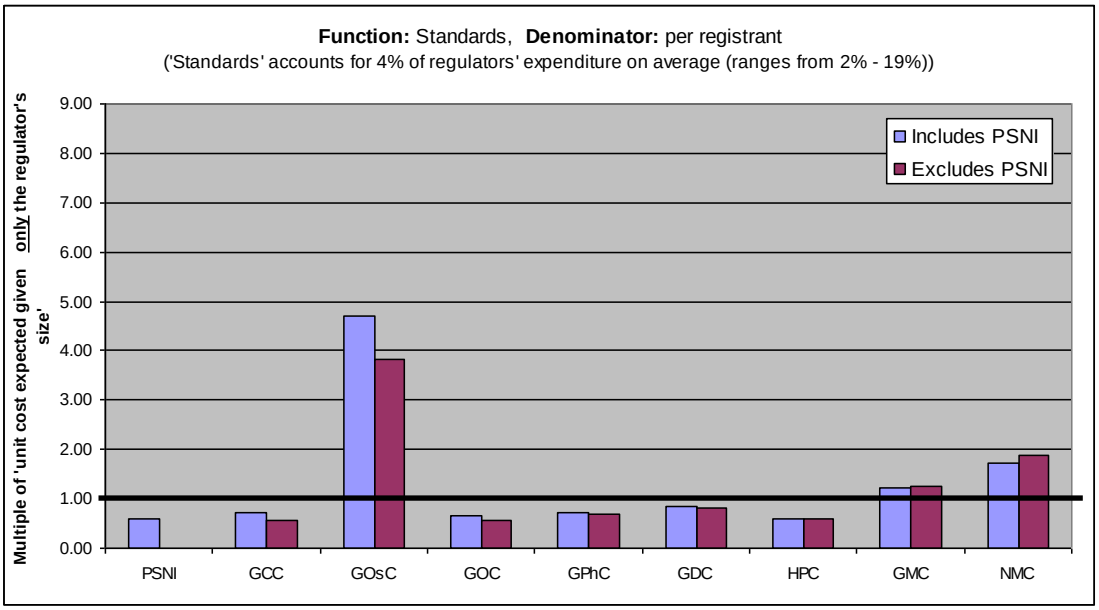
- Number of professions regulated (Metric 0.3, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
HPC		GDC		GMC GOsC GCC GPhC PSNI GOC NMC

5.3.2. Standards and guidance

SUMMARY METRIC 4: Standards – operational complexity of task – maturity of profession • Maturity of profession (years since act of establishment) (Metric 1.1, Annex 5.2)				
Red	Red/Amber	Amber	Amber/ Green	Green
GCC GOsC	HPC GDC (DCPs)	GOC	PSNI GDC (dentists) NMC	GPhC GMC

Chart 5A: Distance-from-the-line for 'standards and guidance'



Examination of the chart above highlights the following features:

5.3.2.1. GOsC

The GOsC appears to be a clear outlier, with a unit cost for 'standards and guidance' of around 4 times that which might be expected given their size. However, it should be noted that the GOsC is a small regulator and, since the distance from the line has been calculated with just one year's worth of data, caution must be exercised when interpreting this deviation. However, that being duly noted, the deviation does appear to be large.

The GOsC does not appear to require a greater than average regulatory force (see summary metrics 1 and 2) and regulates just one profession as opposed to many (see summary metric 3). Both these factors might lead one to expect the GOsC's unit costs for this function to be close to the average (i.e. close to the line).

However, osteopathy is not a particularly 'mature' profession (see summary metric 4) in relation to some (e.g. doctors, pharmacists and nurses) and therefore may warrant greater investment in 'standards and guidance'. Having said that, the GCC (which probably requires a similar regulatory force, has a similar level of professional

maturity and regulates just one profession) has significantly lower unit costs for this function at around 0.6 to 0.7 times that which would be expected given the organisation's size.

5.3.2.2. NMC

The NMC also appears to be significantly above the line with a unit cost of around 1.8 times that which might be expected given the organisation's size. It is unclear whether the professions regulated by the NMC (nurses and midwives) require a greater regulatory force than the average regulated profession. (Summary metric 1 indicates that the body of knowledge associated with nursing or midwifery is no greater than many of the other regulated professions. However, summary metric 2 indicates that nurses and midwives potentially have a greater than average likelihood or extent of harm). It is therefore unclear as to whether 'regulatory-force' required can be used to justify the greater than expected unit costs (given the organisation's size).

However, the NMC's distance from the line is greater than that for the GMC for this function (the GMC's unit costs for this function are around 1.2 times those expected given the organisation's size). The NMC and GMC are similar in the facts that the professions that they regulate are of similar maturities (see summary metric 4) and both organisations regulate just one or two professions (see summary metric 3). However, it is arguable that the GMC potentially requires a greater regulatory force than the NMC (summary metrics 1 and 2) which leads to the question of why the NMC's unit costs for 'standards and guidance' for this function are, relatively speaking, greater than those for the GMC.

5.3.2.3. HPC

The HPC is significantly below the line. Whilst it is arguable that those professions regulated by the HPC do not require a greater than average regulatory force (summary metrics 1 and 2) their low unit cost for 'standards and guidance' is notable since the HPC regulates 15 professions (summary metric 3) which are on the whole not particularly mature professions (summary metric 4). The fact that the HPC is able to operate a low scale-adjusted unit cost for this function (and assuming their effectiveness is not compromised) potentially indicates a notable scale-adjusted efficiency on the part of the HPC.

5.3.3. Registration

SUMMARY METRIC 5: Registration – new registrants

- Proportion of registrations that are new (i.e. initial registrations as opposed to renewals) (Metric 2.1, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GPhC PSNI		GMC HPC GDC GOsC GCC GOC		NMC

SUMMARY METRIC 6: Registration – non-UK

- Proportion of initial registrations that are non-UK (Metric 2.2, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GDC GMC		NMC		GOC GOsC GCC PSNI

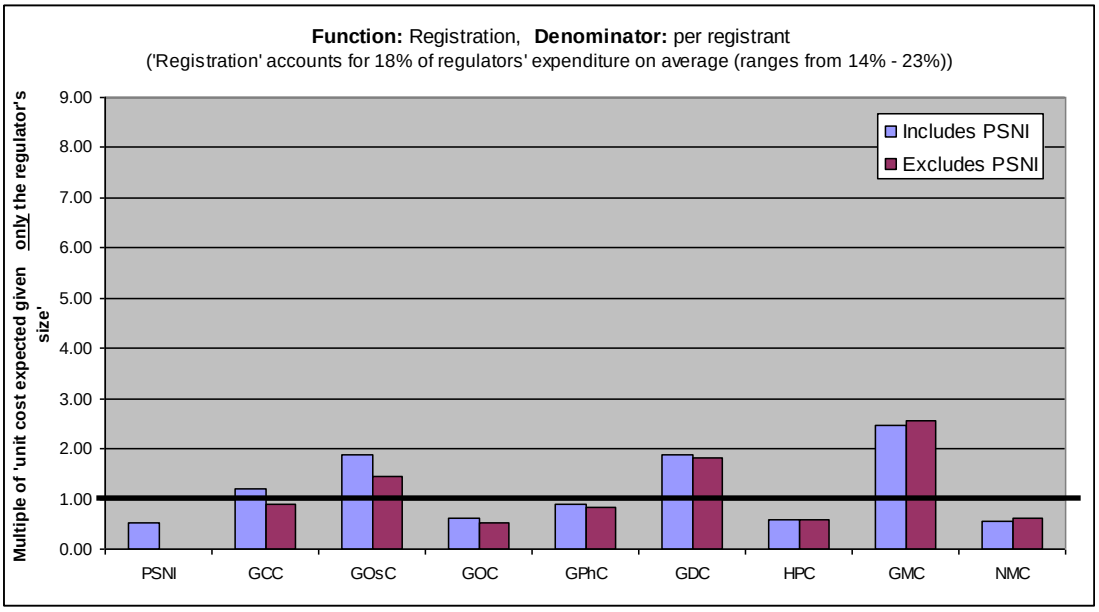
No data provided by HPC and GPhC

SUMMARY METRIC 7: Registration – specialist registers

- Does the regulator manage any specialist registers in addition to the main register? (Metric 2.3, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GMC GDC GOC PSNI				NMC HPC GPhC GOsC GCC

Chart 5B: Distance-from-the-line for 'registration'



Examination of the chart above highlights the following features:

5.3.3.1. GMC

The GMC appears to be significantly above the line, with a unit cost for 'registration' of around 2.5 times that which might be expected given their size. However, it is arguable that the profession regulated by the GMC (doctors) requires a greater regulatory force than the average regulated profession (summary metrics 1 and 2). It might be argued, however, that this is tempered a little by the fact that the GMC only regulates one profession as opposed to multiple professions (summary metric 3). The GMC also appears to have a higher than average proportion of non-UK initial registrations as compared to the other regulators (summary metric 6). And they manage a number of specialist registers in addition to the core register (summary metric 7).

There appear to be legitimate factors that potentially justify the GMC having a greater than average unit cost for 'registration'.

5.3.3.2. GDC

The GDC also appears to be significantly above the line, with a unit cost for 'registration' of around 1.8 times that which might be expected given their size.

The GDC regulates dentists as well as dental care professionals. It is arguable that regulation of *dentists* requires a greater regulatory force than the average regulated profession but potentially less so for dental care professionals (summary metrics 1 and 2). Given this split, it might be argued that the GDC's position above the line is consistent with the GMC's position above the line.

5.3.3.3. GOsC

The GOsC also appears to be above the line, with a unit cost for 'registration' of around 1.4 to 1.9 times that which might be expected given their size. However, it should be noted that the GOsC is a small regulator and since the distance from the line has been calculated with just one year's worth of data, caution must be exercised when interpreting this deviation.

The GOsC arguably does not require a greater than average regulatory force (summary metrics 1 and 2) and regulates just one profession as opposed to many (summary metric 3). The GOsC does not have a particularly high rate of new registrations (summary metric 5) and does not have a particularly high rate of non-UK registrations (summary metric 6) or manage a specialist register (summary metric 7). The above factors might lead one to expect the GOsC's unit cost for this function to be close to the average (i.e. close to the line).

5.3.3.4. NMC

The NMC appears to be significantly below the line for this function. Whilst it is unclear whether the professions regulated by the NMC (nurses and midwives) require a greater regulatory force than the average regulated profession, summary metrics 1 and 2 do appear to indicate that the NMC might warrant a greater regulatory force than the other regulators that are also significantly below the line for this function (i.e. the GOC and HPC). This therefore leads to the question of whether the regulatory force required for the NMC is being achieved in an efficient manner (i.e. at lower cost) or whether the regulatory force required is not being appropriately applied.

5.3.4. Education and training

It should be noted that, for the 'education and training' regulatory function, the denominator used here is 'per pre-registration course'. For most of the other regulatory functions the denominator used is 'per registrant' (see Section 4).

SUMMARY METRIC 8: Education and training – how extensive is the task?

- What is the typical length of pre-registration education and training (FTE)? (Metric 3.1, Annex 5.2)
- Is there also a pre-registration training year (in addition to the institutional pre-registration education and training)? (Metric 3.2, Annex 5.2).
- Does the regulator also assure post-registration education and training? If so, do all registrants enter into post-registration education and training or just some? (Metric 3.3, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GMC	GPhC PSNI	GDC (dentists) GOC	NMC HPC GOsC GCC	GDC (DCPs)

SUMMARY METRIC 9: Education and training – how institutionally diverse is the task?

- Number of institutions (Metric 3.4, Annex 5.2)

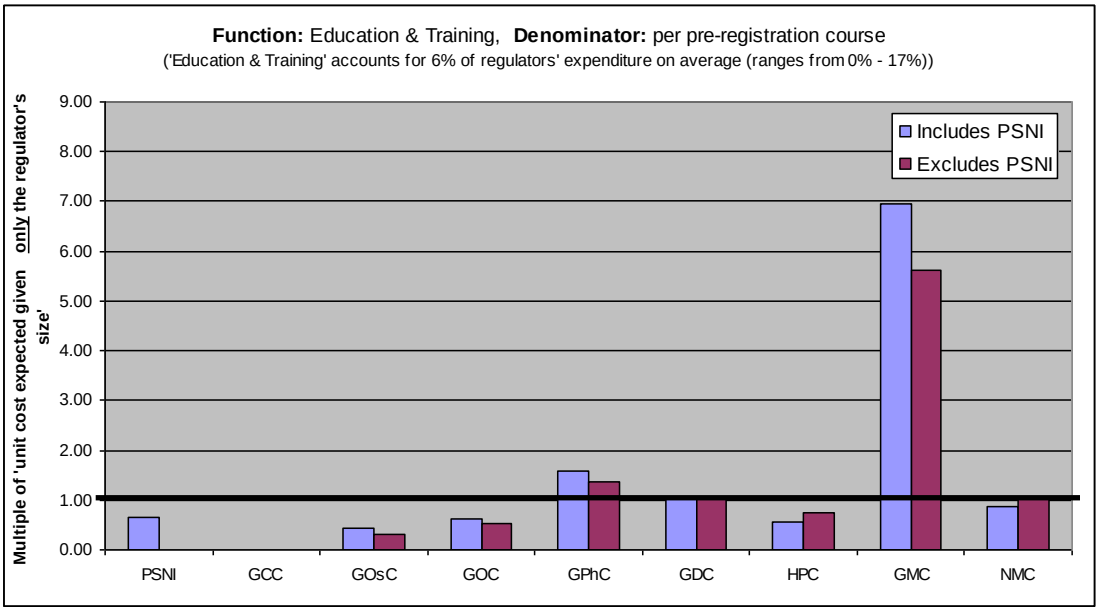
Red	Red/Amber	Amber	Amber/ Green	Green
NMC HPC		GMC GDC GPhC		GOC GOsC GCC PSNI

SUMMARY METRIC 10: Education and training – how professionally diverse is the task?

- Number of professions covered by the regulator (Metric 0.3, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
HPC		GDC		GMC GOsC GCC GPhC PSNI NMC GOC

Chart 5C: Distance-from-the-line for 'education and training'



Examination of the chart above highlights the following features:

5.3.4.1. GMC

The GMC is a clear outlier, with a unit cost for 'education and training' of around 5.6 to 7 times that which might be expected given their size. However, it is important to note that the GMC's remit with regards to 'education and training' is significantly more extensive than for the other regulators because the GMC is tasked with assuring post-registration education and training as well as pre-registration education and training for *all* of its registrants. Doctors' pre-registration education and training FTE duration is one of the longest, there is a pre-registration training year (foundation year 1) that requires assurance and the GMC assures a moderately large number of institutions. Given these features, it is clear that the GMC's scale-adjusted unit cost for this function would be expected to be significantly higher than average (above the line). However, it is difficult to comment upon the extent of the GMC's distance from the line and whether fully justified – this requires further investigation.

5.3.4.2. GPhC

Whilst not as stark, the GPhC also appears to be significantly above the line with a scale-adjusted unit cost of around 1.4 to 1.65 times that which might be expected given their size. However, it is arguable that the professions regulated by the GPhC (predominantly pharmacists) require a regulatory force greater than the average regulated profession (summary metrics 1 and 2). Also, the GPhC's 'education and training' assurance 'task' is arguably more extensive than the average regulator's with a relatively long pre-registration education and training FTE duration and a pre-registration training year which requires assurance (summary metric 8).

5.3.4.3. NMC and GOsC

It should be noted that both the GOsC and NMC outsource the assurance of their 'education and training' to external organisations. It is therefore not straightforward to

interpret their unit costs for this function. However, it should be noted that both these regulators appear to be around or below the line.

5.3.4.4. GCC

The GCC did not report any expenditure on this function for the year studied. This is likely to be due to the fact that the GCC is a small regulator and that expenditure within particular functions may fluctuate year-on-year.

5.3.5. Fitness to Practise (FtP)

In the case of the 'FtP' function, the number of registrants is perhaps a less suitable denominator for expressing unit costs than it is in the case of other regulatory functions (where the workload is more directly influenced by the number of registrants). This is because the key volume driver of 'FtP' costs is the number of complaints received, which will only be equivalent to expressing unit costs per registrant if the number of complaints received per registrant is the same across all regulators. The fact that the rate of complaints per registrant varies quite significantly means that a decision needs to be made about which is the most appropriate denominator for expressing a regulator's efficiency.

It is beyond the remit of this research to investigate the factors driving the number of complaints received per registrant. On the one hand it seems reasonable to assume that regulators can, by (for example) setting effective standards and accrediting the quality of professional training, contain the number of complaints made about registrants. But on the other hand, factors such as the propensity for people to make a complaint about a registrant and the average veracity of complaints received appear less obviously within the direct control of regulators. Further research is required to better understand why certain professions receive consistently higher complaints than others. However, the limited research that does exist suggests that factors such as the gender mix of registers is important in determining the number of complaints (independently of the type of allegation being made) – complaints are substantially less likely to be lodged against women. It is not clear what lies behind this finding – i.e. whether this is due to intrinsic differences between men and women or whether it is related to some other underlying explanation - for example, the tendency for men to occupy relatively more senior (risk-bearing) positions – but, whatever the reason, it is clear that the gender mix of the register is not something that can be influenced by regulators.

In light of how well the gender mix of registers appears to be related to the rate of complaints received (see metrics 4.0 and 4.1, Annex 5.2), the interpretation of scale-adjusted efficiency is made on the basis of cost per complaint rather than cost per registrant.

SUMMARY METRIC 11: Fitness to Practise – what is the source of complaints received?

- Percentage of complaints received from employers or referred by the regulator (3-year average, 2008-2010) (Metric 4.2, Annex 5.2)
- Percentage of complaints received directly from members of the public (3-year average, 2008-2010) (Metric 4.3, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
NMC HPC	PSNI	GDC GOC	GMC	GOsC GCC

No data available for GPhC

SUMMARY METRIC 12: Fitness to Practise – what type of allegations are made?

- Percentage of complaints where the main allegation relates to professional competence (3-year average, 2008-2010) (Metric 4.4, Annex 5.2)
- Percentage of complaints where the main allegation relates to a police caution or conviction (3-year average, 2008-2010) (Metric 4.5, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
	HPC GCC GDC	(PSNI)	GMC	NMC GOC GOsC

No data available for GPhC; GOC and GOsC figures are for % cautions/convictions only; PSNI rates red on one metric and green on the other

SUMMARY METRIC 13: Fitness to Practise – how far along the FtP pathway do complaints reach before being closed?

- Percentage of complaints closed before reaching an Investigating Committee hearing (3-year average, 2008-2010) (Metric 4.6, Annex 5.2)
- Percentage of complaints closed before reaching a Final hearing (3-year average, 2008-2010) (Metric 4.7, Annex 5.2)

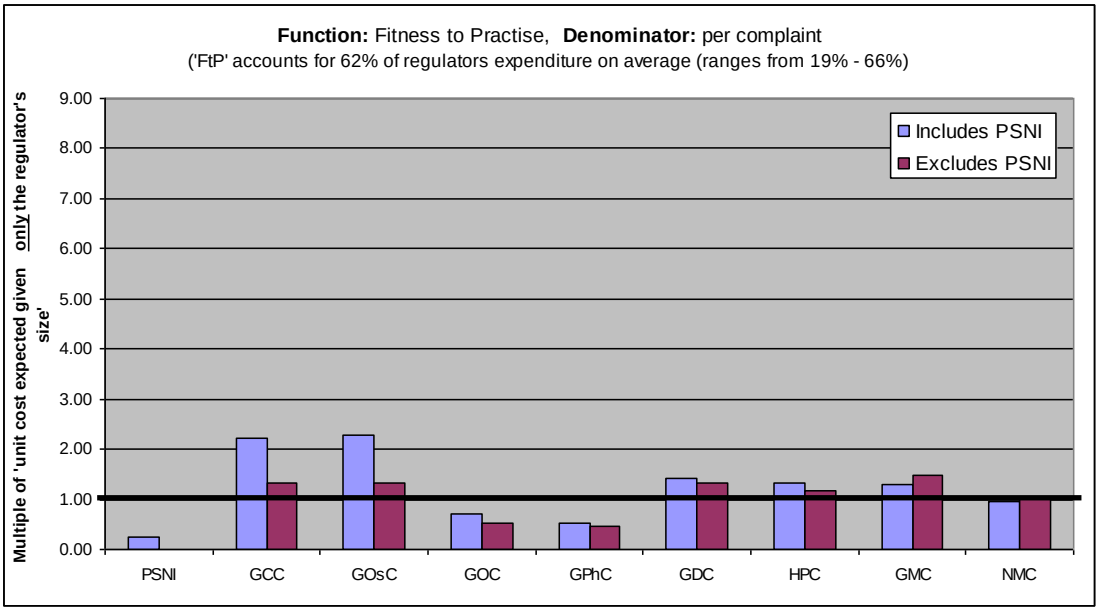
Red	Red/Amber	Amber	Amber/ Green	Green
GOsC	GOC GCC	NMC HPC GDC		GMC GPhC PSNI

SUMMARY METRIC 14: Fitness to Practise – what financial means do registrants have for defending allegations made against them?

- Average salaries (weighted by number of registrants per profession, where more than one profession is regulated) (Metric 4.8, Annex 5.2)

Red	Red/Amber	Amber	Amber/ Green	Green
GMC GDC GDC (dentists)				NMC HPC GOC GDC (DCPs) GPhC GOsC GCC PSNI

Chart 5D: Distance-from-the-line for 'FtP'



Examination of the chart above highlights the following key messages.

5.3.5.1. GCC and GOsC

Both the GCC and the GOsC are above the line, although (as previously stated) this needs to be interpreted with caution because both organisations are relatively small. This cannot obviously be explained with reference to the summary metrics of either regulatory force required (where the GCC and GOsC are at the relatively less intensive end of the spectrum), the source of complaints (summary metric 11), the type of allegations made (summary metric 12) or the financial means for registrants to defend allegations made against them (summary metric 14). The possible exception to this is the GCC's mix of allegations, which is more costly than average.

The stand-out difference in FtP complexity metrics for these two regulators is that complaints made to the GCC and GOsC are significantly more likely to reach the end stages of the investigative process (summary metric 13). In particular, all complaints

are heard by an Investigating Committee. This can be explained by restrictions in the way the legislation establishing these regulators was originally framed. However, it is surprising, given the relatively less complex mix of complaints received, that such a high proportion of complaints are nevertheless referred from the Investigating Committee to a Final Hearing (particularly in the case of the GOsC).

This is likely to be a key factor in explaining the relatively high costs per complaint (than expected given their scale) in the GCC and GOsC. Whether or not the high proportion of complaints making it to a Final Hearing is warranted or not – i.e. because perhaps the proportion of complaints that are well-founded is high – requires further investigation.

5.3.5.2. GOC and GPhC

The GOC and GPhC are furthest below the line (excluding PSNI). Given that summary metrics 1 and 2 indicate that their regulatory force required is greater than some, it might be expected that these two regulators would be closer to line. Data on the source and type of complaints (summary metrics 11 and 12) is not available for the GPhC, so it is not possible to comment on this. In the case of the GOC, their source of complaints appears to be of average complexity. It is only their relatively high proportion of cautions and convictions that indicates a less complex than average mix of cases.

The stand-out explanation for the GPhC's distance from the line is the very high proportion of cases closed before being considered by an Investigating Committee, which feeds through to a very low proportion of cases making it to a Final Hearing (summary metric 13). Again, further investigation is required to understand whether this low proportion is warranted (although CHRE's recent review of a sample of regulators' FtP cases[11] would suggest that it is).

In contrast, the GOC – for reasons of legislative constraints, as in the case of the GCC and GOsC above – refer almost all of their complaints to an Investigating Committee. However, where the GOC differ from the GCC and GOsC is that their Investigating Committee refer a much smaller proportion of cases to a Final Hearing. Again, further investigation is required to understand whether such a high closure rate by the Investigating Committee is warranted. If it is, it would suggest that the referral rate from Investigating Committee to Final Hearing is much more important in driving scale-adjusted efficiency than the closure of cases prior to reaching the Investigating Committee.

5.3.5.3. NMC

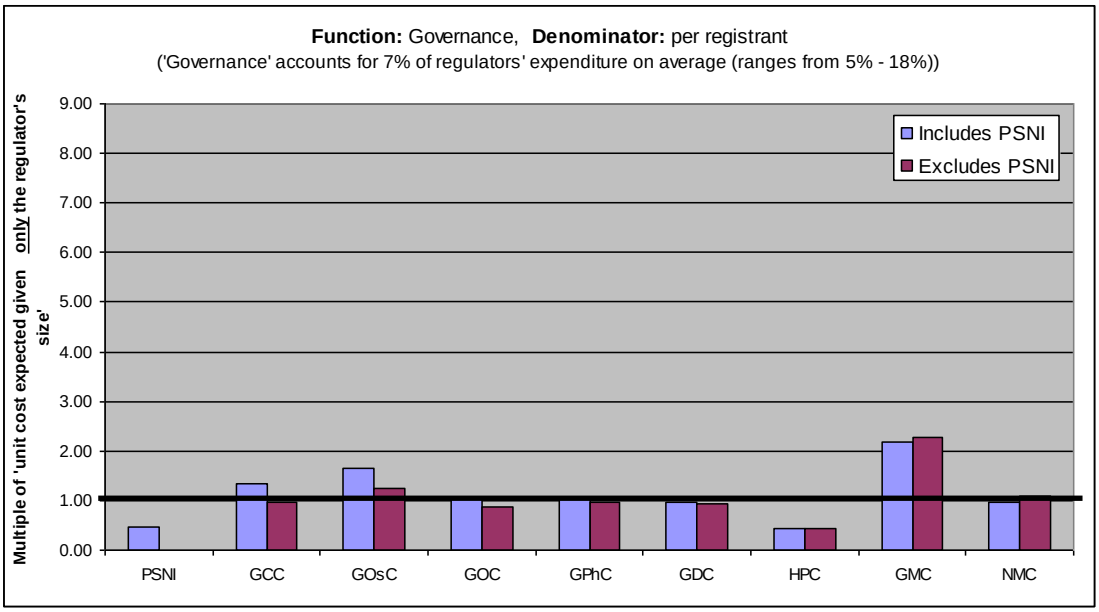
While the NMC is on or close to the line, their relatively high regulatory force required (summary metric 2) suggests that one might expect them to be above the line, particularly in light of their relatively complex mix of complaints (summary metric 11) (with a high proportion of complaints received from employers and a low proportion from the public).

[11] See http://www.chre.org.uk/_img/pics/library/110426_FTP_audit_report_2010-2011_amended.pdf

5.3.6. Governance

It should be noted that there are no function-specific metrics for the 'Governance' regulatory function.

Chart 5E: Distance-from-the-line for 'governance'



5.3.6.1. GMC

The GMC appears to be significantly above the line with a unit cost for 'governance' of around 2.1 times that which might be expected given their size. However, it is arguable that the profession regulated by the GMC (doctors) requires a greater regulatory force than the average regulated profession (summary metrics 1 and 2) and that it would be expected that the GMC's scale-adjusted unit cost for this function might be above the line. However, it is difficult to comment upon the *extent* of the GMC's distance from the line and whether fully justified – this requires further investigation.

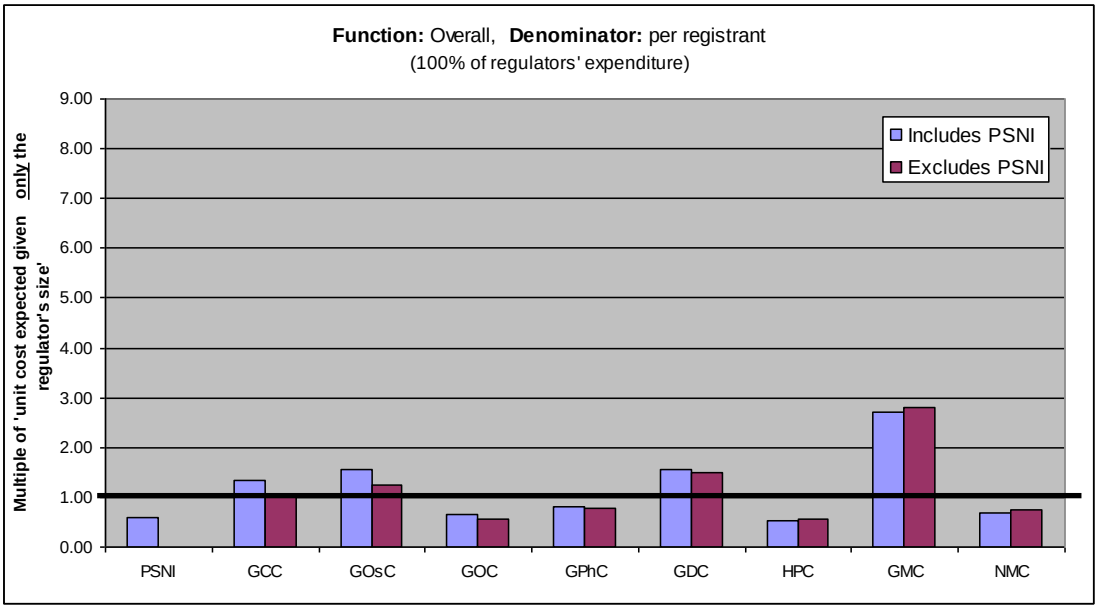
5.3.6.2. HPC

The HPC appears to be significantly below the line. Whilst it is arguable that those professions regulated by the HPC do not require a greater than average regulatory-force (summary metrics 1 and 2) and therefore may well be expected to be below the line, the HPC's low scale-adjusted unit costs are notable since there are other regulators with similar regulatory force required (e.g. GOC, GOsC, GCC) that have significantly higher scale-adjusted unit costs. However, it is unclear, without further information regarding effectiveness, whether this represents notable scale-adjusted efficiency or a shortfall in effectiveness.

5.3.7. Overall

(See summary metrics 1,2 and 3 above)

Chart 5F: Distance-from-the-line for 'overall'



Examination of the distance-from-the-line chart at overall level – i.e. covering expenditure in all of the core regulatory functions – suggests that, in most cases, the distance from the line given each organisation's size is consistent with what one might expect based on their task. For example, the GMC (who require the greatest regulatory force) are the furthest above the line, followed by the GDC. And the HPC, with relatively less regulatory force required, are significantly below the line. The exceptions to this rule appear to be the GCC, the GOsC and the NMC, who might be expected to be closer to the line given their regulatory force required – with the GCC and the GOsC higher than one might expect, and the NMC lower. In the case of the GCC and GOsC, where their regulatory force required might arguably be similar to the HPC and GOC, one might expect them to be below the scale-adjusted line to a similar degree.

It is important to note, that whilst there is evidence to suggest that, in terms of overall unit operating costs, the GCC and GOsC have a higher scale-adjusted unit cost than their regulatory force required would suggest, both regulators have announced fee level changes since the year of data analysed in this report – i.e. since 2010/11. The GOsC have announced that their main renewal fee (for practitioners with three or more years on the register) will be reduced from £750 to £675, a reduction of 10%[12]; and the GCC announced that their registration fee for practising chiropractors will reduce from £1,250 to £750 (a reduction of 40%) and their renewal fee for practising chiropractors will reduce from £1,000 to £800 (a reduction of 20%)[13]. If these reduced fee levels can be maintained, it suggests that (scale-adjusted) efficiencies within these regulators have already, to some extent, been realised.

[12] See http://www.osteopathy.org.uk/uploads/gosc_to_reduce_registration_fees.pdf
[13] See http://www.gcc-uk.org/files/page_file/GCC_to_reduce_registration_fees.pdf

The NMC's registration and renewal fees have remained unchanged.

5.4. Summary

Interpretation of the significant deviations from the line of expected scale-adjusted unit cost described above can be summarised as set out in the following table.

Table 5G: Summary of significant 'distances-from-the-line'

		Explained by 'task' metrics	**Partially explained by 'task' metrics**	**Not explained by 'task' metrics**
Significantly **above** the line	Standards			GOsC* NMC
	Registration	GMC GDC		GOsC*
	Education and Training	GPhC	GMC	
	FtP		GCC* GOsC*	
	Governance		GMC	
	Overall			GCC* GOsC*
Significantly **below** the line	Standards			HPC
	Registration			NMC
	Education and Training	NMC GOsC*		
	FtP		GOC GPhC	NMC
	Governance			HPC
	Overall			NMC

*As described in section 5.2.1 caution is required when interpreting the 'distance-from-the-line' for the small regulators. This is because the lines of best fit (in Section 4.1) are more sensitive to changes in reported expenditure for the smaller regulators than for the larger regulators.

Due to the relatively less quantitative approach taken in this section, and the problem of making judgements about relative efficiency on the basis of a small number of observations, it should be noted that where a significant deviation from the line of expected scale-adjusted unit cost is shown in the table above as not being obviously supported by metrics on variation in 'task', this should not be taken as emphatic evidence of relative inefficiency.

As stated at the beginning of this section, distance-from-the-line can be explained by three key factors: variation in 'task', variation in effectiveness and variation in efficiency. Even if variation in task has been comprehensively captured by the chosen metrics, which seems unlikely, there still remains the question of effectiveness, which is outside the scope of this research.

The summary findings from this section, as shown in the table above, are therefore best viewed as an informed starting point for further discussion – identifying the stand-out differences requiring further investigation.

In the table above, regulator-specific deviations from the line are marked as 'Explained by 'task' metrics' where there is evidence (provided by the 'task' metrics - whether representing regulatory force required or complexity of 'task') that the deviation might be legitimately explained by a regulator's apparently different 'task'.

Deviations from the line are marked as 'Partially explained by 'task' metrics' where either there is some evidence that the deviation can be explained by their 'task' (but where the evidence is not particularly strong) or where the evidence points in the right direction – e.g. a more costly task being associated with a position above the line – but does not necessarily support the magnitude of the relative deviation.

Deviations from the line marked as 'Not explained by 'task' metrics' require further investigation because this report has gathered no evidence to suggest that the deviation is the result of a difference in 'task'. In such cases, it is recommended that the first thing to do is to determine whether the deviation can be explained by effectiveness – i.e. relative over- or under-performance. Where it can, a decision will need to be taken about whether the extra effectiveness delivered by a given additional level of expenditure (or conversely the reduced effectiveness delivered by a lower level of expenditure) is warranted from a value-for-money perspective. Secondly, and having ruled out effectiveness as a possible explanation, where no evidence of relative over- or under-performance is found, this would tend to point to actual efficiency or inefficiency of operation. In such cases, further investigation is required to understand which particular business processes are driving the apparent relative efficiency or inefficiency. Efficient business practices should be disseminated widely, whereas inefficient business practices should be replaced by more efficient practices.

5.5. Potential efficiency savings

In order to help set potential savings associated with improvements in 'scale-adjusted' efficiency against savings that might potentially be achieved through exploitation of scale economies (through consolidation of regulators either at overall or function level), it is helpful to consider the size of the largest deviation from the line that does not appear to be obviously justified by 'task'. By examining the overall distance-from-the-line chart (Chart 5F) and the summary information in Table 5G, elimination of the largest deviation from the line, that does not appear to be supported by 'task' equates to a potential efficiency saving of £0.65m per year.

The £0.65m per year saving stated above relates to just one regulator. In order to estimate potential 'scale-adjusted' efficiency savings across all regulators, all 'non-legitimate' deviations-from-the-line would need to be aggregated (which is difficult because it has only been possible to allude to the potential size of these rather than quantify them definitively) and these potential savings would need to be offset by any *increase* in expenditure that may be required due to regulators operating at sub-standard effectiveness.

6. Compliance costs

6.1. Introduction

Sections 4 and 5 explore regulators' unit operating costs. However, regulators also impose compliance costs on various parties in carrying out their regulatory functions. Compliance costs are imposed at any point during the regulatory process where external parties (such as registrants and education providers) are required to comply with an obligation to provide the regulator with information. They do not include costs associated with third parties carrying out their usual business activities. To provide an example in the context of regulating healthcare professionals, the cost to an individual of carrying out Continuing Professional Development (CPD) is not a compliance cost because it is considered to be an important part of being an effective healthcare professional. However, the cost to an individual of having to *demonstrate* compliance with this activity to the regulator – for example, by having to periodically submit a record of CPD – *is* considered to be a compliance cost.

Compliance costs can include both cash and non-cash costs – for example, the cost of posting an application form to the regulator (a cash cost) and the time taken to fill in the form (a non-cash cost). Where there is a combination of cash and non-cash costs, it is possible to denominate all costs in terms of monetary values – for example, by multiplying a quantity of time spent by an appropriate hourly wage.

This section examines those compliance costs that are imposed by regulators with the aim of exploring:

- the size of the total annual monetised compliance cost imposed by regulators and how this compares to regulators' total annual operating costs; and
- how compliance costs vary across regulators and whether compliance costs:
    - move in the same direction as unit operating costs (i.e. a regulator with high unit operating costs imposes high unit compliance costs and vice versa); or
    - move in opposite directions (i.e. exhibit an offsetting relationship where a regulator with low unit operating costs imposes high unit compliance costs and vice versa).

6.2. Where in the regulatory process are compliance costs imposed?

Compliance costs are imposed at any point during the regulatory process where external parties (such as registrants and education providers) are required to comply with an obligation to provide the regulator with information. Table 6A below sets out the regulatory functions where the key compliance activities lie, along with a brief description of the obligation imposed on external parties.

Table 6A: Description of key compliance activities by regulatory function

Function	**Key compliance activity imposed on external parties**
Registration	Registrants must comply with regulators' registration, renewal and CPD reporting processes.
Education & Training	Pre-registration education and training providers must comply with regulators' pre-registration education and training assurance processes which consists of: • initial programme approval; • annual programme monitoring; • programme re-approval; and • major change approval. Post-registration education and training providers must comply with regulators' post-registration education and training assurance processes. For some regulators this is similar to the pre-registration assurance processes, however, for others, the assurance process includes assurance of trainee posts and trainers as opposed to institutional courses.
Fitness to Practise	Various parties (such as registrants, employers and members of public) need to comply with regulators' Fitness to Practise processes where appropriate.

This report focuses on measuring the compliance costs associated with the 'registration' function and those associated with the pre-registration activities of the 'education and training' function.

6.3. Methodology

Two anonymous online surveys were developed: one for initial registration – aimed at registrants that have recently been through the initial registration process; and another for both the renewal and CPD reporting processes – aimed at registrants that have been registered for a year or more. 1,077 complete and valid responses were received to the renewal and CPD reporting survey and 53 responses to the registration survey. The higher response rate to the renewal and CPD reporting survey was to be expected since, at any one point in time, there are significantly more registrants that have been registered for a year or more compared to those registrants that have been through the initial registration process within the last year.

A paper-based survey of pre-registration education and training providers was also developed, in order to measure their costs of compliance with pre-registration education and training assurance processes described in Table 6A above. Responses were received from three institutions, covering a range of courses assured by a range of regulators. For most regulators, at least one estimate was obtained of the compliance costs associated with annual programme monitoring and programme re-approval. However, estimates for initial programme approval and programme major change were only obtained for a few courses assured by a few regulators.

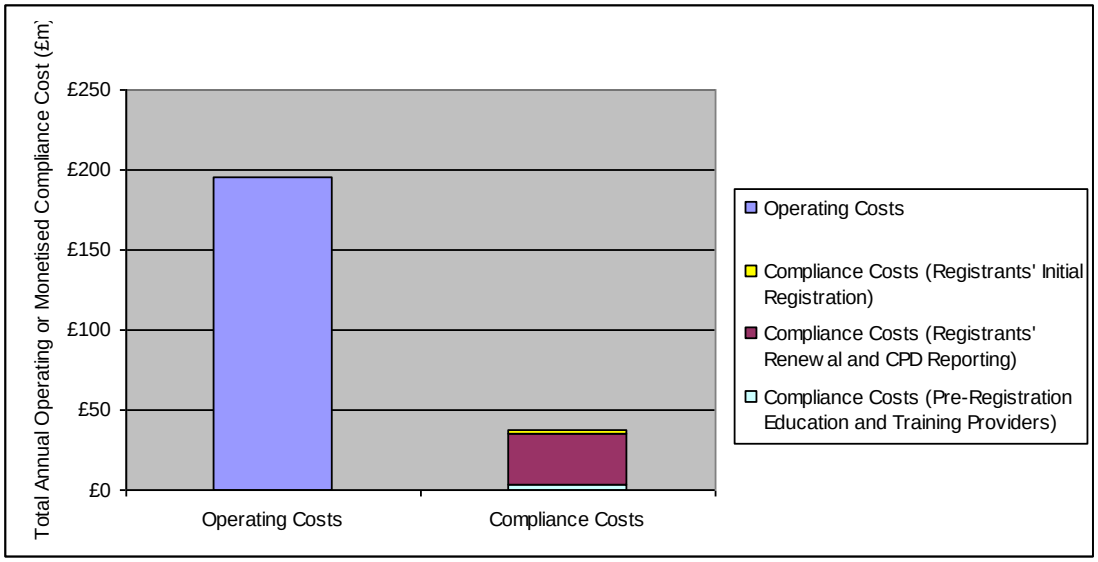
Annexes 6 and 7 provide full details of the methodologies and results for the registrants' and education providers' surveys respectively. However, the key results

are presented here. In some cases, the number of responses relating to particular professions and regulators are low. This means that the survey results should be treated with caution. Further details are contained in Annexes 6 and 7.

6.4. Size of total annual monetised compliance costs

Chart 6B below presents an estimate of the total annual monetised compliance costs imposed on registrants and pre-registration education and training providers alongside the total annual operating costs across all regulators.

Chart 6B: Comparison of size of total annual operating costs and total annual monetised key compliance costs

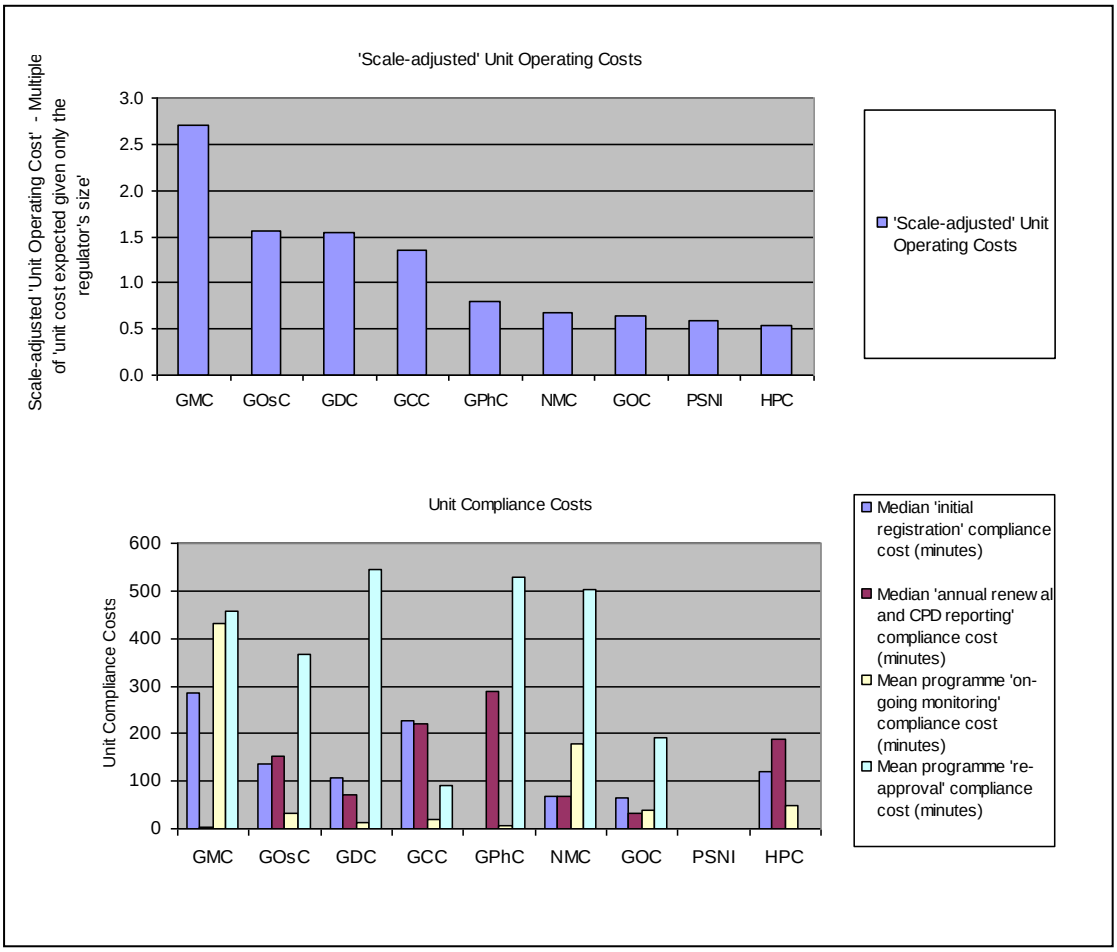


As described in Section 3, total annual operating costs across all regulators are estimated at around £200m per year. Total annual compliance costs imposed on registrants and pre-registration education & training providers are estimated to be approximately equivalent to one fifth of the total annual operating costs at around £37.5m per year. This estimate consists of estimates of the total annual compliance costs associated with registrants' renewal & CPD reporting, registrants' initial registration, and assurance of pre-registration education & training providers of £32.5m, £2m and £3m respectively. It should be noted that estimates of the costs of complying with initial registration and education & training assurance requirements are based on small samples. However, the estimate for registrants' renewal and CPD reporting (the largest compliance cost) is based upon a large number of responses - 1,077 registrants. It should also be kept in mind that, as explained earlier, these compliance cost estimates do not include compliance costs associated with the assurance of *post-registration* education & training and fitness to practise which may be significant in size. Lastly, CPD estimates are not included for the GMC as they do not require their registrants to submit CPD information.

6.5. Variation in compliance costs across regulators

Figure 6C below consists of a chart of regulators' 'scale-adjusted' unit operating costs alongside a chart of estimates of each regulator's unit compliance costs (for registrants' initial registration, renewal and CPD reporting and education providers' on-going monitoring and re-approval processes). It should be noted that regulators, in both charts, are ordered according to their 'scale-adjusted' unit operating costs – regulators with high scale-adjusted unit operating costs appear towards the left and those with low unit operating costs to the right.

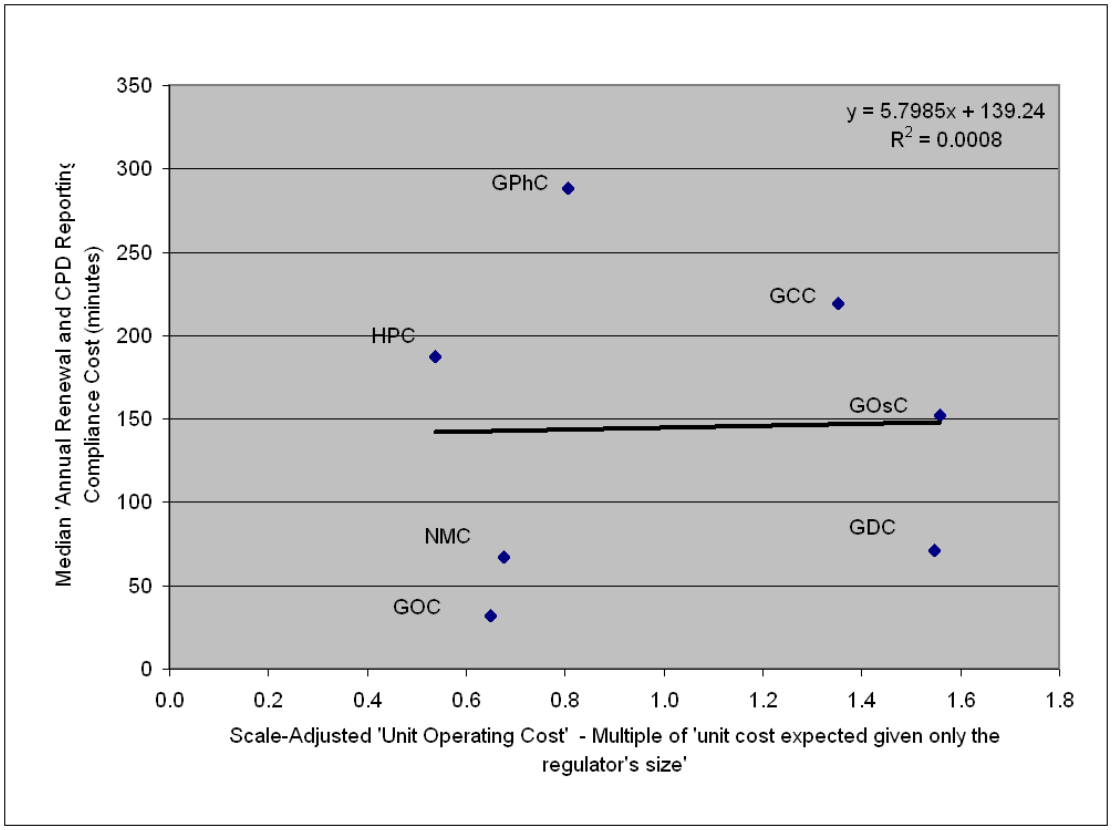
Figure 6C: Variation in unit operating costs and compliance costs across regulators



Examination of the unit compliance costs chart within Figure 6C indicates that there appears to be considerable variability across regulators and across compliance activities. Examination of both the operating costs and compliance costs charts within Figure 6C also indicates that there does not appear to be a particularly strong relationship between unit operating costs and unit compliance costs. However, it should be kept in mind that the compliance costs estimates for registrants' initial registration and education providers' on-going monitoring and re-approval are based upon smaller sample sizes than those for registrants' 'annual renewal'. With this in mind, Chart 6D plots (scale-adjusted) unit operating costs against registrants' renewal and CPD reporting compliance cost estimates (i.e. the compliance costs estimates based upon a larger sample size). It should be noted that the GMC is

excluded from the chart for consistency reasons because it does not require its registrants to submit CPD.

Chart 6D: Scatterplot of 'scale-adjusted' unit operating costs against registrants' annual renewal and CPD reporting unit compliance costs



The R^2 statistic[14] indicates that there appears to be no relationship between (scale-adjusted) unit costs and registrants' renewal and CPD reporting compliance costs. Figure 6C and Chart 6D indicate that there is no clear evidence to suggest that regulators achieve low unit operating costs by shifting the burden to registrants and education & training providers.

[14] An R^2 statistic ranges from 0 to 1 and indicates the proportion of variability in a data set that is accounted for by the statistical model (in this case the line of best fit). If the regression line (line of best fit) were to pass exactly through every point on the scatter plot it would be able explain all of the variation - and the R^2 statistic would be 1.

7. Concluding remarks

7.1. Key findings

- There is evidence to suggest that the statutory regulation of UK healthcare professionals exhibits economies of scale. On average a doubling of the registrant base is associated with a 19% reduction in unit operating costs. However, it should be noted that this estimate does not take into account any potential upfront or transition costs which may well be significant. Evidence of scale economies can be found across all core regulatory functions, to varying degrees.
- There is some evidence to suggest the potential for scale-adjusted efficiencies to be realised – i.e. as distinct from savings that might be realised through consolidation of existing regulators.
- There is no evidence to support the claim that regulators achieve low unit operating costs by shifting costs onto third parties.

7.2. Recommended next steps

In order to build on the main messages emanating from this report, the following further research is recommended:

- Establish a core dataset, with common standards and consistent definitions, to facilitate future benchmarking of regulators' costs and performance.
- Investigate the regulator-specific deviations from scale-adjusted efficiency which cannot be readily explained by reference to variable regulatory task (see Summary Table 5G). In particular, where differences are found to be due to higher or lower effectiveness, determine whether this is warranted on conventional thresholds of cost-effectiveness. And where differences appear to be due to relative efficiency or inefficiency, identify the specific business processes responsible and disseminate best practice accordingly.
- Estimate the up-front costs of: a) consolidation; and b) adoption of best practice – and add these to the estimates of annual savings in running costs, so that informed decisions can be made about the relative merits of these courses of action.
- Commission longer-term research to determine the absolute efficiency of the current system of regulating healthcare professions. Rather than seek to operate the current system at optimal efficiency, this research would consider what system of regulation would achieve the desired outcomes most efficiently, drawing on the regulation of healthcare professionals in other countries and the regulation of professionals practising in different sectors of the economy.

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Cost-efficiency review of the health professional regulators (Annexes)

Jenny Ball | Alistair Rose

Stuart Redding | Jonathan White

Report No. 4, November 2012

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Table of contents (Annexes)

Annex 1. List of registered professions

Table A1: List of registered professions by regulator

Regulator	Registered professions
GCC	Chiropractors
GDC	Dentists
	Dental hygienists
	Dental therapists
	Clinical dental technicians
	Orthodontic therapists
	Dental nurses
	Dental technicians
GMC	Doctors
GOC	Dispensing opticians
	Optometrists
GOsC	Osteopaths
GPhC	Pharmacists
	Pharmacy Technicians
HPC	Arts Therapists
	Biomedical scientists
	Chiropodists/Podiatrists
	Clinical scientists
	Dieticians
	Hearing Aid Dispensers
	Occupational Therapists
	Operating Department Practitioners
	Orthoptists
	Orthotists/Prosthetists
	Paramedics
	Physiotherapists
	Practitioner psychologists
	Radiographers
	Speech and language therapists
NMC	Nurses
	Midwives
PSNI	Pharmacists

Source: Annex A of CHRE's Performance review report 2010/11[1]

[1] See http://www.chre.org.uk/_img/pics/library/110623_Final_-_CHRE_Performance_Review_report_2010-11_%28Colour_for_web_-_PDF_version%29.pdf

Annex 2. Apportionment of overall operating cost burden between registrants and taxpayers

This annex uses data on the income received by regulators to estimate how the burden of overall operating costs is shared between registrants and taxpayers.

In some instances, the cost of paying fees associated with registering with a particular statutory regulator is passed from the registrant to the employer – i.e. either in the form of the employer directly paying the fee on behalf of the registrant or indirectly through the annual wage negotiation process. Since the extent to which this practice occurs is not known (and the associated tax implications are hard to discern), the estimation of the implicit taxpayer contribution is made on the assumption that registrants meet the cost of fees.

Table A2: Estimation of the share of overall operating costs borne by registrants and taxpayers

Regulator	**Reporting year**	**Start of reporting year**	**Income received in fees (£ '000s)**	**Grant income received from DH (£ '000s)**	**Assumed marginal tax rate for registrants**	**Estimated income tax foregone (£ '000s)**
NMC	2010/11	1st April	£51,397	£189	20%	£10,279
GMC	2010	1st January	£89,742	£4,521	38%	£34,102
HPC	2010/11	1st April	£16,844	£0	20%	£3,369
GDC	2010	1st January	£22,425	£0	28%	£6,279
GPhC	2010/11	1st April	£7,795	£1,767	20%	£1,559
GOC	2010/11	1st April	£6,366	£36	20%	£1,273
GOsC	2010/11	1st April	£2,910	£96	20%	£582
GCC	2010	1st January	£2,522	£112	20%	£504
PSNI	2010/11	1st June	£790	£0	20%	£158
sub-total[2]			*£200,790*	*£6,721*		*£58,106*
Investment income received and corporation tax foregone			**Investment income received (£ '000s)***		**Assumed corporation tax rate**	**Estimated corporation tax foregone (£ '000s)**
NMC	2010/11	1st April	£876		26.7%	£234
GMC	2010	1st January	£663		25.7%	£171
HPC	2010/11	1st April				
GDC	2010	1st January				
GPhC	2010/11	1st April				
GOC	2010/11	1st April	£70			
GOsC	2010/11	1st April				
GCC	2010	1st January	£2			
PSNI	2010/11	1st June	£27			
Total			**£202,398**	**£6,721**		**£58,511**
			(A)	(B)		(C)
Key calculation of operating cost burden shares Income from fees, investments and grants (£'000) = A+B = £209,119 ***Cost burden borne by taxpayers (£'000) = B+C = £65,232 (31%)*** ***Cost burden borne by registrants (£'000) = A-C = £143,887 (69%)***						

[2] Totals may not sum exactly, due to rounding

Source: Regulators' Annual Accounts; average salaries detailed in Annex 6.4; further sources shown as footnotes below

* This is included as a current cost because, in some sense, it represents a surplus on past fee income. If a surplus had not been earned on past fee income, the proceeds could not have been invested and the annual income from these investments therefore represents the additional fee income that would need to be collected from current registrants in order to operate at the same level of expenditure.

The burden of meeting the overall operating costs of the system of statutory regulation of healthcare professionals is borne by registrants (in the fees that they pay) and taxpayers (in the form of taxes foregone and income received from government grants). The table above uses information on the income received from these sources to estimate how the burden of costs is borne between registrants and taxpayers.

Grants allocated by government represent a direct burden on taxpayers of about £7 million a year. In addition, taxpayers bear the burden of certain taxes foregone, estimated to represent up to £58.5m[3].

The figure of £58.5m consists of two components. The first component is an estimate of the income tax foregone based on the estimated marginal tax rate that applies at the mean salary of the healthcare professions covered by each of the regulators[4] (£58.1m). The accuracy of this calculation could be improved by using a distribution of workers' salaries, but this information is not easily available. It is likely that some higher earners would pay a higher marginal tax rate than those earning the average wage. In this case, our calculation would underestimate the tax-payer contribution. However, this calculation assumes that all registrants reclaim the tax on their fees. If they do not do so, our estimate of the tax-payer contribution would be over-stated.

The second component is an estimate of the amount of corporation tax forgone (£405,000). Two of the nine regulatory bodies, GMC and NMC, have charitable status, which means that they do not have to pay tax on investment income, interest and rent[5]. There are two rates of Corporation Tax: the Small Profits rate and the main rate[6]. In 2010, these rates were 21% and 28% respectively. The Small Profits rate is applied to amounts less than £300,000 and the main rate is used for amounts of greater than £1.5m. For values between these points, tax relief is calculated for 7/400ths of each pound.

Overall, the taxpayer bears up to 31% of the global costs of operating the system of statutory regulation of healthcare professionals (£58.5m+£.6.7m/£209.1m), with the remainder assumed to be borne by registrants themselves.

[3] We do not include any estimate of the excess burden of taxation, partly because our estimate of the taxpayer contribution is an upper bound rather than a precise point estimate

[4] See Annex 6.4 for further details of salary data used

[5] See http://www.hmrc.gov.uk/charities/tax/basics.htm

[6] See http://www.hmrc.gov.uk/rates/corp.htm

Annex 3. Operating costs

This annex sets out:

- the contents of Schedules A, B and C of the Operating Expenditure Template;
- the template's guidance notes; and
- sensitivity analysis on variable premises arrangements.

Annex 3.1. Operating Expenditure Template contents

The Operating Expenditure Template was used to gather data from the different regulators; the contents of its Schedules A, B and C are presented on subsequent pages. Schedule A is presented across two pages with all subcategories displayed.

The following instructions were prominently featured above Schedule A itself (rather than in the separate guidance notes document):

Please complete the following table with financial data from your most recently audited and published accounts. Overheads should first be entered into Schedule B. Then, complete the 'Proportion of total overhead' cells below (so that they add up to 100%) using an appropriate methodology. This will apportion the total of the Schedule B overheads between the rows below.

Important: at a minimum, please complete the bold headings at the top of each section below; and complete the sub-categories if possible.

Table A3A: Schedule A (Financial Data) of the Operating Expenditure Template (Continued overleaf)

		Directly assigned expenditure (£)			Proportion of total overhead	Apportioned overheads	Directly engaged employment (Full Time Equivalent staff)		Notes
		In-house staff	Other direct costs	Contracted-out costs	(%)		In-house staff (FTEs)	Other staff (FTEs)	
	Registration of Individuals								
1	**Standards (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
1.1	Standards setting and review					£0			
1.2	Supplementary guidance production and review					£0			
1.3	Promotion and accessibility of standards					£0			
1.4	Other (please specify)					£0			
2a	**Pre-registration Education and/or Training (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
2.1a	Standards setting and review					£0			
2.2a	Quality assurance of providers/programmes					£0			
2.3a	Other (please specify)					£0			
2b	**Post-registration Education and/or Training (total) - where applicable**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
2.1b	Standards setting and review					£0			
2.2b	Quality assurance of providers/programmes					£0			
2.3b	Other (please specify)					£0			
3	**Registration (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
3.1	New Student Registration					£0			
3.2	New Full Registration - UK applicants					£0			
3.3	New Full Registration - EU applicants					£0			
3.4	New Full Registration - Non-EU international applicants					£0			
3.5	Renewals (students)					£0			
3.6	Renewals (full) - UK applicants					£0			
3.7	Renewals (full) - EU applicants					£0			
3.8	Renewals (full) - Non-EU international applicants					£0			
3.9	Registration appeals/restoration to register					£0			
3.10	Maintaining and promoting register for stakeholders					£0			
3.11	Protecting titles					£0			
3.12	Other (please specify)					£0			
4	**Fitness to Practise (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
4.1	Receiving and screening complaints					£0			
4.2	Preparing for and supporting Interim Orders Panels					£0			
4.3	Preparing for and supporting Investigating Committees					£0			
4.4	Preparing for and supporting Final Hearings					£0			
4.5	Preparing for and supporting Review Hearings					£0			
4.6	Handling appeals					£0			
4.7	Other (please specify)					£0			
5	**Continuing Fitness to Practise (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
5.1	CPD					£0			
5.2	Planning for revalidation					£0			
5.3	Undertaking revalidation					£0			
6	**Governance (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
6.1	Supporting Council to fulfil its role					£0			
6.2	Supporting Committees (statutory and non-statutory) to fulfil their role					£0			
6.3	Other (please specify)					£0			
7	**Other (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
7.1	Anything not mentioned above (please specify)					£0			

Table A3A: Schedule A (Financial Data) of the Operating Expenditure Template (Continued from previous page)

		Directly assigned expenditure (£)			Proportion of total overhead	Apportioned overheads	Directly engaged employment (Full Time Equivalent staff)		Notes
		In-house staff	Other direct costs	Contracted-out costs	(%)		In-house staff (FTEs)	Other staff (FTEs)	
	Registration of Businesses (where applicable)								
8	**Standards (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
8.1	Standards setting and review					£0			
8.2	Supplementary guidance production and review					£0			
8.3	Promotion and accessibility of standards					£0			
8.4	Other (please specify)					£0			
9	**Registration (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
9.1	New Registration					£0			
9.2	Renewals					£0			
9.3	Registration appeals/restoration to register					£0			
9.4	Other (please specify)					£0			
10	**Fitness to Practise**	**£0**	**£0**	**£0**	**0.0%**	**£0**	0	**0**	
10.1	Receiving and screening complaints					£0			
10.2	Preparing and supporting Hearings					£0			
10.3	Handling appeals					£0			
10.4	Other (please specify)					£0			
11	**Governance**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
11.1	Supporting Council to fulfil its role					£0			
11.2	Supporting Committees (statutory and non-statutory) to fulfil their role					£0			
11.3	Other (please specify)					£0			
12	**Inspections**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
13	**Other (total)**	**£0**	**£0**	**£0**	**0.0%**	**£0**	**0**	**0**	
13.1	Anything not mentioned above (please specify)					£0			

Table A3B: Schedule B (Overheads) of the Operating Expenditure Template

	Unallocated Overheads	Total Cost	In-house staff (no. of Full Time Equivalent	Other staff (no. of Full Time Equivalent staff)	Notes
1	Depreciation and amortisation	£0	N/A	N/A	
2	Finance Department Costs	£0			
3	Human Resources Department	£0			
4	IT (capital)	£0			
5	IT Operating Costs (revenue)	£0			
6	Premises (capital) - e.g. constructing or buying premises	£0			
7	Premises (revenue) - e.g. leasing costs, mortgage interest	£0			
8	Estates management - e.g. costs of running the premises	£0			
9	Legal costs (where not already directly assigned)	£0			
10	Other professional services (where not already directly assigned)	£0			e.g. tax advisers, architects, management consultants, insurance etc.
11	Communication, PR, marketing and stakeholder relations (where not already directly assigned)	£0			
12	Expenses (travel & other)	£0			
13	Procurement	£0			
14	Chief Executive/Registrar/Senior Management Team (or equivalent)	£0			
15	Project Costs (please specify project title)	£0			i.e. short term, discrete activities - e.g. moving offices, opening registers for a new profession
16	Exceptional one-off items (please specify)	£0			
17	Other (please specify)	£0			

Please give details of the apportionment methodology that you have used to determine the Proportion of total overhead' cells shown in Schedule A:

Table A3C: Schedule C (Other Data) of the Operating Expenditure Template

	Data item	Please enter information				Notes
		UK	EU		Non-EU	
			Automatic recognition	General recognition		
1	Total number of registrants (at year-end)					
1a	~ of which new student registrations		Not applicable			
	~ of which new full registrations					
1b	~ of which student renewals (or retained registrants)		Not applicable			
	~ of which full renewals (or retained registrants)					
1c	~ exits or removals					
2	Number of registrants on specialist register(s)					
2a	~ of which new registrations					
2b	~ of which renewals (or retained registrants)					
2c	~ exits or removals					
3	Interval for renewal of registration (e.g. every 2 years for main register, every 3 years for specialist registers)					
4	Total number of businesses registered (at year-end)					
4a	~ of which new registrations					
4b	~ of which renewals (or retained)					
4c	~ exits or removals					
5	The post code(s) of the location of regulators' office(s)					
6	Tenure of offices - e.g. leasehold, freehold					
7	Net Internal Area (m^2) for each office					For a definition of Net Internal Area, please go to http://www.voa.gov.uk/corporate/publications/comp.html#a3
7a	~ of which meeting rooms dedicated to conducting Hearings					
7b	~ % occupancy of in-house meeting rooms dedicated to conducting Hearings					
7c	~ % of Hearing days conducted in external meeting rooms					
8	% of FTEs who require permanent accommodation in regulator's offices					
9	Total working days lost to sickness (in-house staff, FTEs)					

Annex 3.2. Operating Expenditure Template guidance notes

The following guidance notes (in italics) were provided to regulators to help them complete the Operating Expenditure Template correctly.

The accompanying spreadsheet requests various data relating to the operating expenditure of regulating the healthcare professions. By collecting this data in a standard template, it will be possible to compare costs across the 9 regulators on a consistent (if not yet directly comparable) basis.

Although it is clear that some regulators may face legitimately higher costs for factors outside their control – e.g. relating to profession-specific complexity or risk – at this stage the focus is on collecting raw operating expenditure. External drivers of cost, in

as far as these vary from one regulator to the other, will be considered and incorporated in a separate and subsequent stage.

Financial year

Please populate the spreadsheet with financial data relating to your most recently audited and published accounts. Please state the year and accounting period in the input cells at the top of Schedule A. Unless publication of a new annual report is imminent, we would expect regulators to base their submission on a set of accounts that have already been published.

Categories listed in Schedule A

The rows in Schedule A list the main regulatory activities, grouped by the 6 core regulatory functions[7] (plus one 'other' category). It is expenditure in these 6 core functions that is of primary interest. The sub-categories – revealed by clicking on the '+' buttons in the left hand margin – are listed to help you map expenditure to the appropriate function, as well as allowing for more detailed analysis.

If there are areas of expenditure not covered by the categories listed in Schedule A, then please specify these – either within categories 1-6 or 7, as appropriate.

Those organisations regulating or inspecting premises/businesses as well as individuals, should report this expenditure separately (categories 8-13 in Schedule A).

The first 3 data columns in Schedule A (columns D, E and F) relate to expenditure that can be directly assigned to particular functions/activities. These costs should be separated into those that relate to in-house staff (i.e. salaries, including on-costs such as pension contributions), other directly assigned in-house costs (e.g. dedicated equipment) and any functions/activities that have been contracted out (e.g. where perhaps whole functions, like registration, have been contracted out to an external supplier).

In addition, there are two columns (I and J) requesting information on the number of Full Time Equivalent staff directly engaged in the activities listed. Column I should be used to record in-house FTEs directly engaged in the activities listed, while column J should be used for contracted-out staff directly engaged in the activities listed. This will help regulators directly assign labour costs to functions and may provide a means for allocating overheads down to the listed activities/functions (or at least those that are provided in proportion to labour input).

Columns G and H relate to overheads and are explained further in the following section. You should begin by entering your overhead costs in Schedule B. Then, by entering the percentage of overheads allocated to each of the categories listed in Schedule A (column G), the amount of overhead (column H) will be automatically populated.

[7] A sixth function labelled 'Continuing Fitness to Practise' has been defined to include both CPD and revalidation. This is because CPD does not fit easily into any of the other 5 functions and the growing importance of revalidation may warrant separate consideration.

Overheads (Schedule B)

Please enter your overhead expenditure in Schedule B. These costs cover anything that has not been directly assigned to the categories list in Schedule A. If you have categories of expenditure outside of those listed, please specify these.

Overheads should be allocated to the functions listed in Schedule A using an appropriate methodology. In an ideal world, the drivers of each category of overhead should be profiled and apportioned using an appropriate metric or metrics. In practice, use your discretion to strike an appropriate balance between sophistication (and accuracy) of the apportionment and data/resource constraints.

Contextual information (Schedule C)

The information requested in Schedule C is required to allow unit costs to be calculated, to analyse the impact of variable office accommodation arrangements and to compute some simple benchmarking information on the provision of support functions.

It also requests certain information about the mix of registrants, which is one way of assessing the relative complexity of the registration process across regulators. Please note that where new registrations, renewals and exits are requested, this refers to all such instances over the course of the year being reported. The 'Total number of registrants' is the stock of registrants at the end of the year being reported.

The data requested in data item 2 (relating to specialist registers) is a subset of, rather than an addition to, the data requested in data item 1 (relating to the main register).

Pre-population of the spreadsheet

Wherever possible, we have used information from each regulator's latest annual report to pre-populate certain cells. However, it is likely that most cells will remain unpopulated, and those that have been populated will need to be checked.

Only the cells highlighted in a particular colour need to be populated with data. All other cells are derived.

Reconciliation

The sum of all expenditure submitted will need to reconcile to expenditure before tax as stated in the latest set of audited, published accounts.

Encryption

While the high-level expenditure totals entered into the spreadsheet will reconcile to figures already in the public domain, most of the data submitted will be categorised slightly differently and/or reported at a finer level of detail than published material. Furthermore, since regulators may (for example) be reporting labour costs relating to tasks performed by a small number of individuals, sensitive salary information may (in effect) be revealed.

For this reason, it is recommended that regulators encrypt their data before submitting it to CHRE. All data will be handled sensitively and securely. On

completion of the cost-efficiency review, the Centre for Health Service Economics and Organisation will destroy all underlying data.

[An annex was supplied explaining how to encrypt data securely using the AES-256 algorithm and a complex 20-character password].

Annex 3.3. Sensitivity analysis on premises arrangements

Regulators have different arrangements in place with regards to the business premises they occupy. Some regulators own their premises outright (whether through donation or through a mortgage they have repaid in full), some are repaying debt used to buy their premises, while others are renting through either a short or more long-term leasing agreement.

One of the key aims of this project is to identify where unit operating costs may be higher or lower than expected given a regulator's scale and 'task' with a view to suggesting areas where efficiency gains could be made. However, regulators' circumstances with regards to the business premises that they occupy also impact their operating expenditure (and arguably this element of their operating expenditure might not be directly amenable to change). Limited data or information relating to ownership and/or payment arrangements in relation to regulators' premises was collected for the purpose of this report and therefore the impact of premises arrangements on expenditure (or unit operating costs) is not known with certainty. The purpose of this annex, therefore, is to apply some sensitivity analysis to explore what proportion of each regulator's expenditure (or unit operating costs) may be attributable to their business premises arrangements.

In most cases, the value of each regulator's fixed assets (land and buildings) at year-end is known (because it is often reported in regulators' Annual Accounts), and where it is not known, can be imputed. An upper bound estimate of the associated premises cost can therefore be calculated by estimating the annual mortgage payments, covering capital and interest, consistent with each regulator's land and buildings asset value.

Table A3D shows that the relative position of each regulator in the distribution of unit operating costs across regulators appears not to be significantly sensitive to different premises arrangements. Therefore, the operating expenditure as reported by regulators via the Operating Expenditure template (Annex 3.1) is used in the main analysis contained within this report – i.e. with no further adjustment to account for variable premises arrangements.

Table A3D: Sensitivity analysis on premises arrangements

2010, 2010/11	Total expenditure per registrant (minus exceptional, one-off items and non-core activities) £ (A)	Value of fixed assets (land and buildings) at year-end (£000s)	Implied annual mortgage payment on a 25- year, repayment mortgage, at 4% interest	Implied annual mortgage payment per registrant (B)	% impact (A/B*100)
NMC	£68	*£17,229	£1,102,862	£1.66	2%
GMC	£368	£12,593	£806,103	£3.37	1%
HPC	£76	£2,250	£144,027	£0.67	1%
GDC	£278	£4,459	£292,471	£3.06	1%
GPhC	£165	**£2,618	£167,583	£2.67	2%
GOC	£192	***£3,048	£195,108	£8.44	4%
GOsC	£711	£2,244	£143,654	£68.31	10%
GCC	£721	£5,281	£338,060	£75.87	11%
PSNI	£340	n/a	n/a	n/a	n/a

Source: Operating Expenditure templates and regulators' Annual Accounts
* Includes £5.7 million refurbishment of Portland Place
** Imputed value based on £2,000 per m^2 (Lambeth Place)
*** Imputed value based on £2,000 per m^2 (Harley Street)

Annex 4. Scale analysis

This annex sets out:

- the full set of non-Ln-Ln charts for each of the core functions and for overall expenditure;
- the full set of Ln-Ln charts for each of the core functions and for overall expenditure; and
- tables showing how estimates of the savings from consolidation have been derived.

Annex 4.1. Non-Ln-Ln charts for each of the core functions and for overall expenditure

The following charts illustrate the relationship between unit operating costs (both at overall level and for individual functions) and scale of operation. Because neither the unit costs nor the scale have been adjusted using natural logarithms, these are referred to as 'non-Ln-Ln' graphs.

Chart A4A: Non-Ln-Ln chart of unit operating costs against scale (function: Overall; denominator: per registrant)

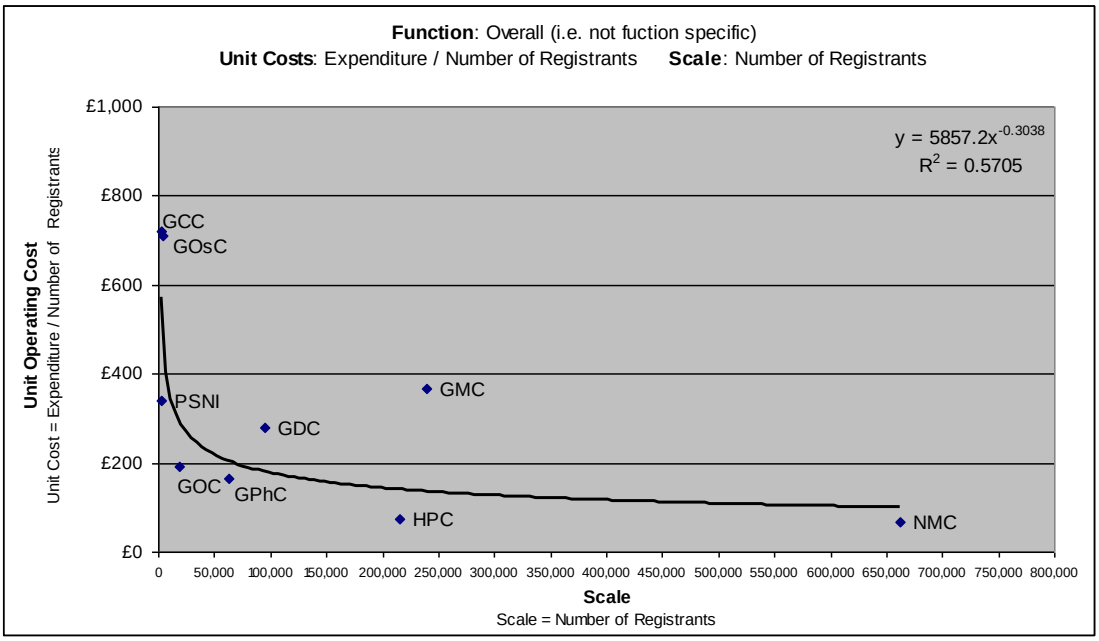


Chart A4B: Non-Ln-Ln chart of unit operating costs against scale (function: Standards & Guidance; denominator: per registrant)

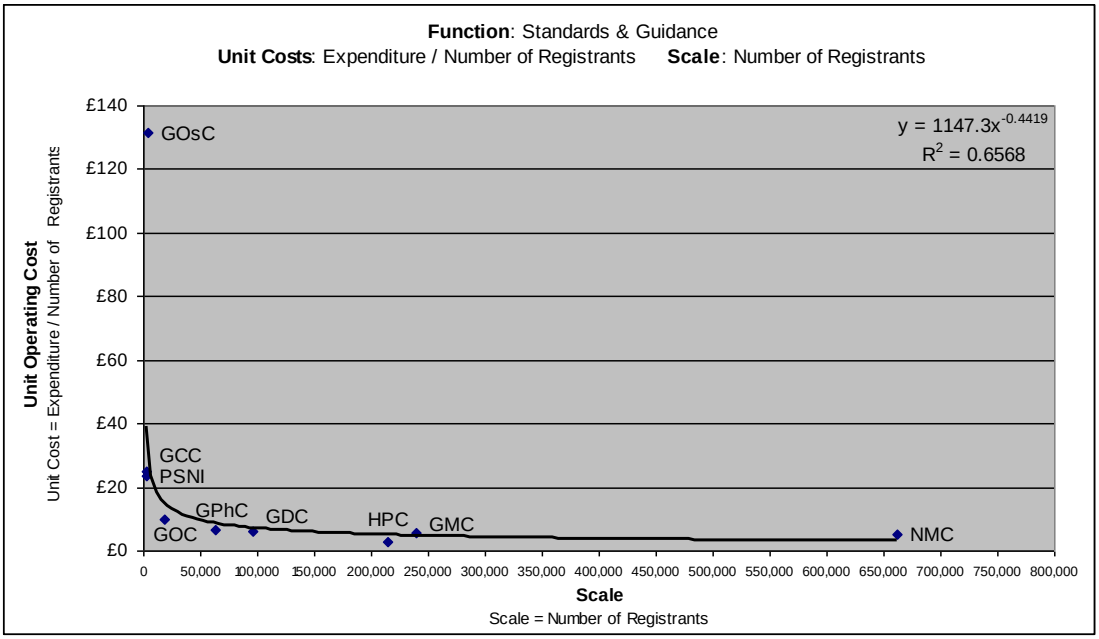


Chart A4C: Non-Ln-Ln chart of unit operating costs against scale (function: Registration; denominator: per registrant)

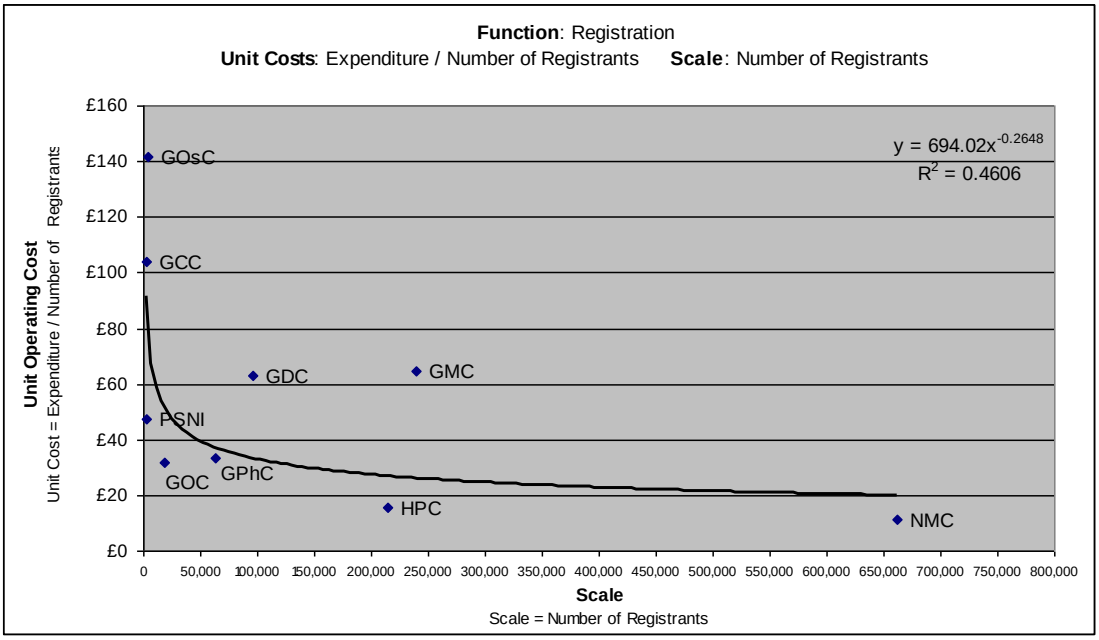


Chart A4D: Non-Ln-Ln chart of unit operating costs against scale (function: Education & Training; denominator: per registrant)

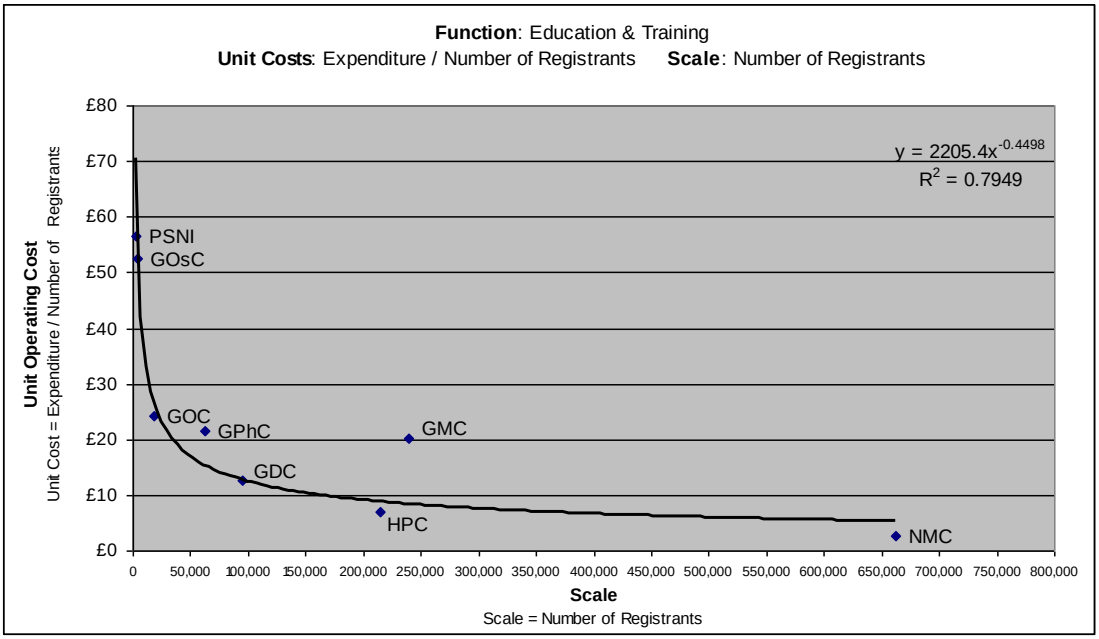


Chart A4E: Non-Ln-Ln chart of unit operating costs against scale (function: Education & Training; denominator: number of pre-registration courses assured)

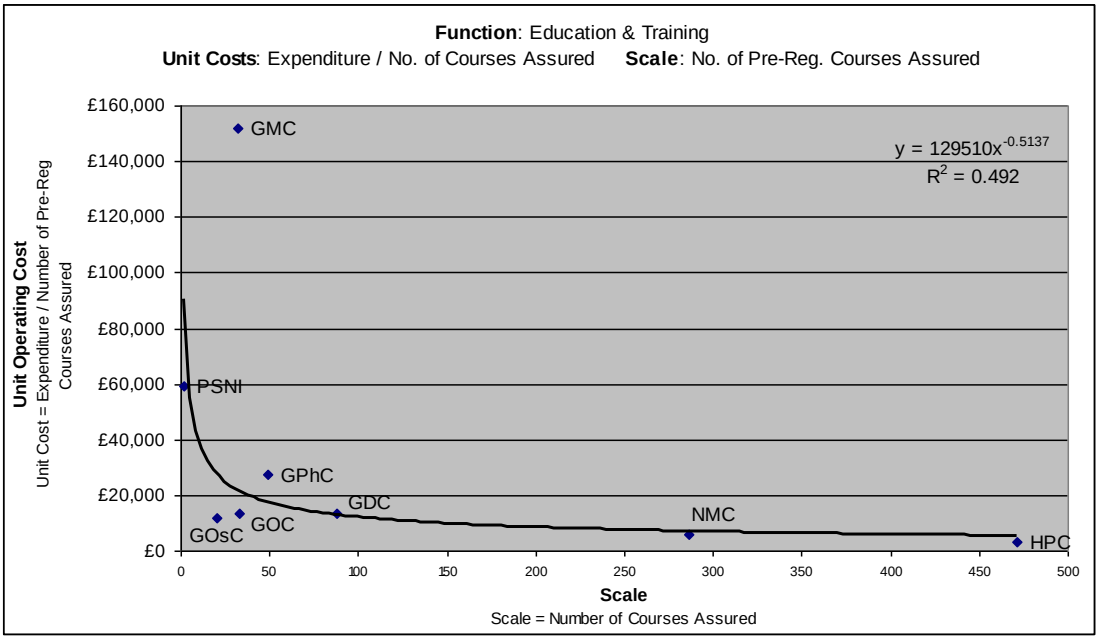


Chart A4F: Non-Ln-Ln chart of unit operating costs against scale (function: Fitness to Practise; denominator: per registrant)

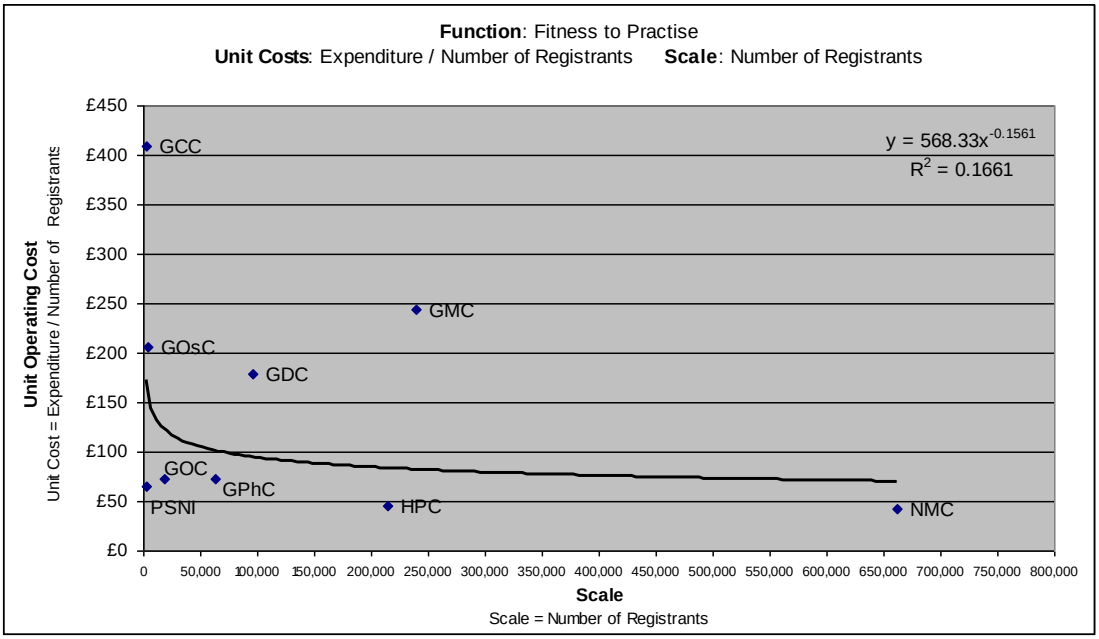


Chart A4G: Non-Ln-Ln chart of unit operating costs against scale (function: Fitness to Practise; denominator: number of complaints received)

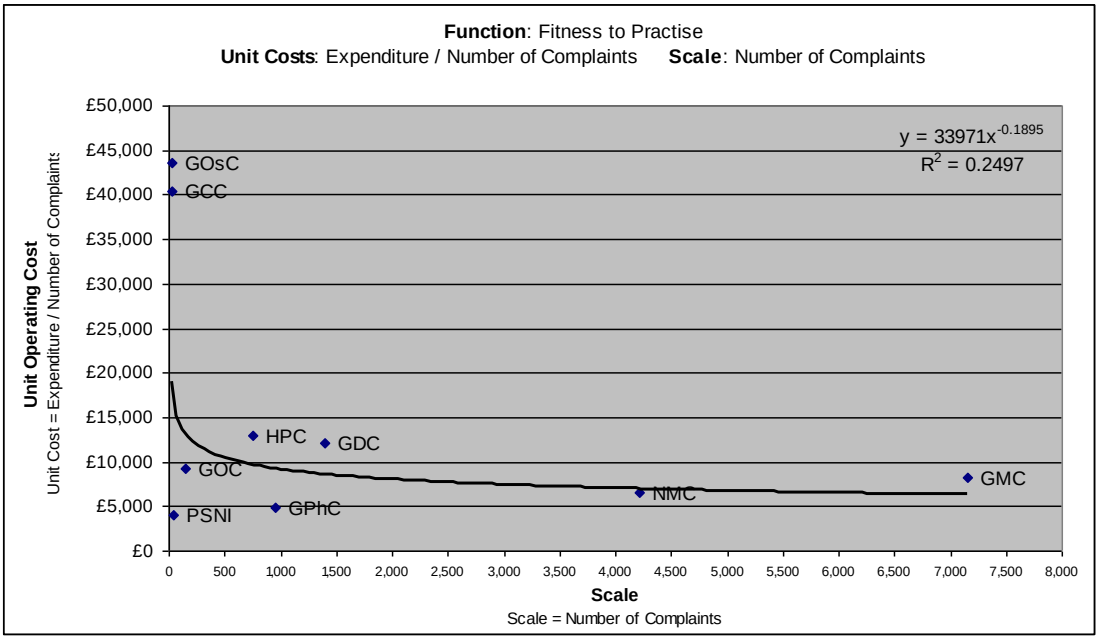


Chart A4H: Non-Ln-Ln chart of unit operating costs against scale (function: Continuing Fitness to Practise; denominator: per registrant)

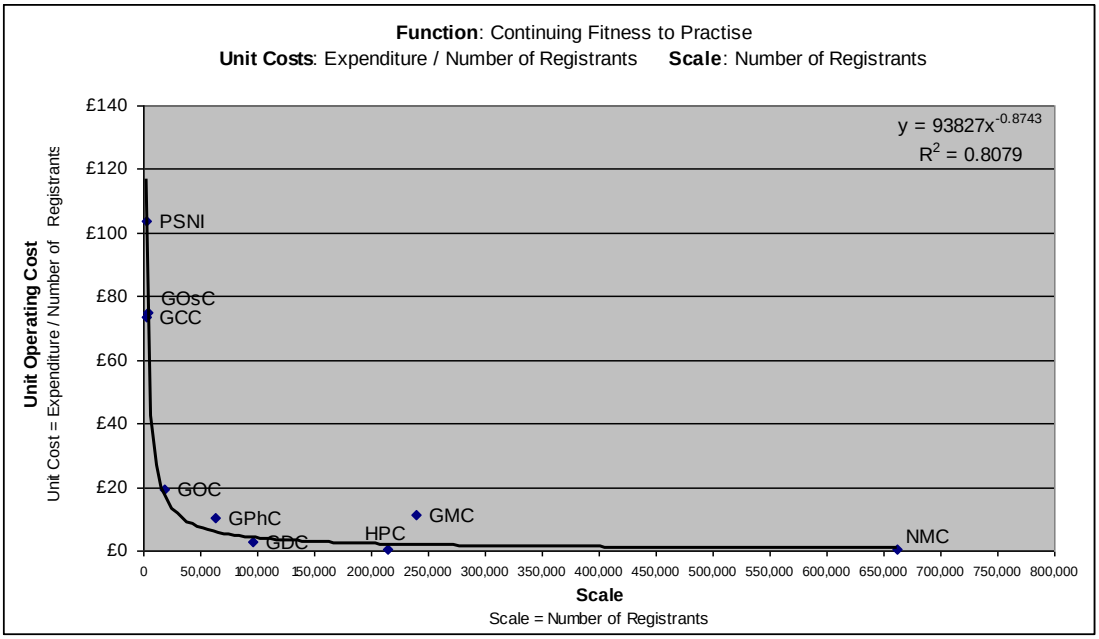
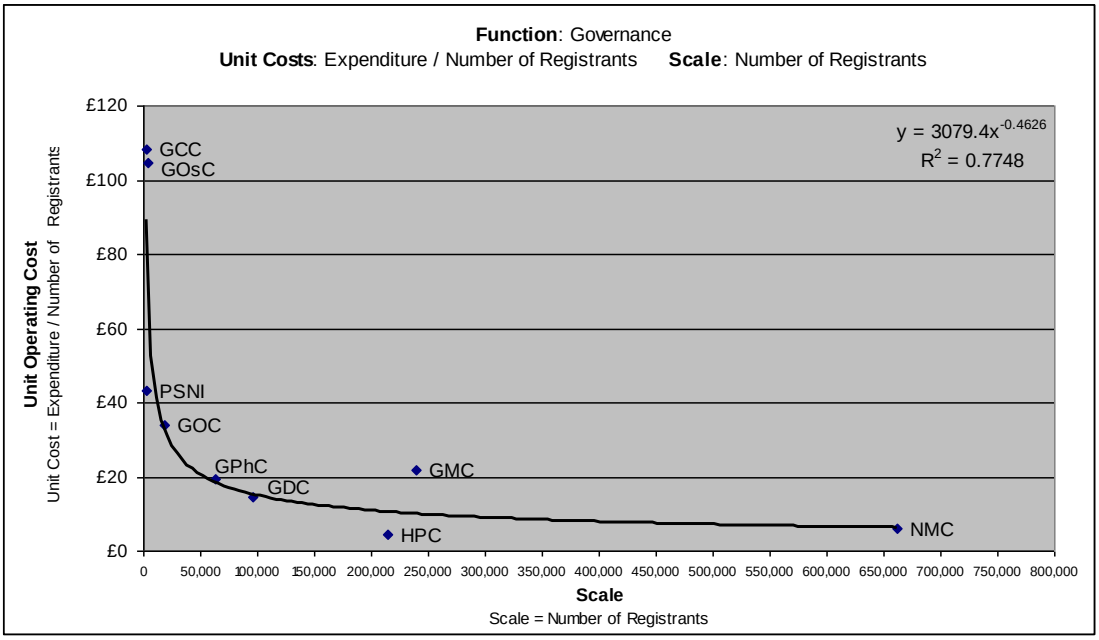


Chart A4I: Non-Ln-Ln chart of unit operating costs against scale (function: Governance; denominator: per registrant)



Annex 4.2. Ln-Ln charts for each of the core functions and for overall expenditure

The following charts are similar to those presented in Annex 4.1, but instead adjust both the unit cost and the scale using natural logarithms. A linear (straight-line) relationship can then be depicted between the two.

Chart A4J: Ln-Ln chart of unit operating costs against scale (function: Overall; denominator: per registrant)

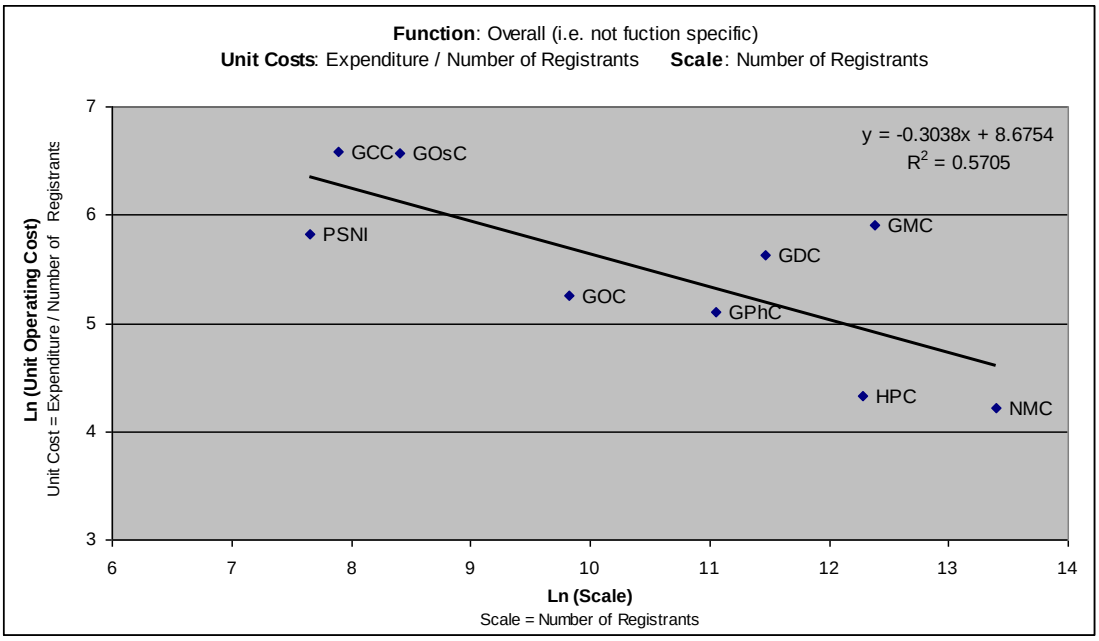


Chart A4K: Ln-Ln chart of unit operating costs against scale (function: Standards & Guidance; denominator: per registrant)

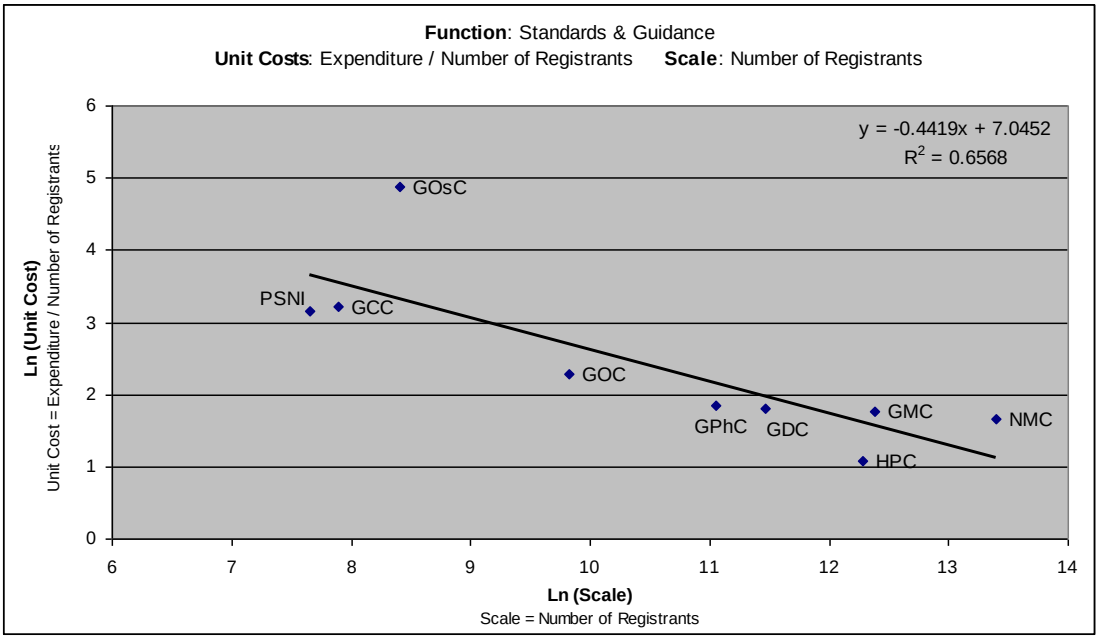


Chart A4L: Ln-Ln chart of unit operating costs against scale (function: Registration; denominator: per registrant)

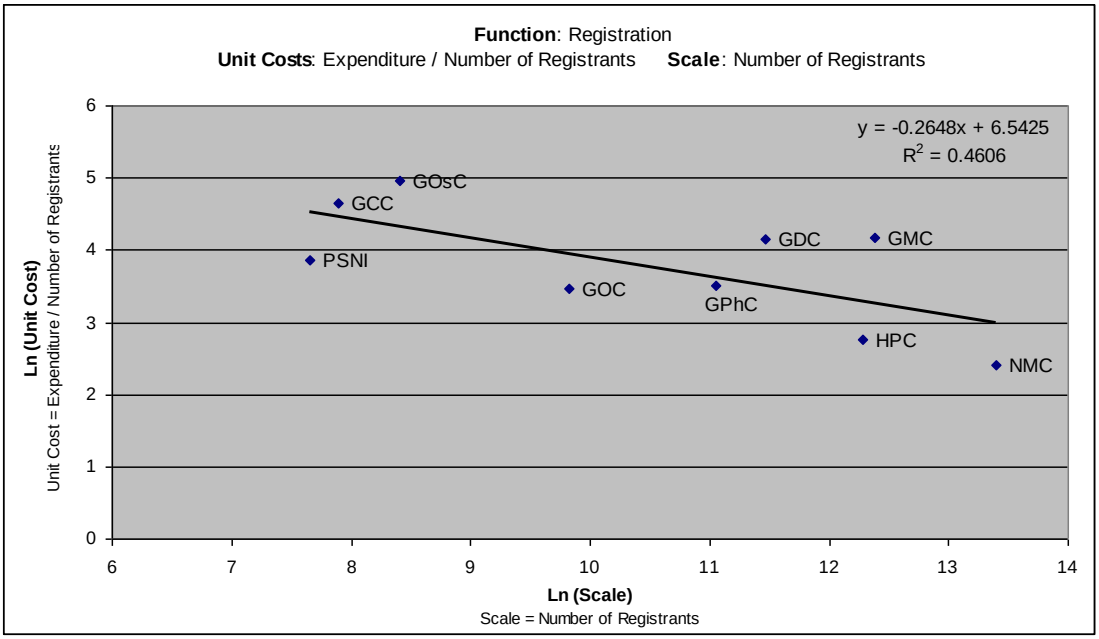


Chart A4M: Ln-Ln chart of unit operating costs against scale (function: Education & Training; denominator: per registrant)

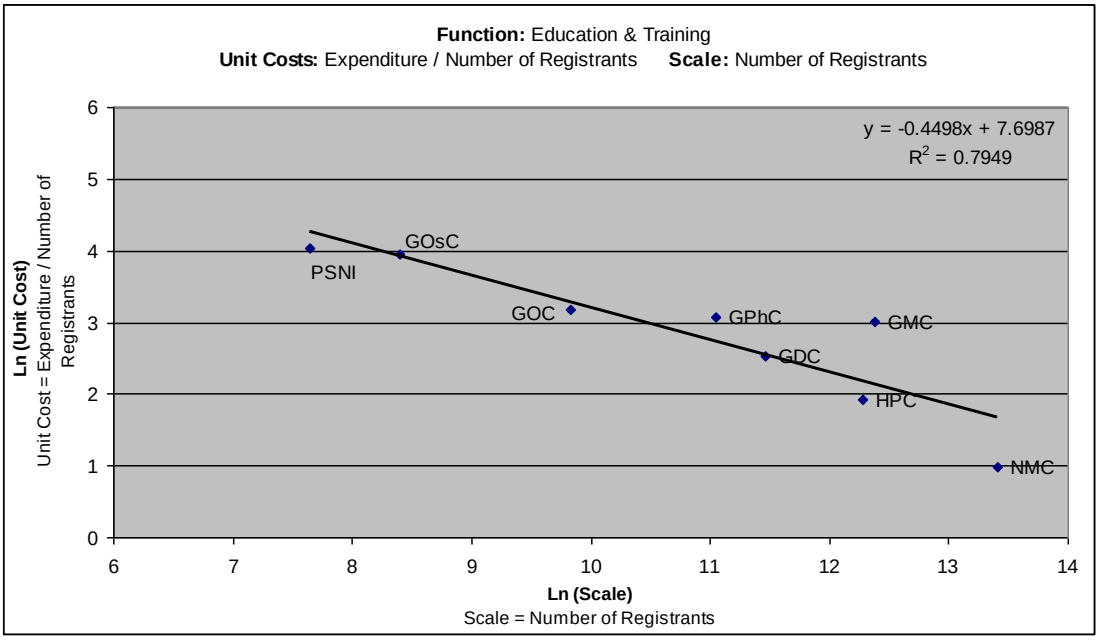


Chart A4N: Ln-Ln chart of unit operating costs against scale (function: Education & Training; denominator: number of pre-registration courses assured)

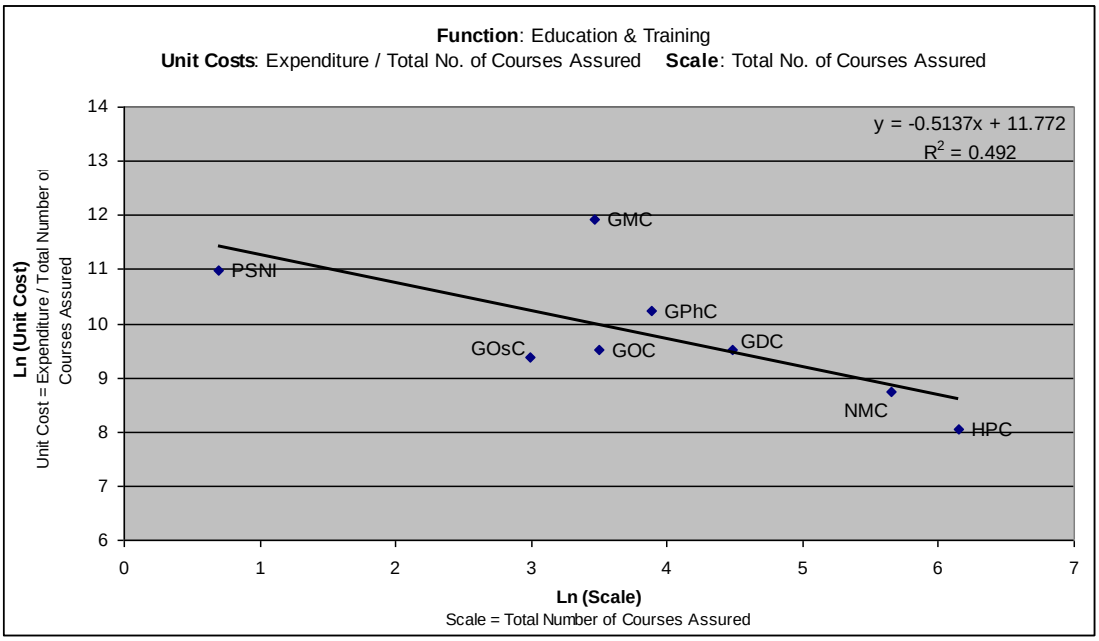


Chart A4O: Ln-Ln chart of unit operating costs against scale (function: Fitness to Practise; denominator: per registrant)

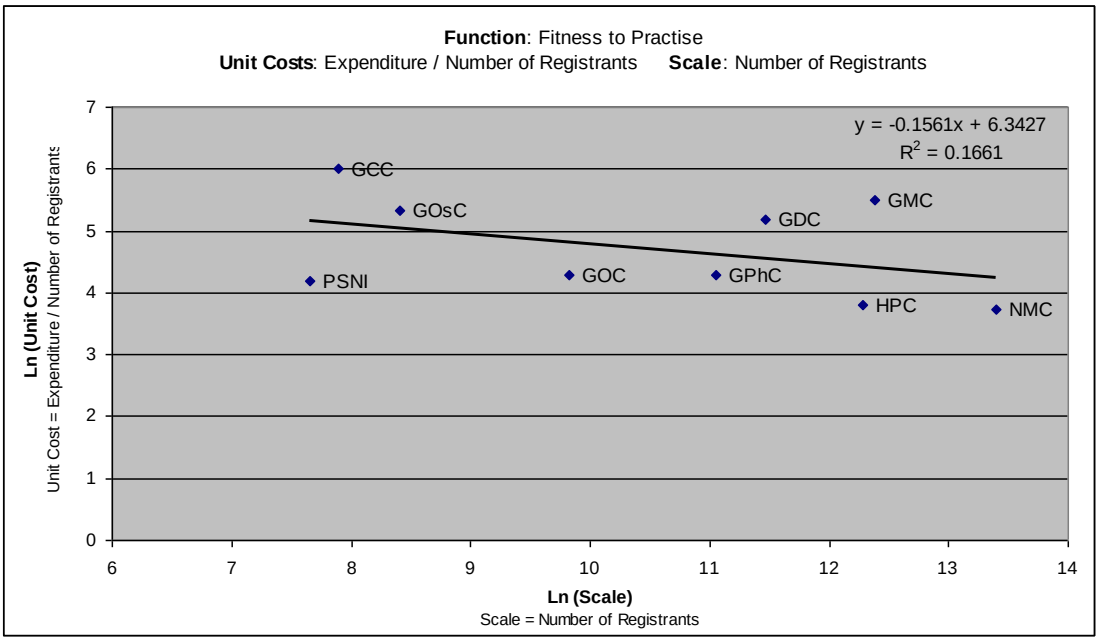


Chart A4P: Ln-Ln chart of unit operating costs against scale (function: Fitness to Practise; denominator: number of complaints received)

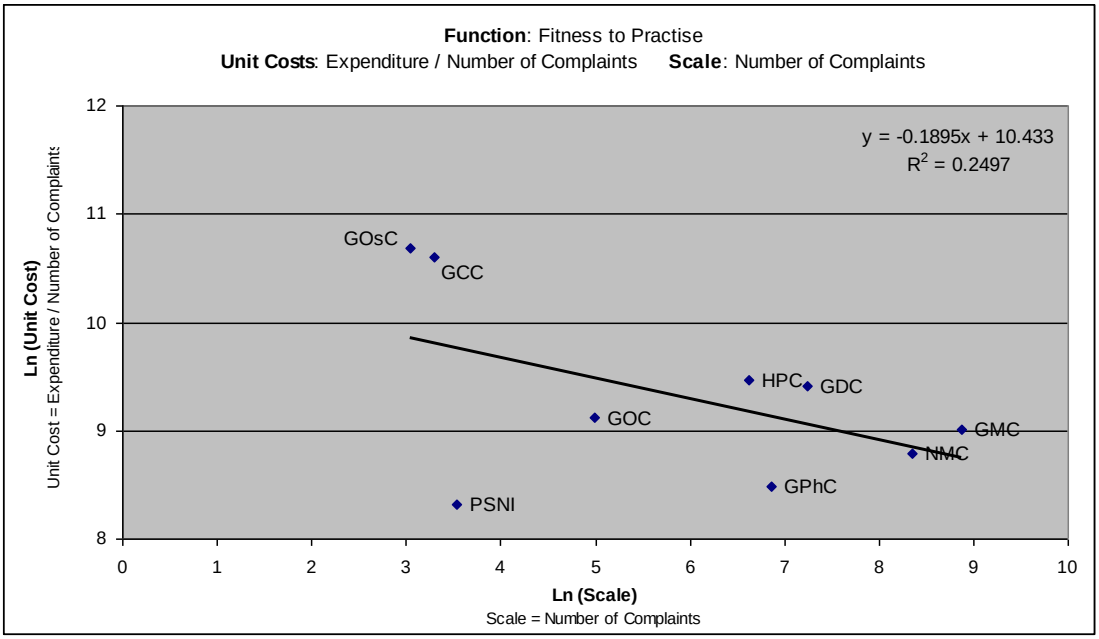


Chart A4Q: Ln-Ln chart of unit operating costs against scale (function: Continuing Fitness to Practise; denominator: per registrant)

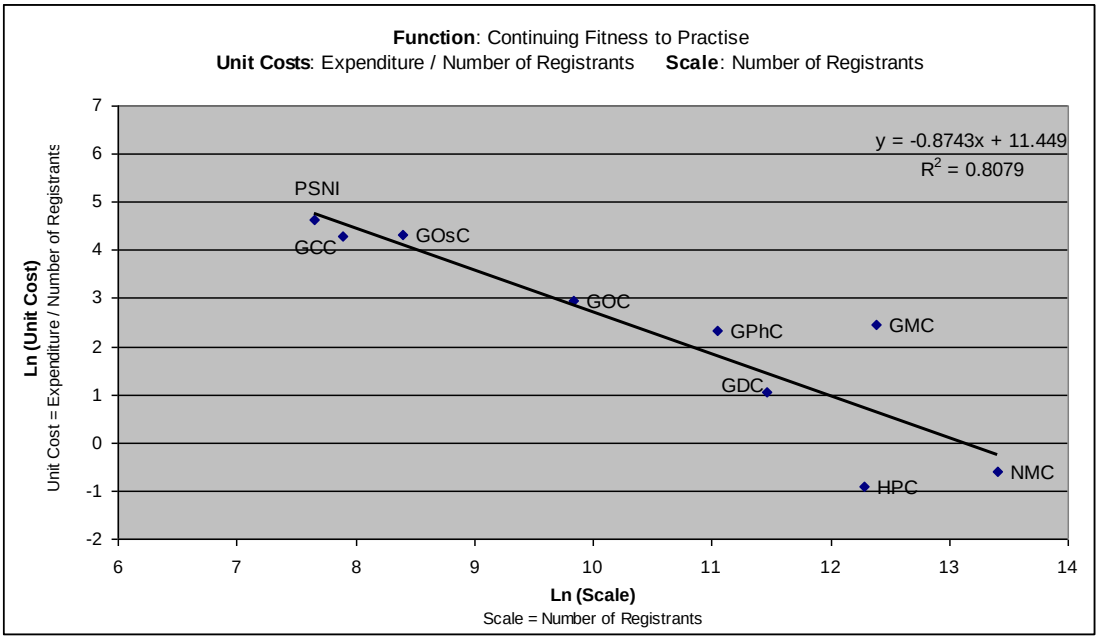
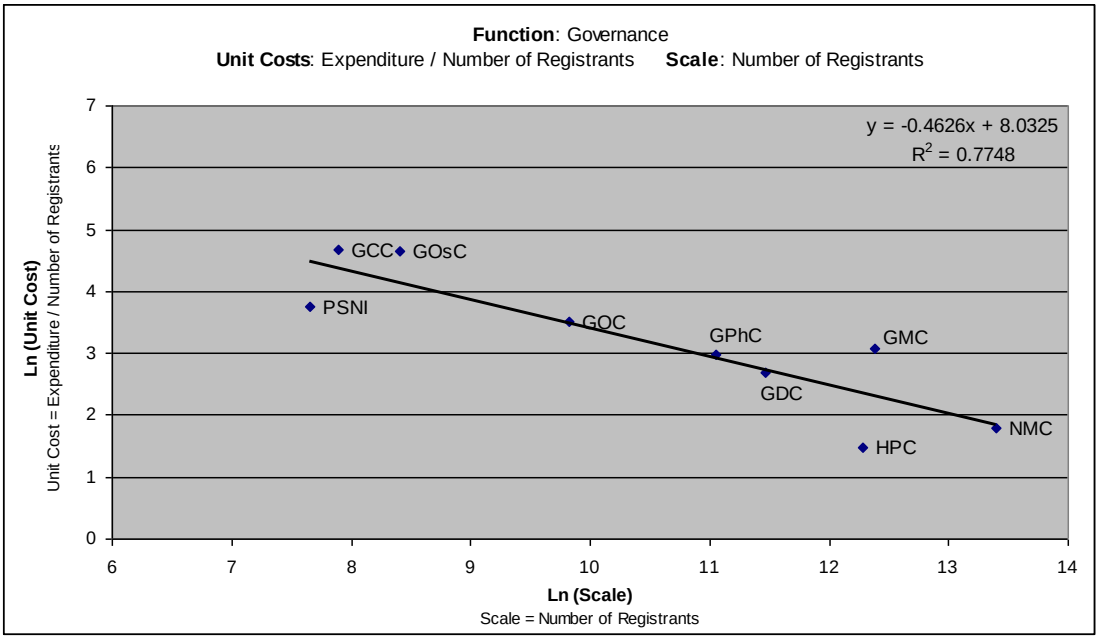


Chart A4R: Ln-Ln chart of unit operating costs against scale (function: Governance; denominator: per registrant)



Annex 4.3. Tables showing how estimates of the savings from consolidation have been derived

The following tables illustrate various examples of consolidation, including the steps through which the savings estimates have been derived.

Table A4S: Consolidation of two small regulators (each of size 3,000 registrants)

	label	*formula*		
	a		Exponent	-0.3038
	b		Multiple	5857.2

Theoretical expenditure as separate regulators:

			Regulator A	Regulator B	Aggregate across Reg A and Reg B
Number of registrants	*c*		3,000	3,000	6,000
Unit operating costs (expenditure per registrant)	*d*	*b*(c^a)*	£514.45	£514.45	£514.45
Annual expenditure	*e*	*d*c*	£1,543,341	£1,543,341	£3,086,682

Theoretical expenditure as consolidated regulators:

			Regulator A	Regulator B	Consolidation of Reg A and Reg B
Number of registrants	*f*		3,000	3,000	6,000
% increase in size of organisation (number of registrants)	*g*		100%	100%	-
Fold increase in size of organisation (number of registrants)	*h*	*(g/100)+1*	2.00	2.00	-
Predicted % decrease in unit costs due to consolidation	*i*	*1-(h^a)*	19%	19%	19%
Predicted unit operating costs (expenditure per registrant)	*j*	*(1-i)*d*	£416.76	£416.76	£416.76
Predicted annual expenditure	*k*	*j*f*	£1,250,285	£1,250,285	£2,500,570
Predicted annual expenditure saving due to consolidation	*l*	*e-k*	£293,056	£293,056	**£586,112**

Table A4T: Consolidation of one small regulator (of 3,000 registrants) with a large regulator (of 200,000 registrants)

label	*formula*		
a		Exponent	-0.3038
b		Multiple	5857.2

Theoretical expenditure as separate regulators:

			Regulator A	Regulator B	Aggregate across Reg A and Reg B
Number of registrants	*c*		200,000	3,000	203,000
Unit operating costs (expenditure per registrant)	*d*	*b*(c^a)*	£143.63	£514.45	£149.11
Annual expenditure	*e*	*d*c*	£28,725,470	£1,543,341	£30,268,810

Theoretical expenditure as consolidated regulator:

			Regulator A	Regulator B	Consolidation of Reg A and Reg B
Number of registrants	*f*		200,000	3,000	203,000
% increase in size of organisation (number of registrants)	*g*		2%	6667%	-
Fold increase in size of organisation (number of registrants)	*h*	*(g/100)+1*	1.02	67.67	-
Predicted % decrease in unit costs due to consolidation	*i*	*1-(h^a)*	0.45%	72%	1.51%
Predicted unit operating costs (expenditure per registrant)	*j*	*(1-i)*d*	£142.98	£142.98	£142.98
Predicted annual expenditure	*k*	*j*f*	£28,595,833	£428,937	£29,024,771
Predicted annual expenditure saving due to consolidation	*l*	*e-k*	£129,637	£1,114,403	**£1,244,040**

Table A4U: Consolidation of two small regulators (each of size 3,000 registrants) with a large regulator (of size 200,000 registrants)

label	*formula*		
a		Exponent	-0.3038
b		Multiple	5857.2

Theoretical expenditure as separate regulators:

			Regulator A	Regulator B	Regulator C	Aggregate across Regs A, B and C
Number of registrants	*c*		200,000	3,000	3,000	206,000
Unit operating costs (expenditure per registrant)	*d*	*b*(c^a)*	£143.63	£514.45	£514.45	£154.43
Annual expenditure	*e*	*d*c*	£28,725,470	£1,543,341	£1,543,341	£31,812,151

Theoretical expenditure as consolidated regulator:

			Regulator A	Regulator B	Regulator C	Consolidation of Regs A, B and C
Number of registrants	*f*		200,000	3,000	3,000	206,000
% increase in size of organisation (number of registrants)	*g*		3%	6767%	6767%	-
Fold increase in size of organisation (number of registrants)	*h*	*(g/100)+1*	1.03	68.67	68.67	-
Predicted % decrease in unit costs due to consolidation	*i*	*1-(h^a)*	0.89%	72%	72%	2.97%
Predicted unit operating costs (expenditure per registrant)	*j*	*(1-i)*d*	£142.34	£142.34	£142.34	£142.34
Predicted annual expenditure	*k*	*j*f*	£28,468,671	£427,030	£427,030	£29,322,731
Predicted annual expenditure saving due to consolidation	*l*	*e-k*	£256,799	£1,116,311	£1,116,311	**£2,489,421**

Table A4V: Consolidation of the 'education & training' function of three medium sized regulators (each accrediting 50 pre-registration courses)

label	*formula*		
a		Exponent	-0.5137
b		Multiple	129510

Theoretical expenditure for specific function, under separate regulators:

			Regulator A	Regulator B	Regulator C	Aggregate of function across Reg A, B and C
Number of pre-registration courses assured	*c*		50	50	50	150
Unit operating costs (expenditure per pre-reg course)	*d*	*b*(c^a)*	£17,359.71	£17,359.71	£17,359.71	£17,359.71
Annual expenditure	*e*	*d*c*	£867,985	£867,985	£867,985	£2,603,956

Theoretical expenditure for specific function, under consolidated regulator:

			Regulator A	Regulator B	Regulator C	Consolidation of function across Reg A, B and C
Number of pre-registration courses assured	*f*		50	50	50	150
% increase in size of organisation (number of pre-reg courses)	*g*		200%	200%	200%	-
Fold increase in size of organisation (number of pre-reg courses)	*h*	*(g/100)+1*	3.00	3.00	3.00	-
Predicted % decrease in unit costs due to consolidation	*i*	*1-(h^a)*	43%	43%	43%	43%
Predicted unit operating costs (expenditure per pre-reg course)	*j*	*(1-i)*d*	£9,872.91	£9,872.91	£9,872.91	£9,872.91
Predicted annual expenditure	*k*	*j*f*	£493,646	£493,646	£493,646	£1,480,937
Predicted annual expenditure saving due to consolidation	*l*	*e-k*	£374,340	£374,340	£374,340	**£1,123,020**

Table A4W: Consolidation of all regulators (except the NMC) to a super-regulator of size 640,000

label	*formula*		
a		Exponent	-0.3038
b		Multiple	5857.2

Theoretical expenditure as separate regulators*:

			GMC	HPC	GDC	GPhC	GOC	GOsC	GCC	PSNI	Aggregate across all except NMC
Number of registrants	*c*		239,253	215,095	95,463	62,825	18,582	4,456	2,663	2,103	640,440
Unit operating costs (expenditure per registrant)	*d*	*b*(c^a)*	£136.02	£140.49	£179.81	£204.18	£295.62	£456.18	£533.41	£573.08	£160.68
Annual expenditure	*e*	*d*c*	£32,542,474	£30,218,109	£17,165,294	£12,827,733	£5,493,286	£2,032,758	£1,420,475	£1,205,177	£102,905,305

Theoretical expenditure as consolidated regulator:

			GMC	HPC	GDC	GPhC	GOC	GOsC	GCC	PSNI	Consolidation of all except NMC
Number of registrants	*f*		239,253	215,095	95,463	62,825	18,582	4,456	2,663	2,103	640,440
% increase in size of organisation (number of registrants)	*g*		168%	198%	571%	919%	3347%	14273%	23950%	30354%	-
Fold increase in size of organisation (number of registrants)	*h*	*(g/100)+1*	2.68	2.98	6.71	10.19	34.47	143.73	240.50	304.54	-
Predicted % decrease in unit costs due to consolidation	*i*	*1-(h^a)*	26%	28%	44%	51%	66%	78%	81%	82%	-
Predicted unit operating costs (expenditure per registrant)	*j*	*(1-i)*d*	£100.85	£100.85	£100.85	£100.85	£100.85	£100.85	£100.85	£100.85	£100.85
Predicted annual expenditure	*k*	*j*f*	£24,128,998	£21,692,630	£9,627,577	£6,335,989	£1,874,021	£449,394	£268,567	£212,090	£64,589,266
Predicted annual expenditure saving due to consolidation	*l*	*e-k*	£8,413,476	£8,525,478	£7,537,717	£6,491,744	£3,619,266	£1,583,364	£1,151,907	£993,086	**£38,316,039**

* please note that each regulator's unit operating costs are those that would be expected given just the regulator's size (and not their actual unit operating costs).

Annex 5. Scale-adjusted analysis

This annex sets out:

- 'Distance-from-the-line' charts for each function and for overall expenditure; and
- the table of RAG-rated 'task' metrics, followed by several related items:
    - the derivation of a metric to capture regulator-specific risk, followed by an explanation of the US NPDB data and method used for mapping from US to UK professions;
    - the contents of the Supplementary Data Template, followed by the guidance notes that were provided to regulators; and
    - details of how each metric has been RAG-rated.

Annex 5.1. 'Distance-from-the-line' charts

In the following charts, a value of less than 1 implies that the regulator is 'below the line', i.e. has lower unit costs than their scale would predict. A value above 1 implies that the regulator is 'above the line', i.e. has higher unit costs than their scale would predict. (See Section 5 of the main report for an interpretation of the significant deviations from the line).

Chart A5A: 'Distance-from-the-line chart', (function: Standards & Guidance; denominator: per registrant)

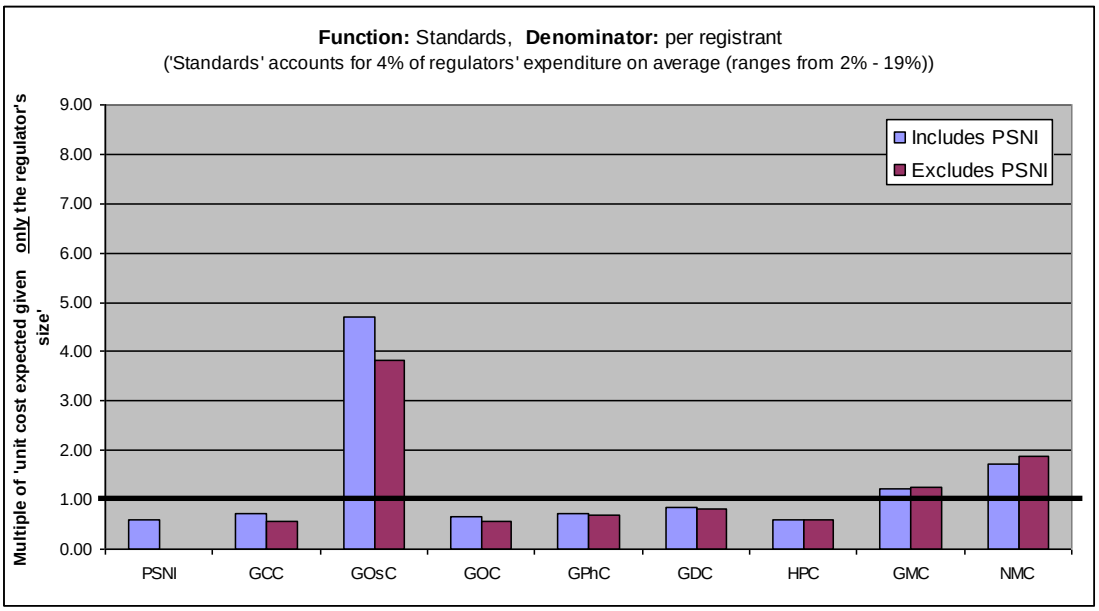


Chart A5B: 'Distance-from-the-line chart', (function: Registration; denominator: per registrant)

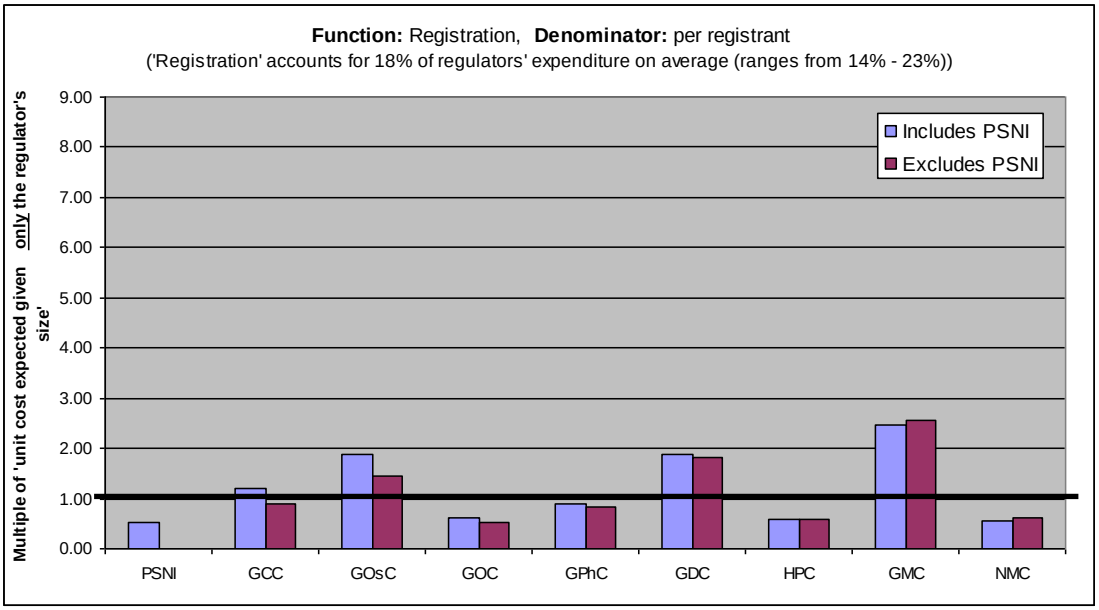


Chart A5C: 'Distance-from-the-line chart', (function: Education & Training; denominator: number of pre-registration courses accredited)

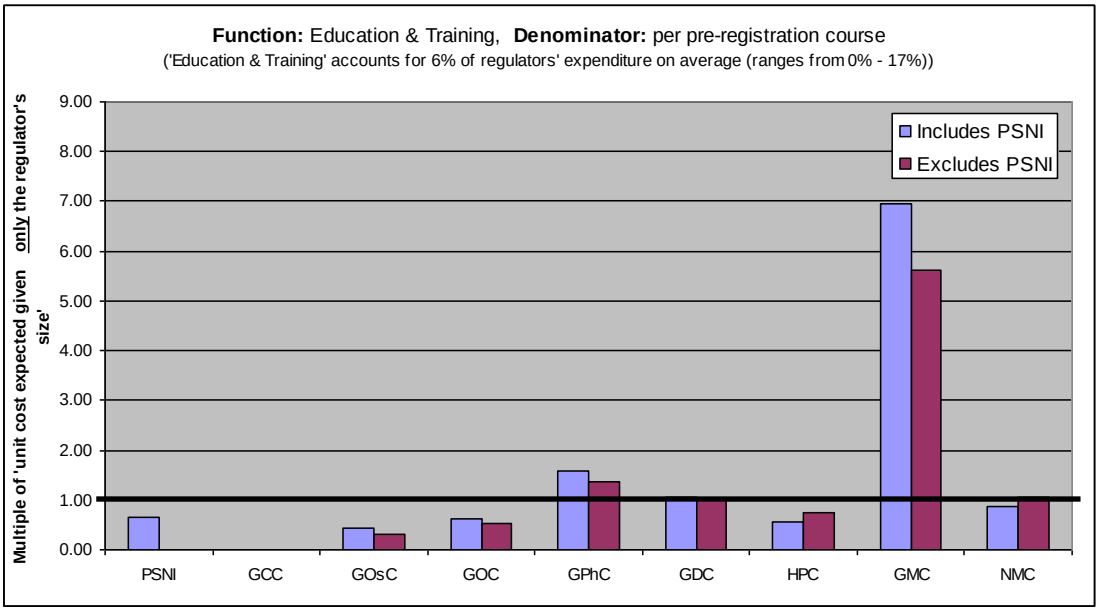


Chart A5D: 'Distance-from-the-line chart', (function: Fitness to Practise; denominator: number of complaints received)

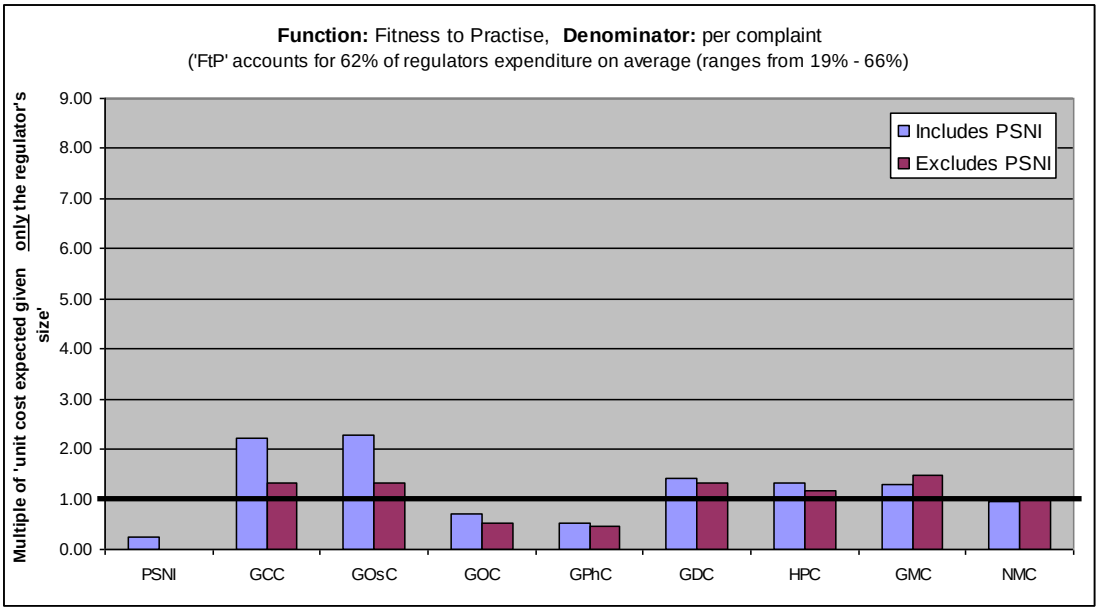


Chart A5E: 'Distance-from-the-line chart', (function: Governance; denominator: per registrant)

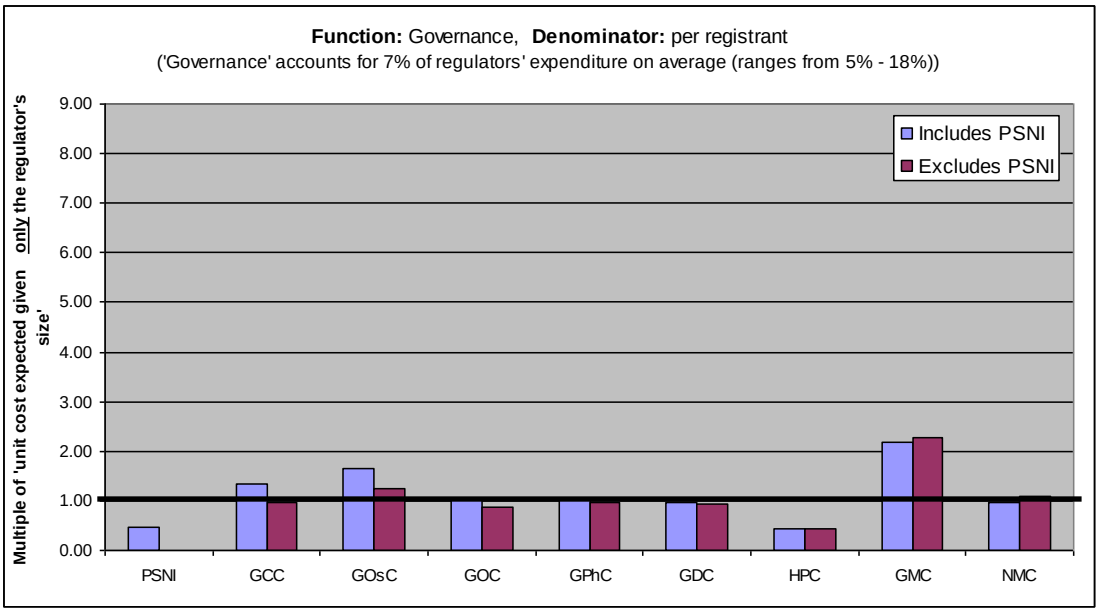
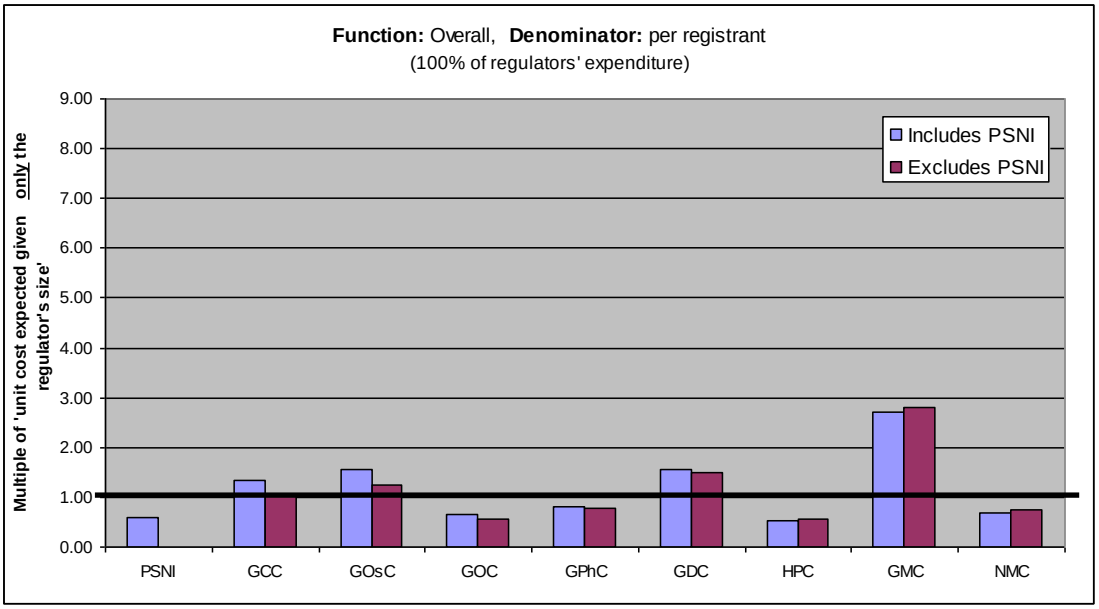


Chart A5F: 'Distance-from-the-line chart', (function: Overall; denominator: per registrant)



Annex 5.2. RAG-rated 'task' metrics

The Red/Amber/Green (RAG) 'task' metrics table is presented overleaf. Where a cell has a centre in one colour and a border in another, this is intended to show that both colours apply to that cell. Subsequent sections of this annex relate to how the table's contents have been derived.

RAG ratings: Green | Amber/ green | Amber | Amber/ Red | Red

Table A5G: Red-Amber-Green (RAG) 'task' matrix

Function	Metric Category		Metric No.	Metric	Regulator										
					NMC	GMC	HPC	GDC	GDC - dentists	GDC - DCPs	GPhC	GOC	GOsC	GCC	PSNI
Overall	Regulatory 'force' required	Body of knowledge	0.1	Body of knowledge (FTE for the main pre-registration education and training courses)	3 years	5 years	2-3 years	N/A	5 years	2-3 years	4 years (Pharms) (2 years for Techs)	3 years	4 years	4 years	4 years
		Relative risk	0.2	Average rank of malpractice payouts	2.3	1.0	7.3	N/A	3.8	9.0	7.3	4.5	4.3	6.5	6.3
	Operational complexity of task		0.3	Number of professions regulated	2	1	15	7	N/A	N/A	2	2	1	1	1
Standards	Operational complexity of task		1.1	Maturity of profession (years since act established)	110 years (Midwives) 93 years (Nurses)	154 years	2-52 years (depending upon profession)	N/A	91 years	4 - 44 years (depending upon DCP profession)	143 years (Pharms) (1 year for Techs)	54 years	19 years	18 years	83 years
Registration	Operational complexity of task		2.1	Proportion of registrations that are new (i.e. initial registrations as opposed to renewals)	3.4%	5.4%	6.8%	7.1%	N/A	N/A	15.9%	Approx. 6%	6.7%	5.7%	9.6%
			2.2	Proportion of initial registrations that are non-UK	14%	At least 23%	Data not available	20%	N/A	N/A	Data not available	Approx. 3%	1%	0%	3%
			2.3	Specialist register?	No	Yes	No	Yes	N/A	N/A	No	Yes	No	No	Yes
Education & Training	Operational complexity of task		3.1	Typical length of pre-registration education and training (FTE for the main pre-registration education and training courses)	3 years	5 years	2-3 years	N/A	5 years	2-3 years	4 years (Pharms) (2 years for Techs)	3 years	4 years	4 years	4 years
			3.2	Is a there a pre-registration training year (in addition to the institutional pre-registration education and training)?	No	Yes	No	No	N/A	N/A	Yes (Pharmacists)	Yes (both Disp. Opticians and Optometrists)	No	No	Yes
			3.3	Does the regulator assure post-registration training? If so, for all or just some registrants?	Yes - for some registrants	Yes - for all registrants	Yes - for some registrants	Yes - for some registrants	N/A	N/A	Yes - for some registrants	Yes - for some registrants	No	No	No
			3.4	Number of institutions (providing pre-registration training)	82	32	122	43	N/A	N/A	44	12	11	3	2
FtP	Other		4.0	Rate of complaints (number of complaints per year per 100 registrants*)	0.6	3.0	0.3	N/A	3.3	0.2	1.5	0.8	0.5	1.0	1.6
			4.1	Gender mix (% male registrants)	11.0%	58.0%	25.0%	30.0%	58.0%	11.0%	49.0%	45.0%	51.0%	51.0%	36.0%
			4.2	Proportion of cases originating from the employer or regulator (2008-10^)	42.0%	17.0%	50.0%	34.0%	N/A	N/A	Data not available	21.0%	16.0%	17.0%	49.0%
			4.3	Proportion of cases originating from the public (2008-10^)	21.0%	65.0%	29.0%	47.0%	N/A	N/A	Data not available	58.0%	84.0%	83.0%	51.2%
			4.4	Proportion of cases where allegation type = competency (2008-10^)	6.0%	13.0%	43.9%	36.0%	N/A	N/A	Data not available	Data not available	Data not available	40.0%	45.0%
			4.5	Proportion of cases where allegation type = conviction/caution (2008-10^)	20.0%	10.0%	10.0%	5.0%	N/A	N/A	Data not available	13.5%	12.8%	2.5%	13.0%
			4.6	% closed before ICP	30.0%	56.0%	29.0%	39.0%	N/A	N/A	70.0%	1.0%	0.0%	0.0%	70.0%
			4.7	% closed before Final Hearing	85.0%	90.0%	59.0%	85.0%	N/A	N/A	93.8%	80.0%	49.0%	61.0%	91.0%
			4.8	Means to defend allegations (average salaries)	£33,600	£84,835	£34,899	£55,412	£84,900	£29,776	£38,000	£26,941	£35,000	£35,000	£38,000

Notes:
* assumes each complaint lodged against different registrants
^ 2008-10 figures calculated as an average of the three years' data weighted by the caseload in each year

Annex 5.2.1. Regulator-specific risk

This annex provides the derivation of metric 0.2 in Table A5G above, which aims to act as a proxy for the 'regulatory force' required by each regulator. Metric 0.2 is important in interpreting the 'distance-from-the-line' charts presented in Section 5 (and presented in full in Annex 5.1).

The concept of 'right touch regulation' implies that regulators be required to exert regulatory force in proportion to the level of risk associated with the profession or professions they regulate.

Risk can be conceptualised into a measure of the frequency of harm and the extent of harm, as follows:

- frequency of harm – the likelihood that a healthcare professional will cause harm by breaching standards of practice and thereby calling into question their continued fitness to practise, for example through an incident of misconduct or professional incompetence; and
- extent of harm – how much damage a healthcare professional causes, conditional on an incident of malpractice occurring.

When multiplied together, the frequency and extent of possible harm associated with a particular profession, theoretically speaking, provides the average amount of harm that a given number of practitioners are likely to cause over a particular time-frame. This in turn can be thought of as providing the justification for a given degree of regulatory force required.

The purpose of this part of the annex is to describe how a single measure of risk has been calculated to act as a proxy of the regulatory force required by each regulator – i.e. the derivation of metric 0.2 in Table A5G, which is important in interpreting the 'Distance from the line' charts in Section 5.

5.2.1.1. Frequency of harm

Instances of healthcare professionals causing harm to patients are thankfully rare. However, instances of harm do occasionally happen. The exact frequency with which such events occur is not something that is known with certainty, not least because such knowledge would depend upon all such instances being reported.

However, the rate of complaints made about particular healthcare professions in the UK is something that is known. If the propensity to make a complaint about a particular profession (for a given level of harm) and the average veracity of complaints is constant, the number of complaints received by a regulator per registrant will be a good proxy for the extent to which the frequency of harm varies across regulators.

Since there is a strong degree of persistence in the distribution of the rate of complaints over time (both across professions within the same regulator and across regulators), for the purposes of constructing a metric of risk, frequency of harm is

proxied by the rate of complaints by regulator in 2010 (or the nearest equivalent) – see Table A5H below.

Table A5H: Rate of complaints by regulator, 2010 (or nearest equivalent year)

	Rate of complaints (number of complaints received per 100 registrants) (A)
NMC	0.6
GMC	3.0
HPC	0.3
GDC	1.5
GDC (dentists)	3.3
GDC (DCPs)	0.2
GPhC	1.5
GOC	0.8
GOsC	0.5
GCC	1.0
PSNI	1.6

Source: Supplementary Data Template, Operating Expenditure Template

5.2.1.2. Extent of harm

From a practical perspective, a measure of the extent of harm associated with particular professions might reasonably be constructed on the basis of the size of compensation pay-outs made to patients suffering instances of harm.

In the UK context, where a large proportion of regulated staff are employed by NHS organisations, and where a culture of patients seeking legal redress is not well established, data relating to the compensation paid to individuals as a result of practitioner malpractice is not routinely available. The NHS Litigation Authority, who operate a scheme for NHS provider organisations to pool the risk associated with clinical negligence claims, state that their data on payments is held at an organisation rather than an at individual or profession level.

However, the National Practitioner Data Bank (NPDB[8]) has since September 1990 collected the details of malpractice payments associated with a range of health professionals, albeit in relation to healthcare provided in the USA. By observing differences in summary malpractice payout statistics across professions, it may be possible to draw inferences about relative differences in the extent of harm that can be caused by different categories of healthcare professional. (Further details of the NPDB, including a description of how, for the purposes of this report, US descriptions of healthcare professionals were mapped to UK definitions is provided in Annex 5.2.1.4).

Extrapolating any such US findings to the UK will depend upon the extent to which the following assumptions hold:

- staff descriptions and their roles are the same or similar in the US as the UK;

[8] See http://www.npdb-hipdb.hrsa.gov/

- regulation of the professions in the US has the same or similar relative impact on each profession as in the UK so the relativities in recorded harm across professions are unaffected; and
- the relationship between harm and payout is the same in the US as the UK.

Based on these assumptions, summary measures of the value of malpractice payments can be calculated for regulators of healthcare professionals in the UK. Since 'no-fault' malpractice payouts in the US context are sometimes made, where the claimant accepts a sum of money without the facts of the case being determined in the claimant's favour, the minimum and lower quartile values are excluded. Mapping the payout data for particular professions to the UK's regulatory bodies, produces the data presented in Table A5I below.

Table A5I: Summary measures of NPDB payouts mapped to UK regulators

	Mean (B)	**Median (C)**	**Upper Quartile (D)**	**Maximum (E)**
NMC	$245,084	$77,288	$229,843	$18,273,975
GMC	$206,750	$95,927	$242,942	$23,823,009
HPC	$106,739	$42,938	$115,005	$9,703,929
GDC	$34,942	$9,813	$30,165	$14,265,998
GDC - dentists	$33,795	$9,550	$28,885	$14,265,998
GDC - DCPs	$42,561	$11,557	$38,672	$565,721
GPhC	$46,899	$4,248	$19,220	$6,425,505
GOC	$116,215	$41,093	$137,107	$1,836,065
GOsC	$188,885	$92,006	$220,517	$19,491,553
GCC	$60,590	$17,218	$59,814	$1,378,755
PSNI	$46,899	$4,248	$19,220	$6,425,505

Source: NBDB extract, dated 23rd November 2011; values are shown in 2010 constant prices

5.2.1.3. Relative risk

The data in Tables A5H and A5I can be multiplied together to produce a measure of risk that captures the annual frequency and extent of harm of professions associated with each of the regulatory bodies. Each of the four measures (i.e. the mean, median, upper quartile and maximum) can then be ranked by regulator (with the highest value being ranked first) and a simple average of these ranks reported. This is summarised in the table below.

Table A5J: Derivation of 'average rank' variable for each regulator, using frequency and extent of harm (Tables A5H and A5I, above)

	Average annual pay-out per registrant				Average rank
	A*B	**A*C**	**A*D**	**A*E**	
NMC	$1,558	$491	$1,461	$116,168	**2.25**
GMC	$6,181	$2,868	$7,263	$712,242	**1**
HPC	$373	$150	$402	$33,881	**7.25**
GDC	$513	$144	$443	$209,366	**5.75**
GDC - dentists	$1,110	$314	$949	$468,731	**3.75**
GDC - DCPs	$104	$28	$95	$1,385	**9**
GPhC	$716	$65	$293	$98,083	**7.25**
GOC	$926	$327	$1,092	$14,624	**4.5**
GOsC	$890	$434	$1,039	$91,859	**4.25**
GCC	$614	$175	$606	$13,979	**6.5**
PSNI	$758	$69	$311	$103,884	**6.25**

The 'average rank' figure in the far right-hand column (in bold-type) forms metric 0.2 in Table A5G (Annex 5.2) and is subsequently used as a measure of regulatory force required in the interpretation of the 'distance-from-the-line' charts in Section 5 of the main report.

5.2.1.4. Details of the National Practitioner Data Bank (NPDB) and the mapping of US to UK professions

This section provides further details of the NPDB and a description of how, for the purpose of this report, US descriptions of healthcare professionals were mapped to UK definitions.

The National Practitioner Data Bank (NPDB), a US federal information clearing house responsible for receiving, storing and disseminating information about medical malpractice payments and adverse actions taken against healthcare practitioners, is administered by the Health Resources and Services Administration (HRSA). It was established through the Health Care Quality Improvement Act of 1986 and began collecting data from 1st September 1990.

Medical Malpractice Payers must report to the NPDB all payments made for the benefit of physicians, dentists and other health care practitioners in settlement of or in satisfaction in whole or in part for a claim or judgement against such a practitioner. The NPDB therefore covers a wide variety of medical practitioners. Physicians are those most widely reported to the data bank, making up 70% of all practitioner records, with dentists accounting for 13%, nurses and nursing-related roles 9%, and chiropractors 3%.

The description of health practitioners in the NPDB does not always match descriptions for healthcare professionals in the UK (notwithstanding any differences in their respective roles). Therefore, for the purposes of this study, a mapping from US to UK professional descriptions has been devised, as follows:

Table A5K: Mapping of US to UK professions

UK Regulator	UK Description	US Description
GCC	Chiropractors	Chiropractor
GDC	Dentists	Dentist
GDC	Dentists	Dental Resident
GDC	Dental hygienists	Dental Hygienist
GDC	Dental therapists	No Match
GDC	Clinical dental technicians	No Match
GDC	Orthodontic therapists	No Match
GDC	Dental nurses	No Match
GDC	Dental technicians	No Match
GMC	Doctors	Allopathic Physician (MD)
GMC	Doctors	Phys. Intern/Resident (MD)
GOC	Dispensing opticians	Optician
GOC	Optometrists	Optometrist
GOsC	Osteopaths	Osteopathic Physician (DO)
GOsC	Osteopaths	Osteo. Phys. Intern/Resident (DO)
HPC	Arts therapists	Art/Recreation Therapist
HPC	Biomedical scientists	Medical Technologist [changed to 501(6/15/09)]
HPC	Biomedical scientists	Medical/Clinical Lab Technologist [available 6/15/09]
HPC	Biomedical scientists	Medical/Clinical Lab Technician [available 6/15/09]
HPC	Chiropractors/podiatrists	Podiatrist
HPC	Clinical scientists	Cytotechnologist [available 11/22/99]
HPC	Dieticians	Dietician
HPC	Hearing Aid Dispensers	Hearing Aid/Instrument Specialist [available 10/17/05]
HPC	Occupational therapists	Occupational Therapist
HPC	Operating Department Practitioners	Surgical Technologist [available 6/15/09]
HPC	Operating Department Practitioners	Surgical Assistant [available 6/15/09]
HPC	Orthoptists	No Match
HPC	Orthotists/prosthetists	Orthotics/Prosthetics Fitter
HPC	Paramedics	EMT, Paramedic
HPC	Physiotherapists	Physical Therapist
HPC	Practitioner psychologists	Clinical Psychologist [last use 9/9/02]
HPC	Practitioner psychologists	Psychologist [available 9/9/02]
HPC	Radiographers	Nuclear Med. Technologist
HPC	Radiographers	Rad. Therapy Technologist
HPC	Radiographers	Radiologic Technologist
HPC	Radiographers	X-Ray Technician or Operator [available 6/15/09]
HPC	Speech and language therapists	Speech/Language Pathologist
NMC	Nurses	Registered (RN) Nurse
NMC	Nurses	Nurse Practitioner
NMC	Nurses	Advanced Nurse Practitioner [3/5/02 - 9/9/02]
NMC	Midwives	Nurse Midwife
GPhC	Pharmacists	Pharmacist
GPhC	Pharmacists	Pharmacy Intern [available 9/9/2002]
GPhC	Pharmacist technicians	Pharmacy Technician [available 9/9/2002]
PSNI	Pharmacists	Pharmacist
PSNI	Pharmacists	Pharmacy Intern [available 9/9/2002]

The mapping shown above was used to create summary malpractice payout statistics for each UK regulator (see Table A5I above). Where data for more than one profession applies to a single regulator, a weighted-average statistic is computed using the share of registrants for different professions within a regulator.

Annex 5.2.2. Supplementary Data Template contents

The Supplementary Data Template was used to gather additional information from regulators. The contents of its 'Fitness to Practise', 'Education and training summary' and 'Maturity of profession' sections were as follows.

Table A5L: 'Fitness to Practise' section of Supplementary Data Template

	2010	2009	2008
Total number of complaints received			
Source of complaint			
% received directly from members of the public			
% received directly from employers or initiated by the regulator/registrar			
Type of allegation			
% complaints with an allegation type of "caution" or "conviction" for a criminal offence			
% complaints with an allegation type of "misconduct"			
% complaints with an allegation type of "lack of competence"			
% complaints with an allegation type of "fraudulent"			
Employment status			
% complaints concerning registrants working in the NHS			
% complaints concerning registrants who are self-employed			
Stage of closure			
% complaints considered by an Investigating Committee			
% complaints with a case to answer - i.e. referred to Final hearing			

The 'Education and training summary' section of the Supplementary Data Template is presented overleaf. The following instructions were placed above the table, in addition to the guidance notes.

Please check that the information in the green cells (which refers to your specific regulator) is accurate. The underlying data has been supplied in a separate spreadsheet for your information. Information on the other regulators is also provided in the table below (and in the separate spreadsheet) to provide you with context on how your regulator compares to others.

Please note that the 'separate spreadsheet' / regulator-specific worksheets are not present in these annexes for reasons of space.

Table A5M: 'Education and training summary' section of Supplementary Data Template

Regulator	Pre-registration education and training					Post-registration education and training	
	Number of institutions [1]	Number of types of courses [2]	Total number of courses [3]	Pre-registration includes a training year? [4]	Course FTE [5]	Description of post-registration education and training [6]	Relevant to all registrants (i.e. universal) or some registrants? [7]
NMC	83	20	586	No	Most 3 years (but some 2 and 4 year courses)	Specialist Community Public Health Nurse (SCPHN) Community Practitioner Nurse Prescribing Independent and Supplementary Nurse Prescribing Preparation of Supervision of Midwives Teacher/ Mentorship/ Education programmes Specialist Practitioner Qualification (SPQ) Return to Practice Overseas Programme EU Aptitude Test EU Nurse Adaptation Programme	Only some registrants
GMC	30	1	30	Yes (Foundation year 1 before full registration)	6 years	Involves the assurance of: GP and specialist training programmes GP trainers Trainee posts	Universal - all registrants
HPC	130	43-127	339	No	Most 3 years (but some 2 and 4 year courses)	Supplementary prescribing for Allied Health Professionals Non-medical prescribing Local analgesia (podiatrists/ chiropodists)	Only some registrants
GDC	43	18	88	No?	5 years generally (dentists) 2, 3 years for Dental Care Professionals	13 specialist lists: Special Care Dentistry Oral Surgery Orthodontics Paediatric dentistry Endodontics Periodontics Prosthodontics Restorative dentistry Dental Public Health Oral Medicine Oral Microbiology Oral and Maxillofacial Pathology Dental and Maxillofacial Radiology	Only some registrants
GPhC	26-31	9[26]	43[27]	Yes (pharmacists)[28]	5 years generally (pharmacists) (4 years at university plus pre-registration year) 2 years generally (pharmacy technicians) 1 year generally (OSPAP) [29]	Indpendent prescribing programmes Dispensing assistants Medicines counter assistants (Some of the above is pre-registration for non-registered?)	Only some registrants
GOC	12[30]	7	23	Yes (optometrists)	4 years (optometrists) (3 years at university, 1 year pre-registration training year) 3 years dispensing opticians	For optometrists: Additional supply Independent prescribing Supplementary prescribing For dispensing opticians: Contact lens prescribing	Only some registrants
GOsC	10	6	19	No	3 or 4 years	None	n/a
GCC	3	1	3	No	4 years	None	n/a
PSNI	2	1	2	Yes	5 years	None	n/a

Footnotes

Definitions:
(1) Number of institutions offering pre-registration training and education.
(2) Number of "different" types of pre-registration courses: "different" is defined as where profession or branch of study and/or qualification level is different
(3) Number of instances of pre-registration courses: i.e. a count of every instance of a pre-registration course
(4) Indicator of whether a training year (distinct from university/ institutional training) is part of the pre-registration education and training regime.
(5) Indicator of the typical length of the pre-registration education and training regime (including university/ institutional study and training year where appropriate)
(6) Description of any post-registration education and training (that the regulator assures)

(7) Indicator of whether post-registration training is universal (i.e. all registrants move on to post-registration education and training) or whether only some registrants may choose to undertake post-registration education and training

Table A5N: 'Maturity of profession' section of Operating Cost Template

Professions that you regulate	**First year of statutory regulation for this profession**

Annex 5.2.3. Supplementary Data Template guidance notes

The following guidance notes (in italics) were provided to regulators to help them complete the template correctly.

The accompanying spreadsheet requests data relating to the (variable) task faced by regulators of the healthcare professions. The data is requested in order to aid the interpretation of unit operating costs (collected previously through the Operating Expenditure template circulated on 16/12/11).

The spreadsheet contains a mixture of pre-populated data (cells coloured in green), which regulators are asked to check and verify, and blank cells (coloured yellow), which regulators are asked to complete as best they can. The spreadsheet is divided into three tabs, covering the following three areas: Fitness to Practise, the accreditation of Education & Training providers, and the maturity of regulated professions.

Fitness to Practise tab

Since the expenditure reported (in the Operating Expenditure template) under Fitness to Practise does not necessarily relate to complaints received in the financial year in question, summary statistics relating to complaints received in the most recent financial year and the two previous years are requested.

The information requested relates to Fitness to Practise complaints concerning full registrants. Fitness to Practise complaints relating to students and/or businesses should not be included.

Education & Training summary tab

The summary sheet contains 7 variables relating to the number and range of courses/institutions accredited by each regulator – 5 relating to pre-registration Education & Training and 2 relating to post-registration Education & Training. This information has been compiled using information found on each regulator's website.

Footnotes, plus a separate spreadsheet containing underlying information for each regulator, explain how the figures have been derived.

Our aim in producing these metrics is to provide a broad indication of how the task of accrediting providers of Education & Training varies across regulators. Details of other regulators are provided for context. Please check that the figures in the summary sheet broadly reflect the task faced by your regulatory body.

Maturity of professions tab

As a proxy for the maturity of regulated professions please enter the year in which the profession or professions regulated by your organisation were statutorily regulated for the first time.

Annex 5.2.4. Details of how each metric has been RAG-rated

The table overleaf illustrates the criteria by which Red, Amber and Green ratings have been applied in Table A5G.

Table A5O: Criteria for Red/Amber/Green 'task' ratings
Continued overleaf

				Red	Red/ Amber	Amber	Amber/ Green	Green
Overall	Regulatory force required	0.1	Body of knowledge (FTE for the main pre-registration education and training courses)	5 years or more	Not used	4 years	Not used	3 years or less
		0.2	Relative risk – average rank of malpractice payouts	1	Greater than 1 to less than 4	4 to 5 inclusive	Greater than 5 to less than 9	9
	Complexity	0.3	Number of professions regulated	10 or more	Not used	9 to 3 inclusive	Not used	2 or less
Stand-ards	Complexity	1.1	Maturity of profession (years since act established)	20 years or less	Greater than 20 to less than 50 years	50 to 60 years inclusive	Greater than 60 to less than 140 years	140 years or more
Regist-ration	Complexity	2.1	Proportion of registrations that are new (i.e. initial registrations as opposed to renewals)	9% or more	Not used	4% to 9% exclusive	Not used	4% or less
		2.2	Proportion of initial registrations that are non-UK	15% or more	Not used	5% to 15% exclusive	Not used	5% ore less
		2.3	Specialist register?	Yes	Not used	Not used	Not used	No
E&T	Complexity	3.1	Typical length of pre-registration education and training (FTE for the main pre-registration education and training courses)	5 years or more	Not used	4 years	Not used	3 years or less
		3.2	Is a there a pre-registration training year (in addition to the institutional pre-registration education and training)?	Yes	Not used	Not used	Not used	No
		3.3	Does the regulator assure post-registration training? If so for all or just some registrants?	Yes – for all registrants	Not used	Yes – for some registrants	Not used	No
		3.4	Number of institutions (providing pre-registration training)	80 or more	Not used	30 to 80 exclusive	Not used	30 or less

Table A5O: Criteria for Red/Amber/Green 'task' ratings
Continued from previous page

				Red	Red/ Amber	Amber	Amber/ Green	Green
FtP	Complexity	4.0	Rate of complaints (number of complaints per year per 100 registrants)	3 or more	Not used	1 to less than 3	Not used	Less than 1
		4.2	Proportion of cases originating from the employer or regulator (2008-10^)	40% or more	Not used	More than 20% to less than 40%	Not used	20% or less
		4.3	Proportion of cases originating from the public (2008-10^)	30% or less	Not used	More than 30% to less than 80%	Not used	80% or more
		4.4	Proportion of cases where allegation type = competency (2008-10^)	42% or more	Not used	More than 20% to less than 42%	Not used	20% or less
		4.5	Proportion of cases where allegation type = conviction/caution (2008-10^)	5% or less	Not used	More than 5% to less than 12%	Not used	12% or more
		4.6	% closed before ICP	10% or less	Not used	More than 10% to less than 50%	Not used	50% or more
		4.7	% closed before Final Hearing	50% or less	Not used	More than 50% to less than 90%	Not used	90% or more
		4.8	Means to defend allegations (average salaries)	£40,000 or more	Not used	Not used	Not used	Less than £40,000

Notes:
^ 2008-10 figures calculated as an average of the three years' data weighted by the caseload in each year

Annex 6. Registrants' compliance costs

This annex describes the surveys and methodology used to estimate registrants' compliance costs.

Annex 6.1. Overview of survey of registrants' compliance costs for registration and renewal

The health professionals' regulators impose compliance costs on registrants as part of:

- initial professional registration; and
- renewal of registration and continuing professional development (CPD) reporting

Annex 6.1.1. Aim of survey

CHSEO developed and deployed two anonymous online surveys of registrants (one for initial registration and one for renewal and CPD reporting) with the aim of:

- investigating potential variation across regulators in the compliance costs that regulators impose on registrants; and
- estimating an annual total monetised compliance cost imposed on registrants.

More specifically, the aim of the surveys was to obtain estimates of the time (and money) spent by registrants in complying with initial registration, renewal of registration and CPD reporting across each of the nine regulators.

(The tables in this annex show regulators ranked in alphabetical order rather than size order. This is because they were generated automatically using the Pivot Table functions in Microsoft Excel and IBM SPSS).

Annex 6.1.2. Marketing of the survey

Following discussion with CHRE, potential survey respondents were identified by marketing the survey address (www.chseo.org.uk/survey) through a number of professional bodies. The survey was open for completion over a period of 40 days (opening on Friday 3rd February and closing on Wednesday 14th March).

This annex first provides an overview of the number and type of respondents to each survey before setting out the main findings on time taken, expenses incurred and other items of interest. The survey results are then combined with data on the typical number of registrants that register and renew each year and representative hourly wage rates in order to estimate a total annual monetary cost of compliance.

Annex 6.2. Survey results of registrants' compliance costs for registration and renewal

The following analysis only covers fully completed survey responses[9], and also excludes a very small number[10] of responses where respondents cited implausibly[11] high time estimates (99 hours or 999 minutes, the maximums allowable by the survey software) to one or more questions. In many cases, this was likely due to a misinterpretation of the CPD question, which asked how long it took to *report* CPD activities, rather than the time taken to carry out CPD activities themselves. The satisfaction scores relating to these implausibly high estimates still average 5 out of 10 (meaning 'neither satisfied nor dissatisfied'), which supports our interpretation.

Importantly, whilst respondents were asked to choose from a set of ranges when asked about the time taken by a particular task (such as '0-14 minutes', '15-29 minutes' etc.), they were asked to type a precise estimate if they chose the highest, open-ended range (e.g. 'more than 4 hours'). The estimates of time taken therefore contain a large amount of variation, with a skewed distribution where the highest estimate is often vastly higher than the lowest estimate, even if most estimates are low. Medians (which, compared to means, are less sensitive to extreme and uncommon observations) are therefore used to summarise the results on time taken.

In order to preserve respondents' anonymity, in tables showing numbers of people, table cells containing fewer than 6 people have been replaced with an asterisk.

Annex 6.2.1. Numbers of complete responses by regulator and profession

Respondents were asked to complete the renewal and CPD reporting survey if the last payment that they made to their regulator was for renewal, or to complete the registration survey if the last payment that they made to their regulator was for initial registration. This ensured that the experience of registration or renewal would be relatively recent and fresh in the respondent's mind.

A further consequence of this structure is that the vast majority of survey responses will relate to renewal rather than initial registration, as only a small fraction of respondents will be at the start of their careers. This is proportionate from an economic perspective, as registration occurs only once during a typical career whereas renewal occurs many times.

Annex 6.2.1.1. Renewal and CPD reporting survey

Table A6A shows that of 1,077 renewal responses, a majority of respondents were from the GOC or the NMC, with reasonable numbers of responses obtained for the remaining regulators (apart from the PSNI, for which there were none).

Overall, 21% of respondents reported being required to submit evidence of CPD at some point in the past, with 4% of respondents having had their CPD audited. (These percentages exclude GMC respondents, as the GMC does not require its registrants

[9] Out of a total of 1,219 renewal and CPD survey responses, 142 were incomplete; out of a total of 96 registration responses, 42 were incomplete or related to non-UK respondents (whom the survey was not targeted at).
[10] 9 renewal and CPD survey responses and 1 registration survey response
[11] i.e. responses that were not only high but unusual, in that many other respondents had reported substantially lower time estimates.

to submit CPD). There is notable variation between regulators although this may partly be explained by small sample sizes in particular areas.

Table A6A: Number of renewal and CPD responses by regulator and profession

	No. of complete & valid responses	Ever required to submit CPD?	Ever had CPD audited?
GCC	49	46	34
GDC	46	17	*
Dentist	46	17	*
GMC	17	Not applicable	Not applicable
GOC	527	123	*
Dispensing optician	35	*	0
Optometrist	492	119	*
GOsC	32	13	*
GPhC	16	6	*
Pharmacist	16	6	*
HPC	16	*	*
Occupational therapist	*	0	0
Paramedic	*	0	0
Physiotherapist	*	*	*
Podiatrist/Chiropodist	*	0	0
Prosthetist/Orthotist	*	0	0
Speech and language therapist	8	*	*
NMC	374	12	*
Midwife	34	*	*
Annual retention	24	*	0
Periodic renewal	10	*	*
Nurse	340	10	*
Annual retention	302	7	*
Periodic renewal	38	*	0
Overall	**1,077**	**219**	**43**

No responses were received for the PSNI
The GMC does not require its registrants to submit CPD

Annex 6.2.1.2. Registration survey

As expected, Table A6B shows that there are far fewer responses to the initial registration survey. Again, the responses are concentrated on the GOC and the NMC, with few responses relating to other regulators.

Table A6B: Number of registration responses by regulator and profession

	No. of complete & valid responses
GCC	*
GDC	*
Dentist	*
GMC	*
Provisionally registered	*
GOC	21
Optometrist	21
Non-student	*
Student	*
GOsC	*
HPC	*
Speech and language therapist	*
NMC	19
Midwife	*
Nurse	*
Overall	**53**

No responses were received for the PSNI or GPhC

Annex 6.2.2. Types of respondents

To judge representativeness and aid the interpretation of subsequent results, the following tables break down the respondents by gender, age and time since registration. Clearly a wide range of respondents were surveyed.

Annex 6.2.2.1. Renewal and CPD reporting survey

The breakdowns are as follows:

Table A6C: Number of renewal and CPD responses by regulator and gender

Regulator	Female	Male	Total
GCC	19	30	49
GDC	10	36	46
GMC	5	12	17
GOC	258	269	527
GOsC	13	19	32
GPhC	13	3	16
HPC	15	1	16
NMC	304	70	374
Annual retention	268	58	326
Periodic renewal	36	12	48
Overall	**637**	**440**	**1,077**

No responses were received for the PSNI

Table A6D: Number of renewal and CPD responses by regulator and age

Regulator	Under 20	20-29	30-39	40-49	50-59	60-64	65+	Total
GCC	0	12	18	6	9	*	*	49
GDC	0	0	8	12	21	*	*	46
GMC	0	7	*	*	*	0	0	17
GOC	*	69	97	136	151	44	29	527
GOsC	0	*	11	10	6	*	0	32
GPhC	0	*	*	*	7	0	0	16
HPC	0	*	*	*	*	*	0	16
NMC	0	15	53	123	161	15	7	374
Annual retention	0	13	50	104	140	12	7	326
Periodic renewal	0	*	*	19	21	*	0	48
Overall	*	110	202	296	360	66	42	1,077

No responses were received for the PSNI

Table A6E: Number of renewal and CPD responses by regulator and years since registration

Regulator	Less than 1 year	1-4 years	5-9 years	10-14 years	15-19 years	20-24 years	25-29 years	30-34 years	35-39 years	40-44 years	45 years or more	Total
GCC	0	15	14	16	*	*	0	0	0	0	0	49
GDC	0	*	*	*	*	*	12	11	*	*	*	46
GMC	0	8	*	*	*	0	*	*	0	0	0	17
GOC	8	52	52	67	44	78	74	69	39	24	20	527
GOsC	0	14	6	*	*	*	0	0	0	0	0	32
GPhC	0	0	*	*	*	*	*	*	*	0	0	16
HPC	0	*	*	*	*	*	0	0	*	0	0	16
NMC	0	16	39	41	39	62	67	65	29	12	*	374
Annual retention	0	15	36	35	36	53	55	54	27	11	*	326
Periodic renewal	0	*	*	6	*	9	12	11	*	*	0	48
Overall	8	110	125	137	97	154	156	149	77	38	26	1,077

No responses were received for the PSNI

Annex 6.2.2.2. Registration survey

Table A6F: Number of registration responses by regulator and gender

Regulator	Female	Male	Overall
GCC	*	*	*
GDC	0	*	*
GMC	0	*	*
GOC	12	9	21
GOsC	0	*	*
HPC	*	0	*
NMC	17	2	19
Overall	31	22	53

No responses were received for the PSNI or GPhC

Tables A6G and A6H show the age of registration survey respondents followed by their number of years since registration. Because respondents were asked to answer the registration survey only if their last payment to their regulator was for registration, it was expected that most respondents would be aged 20-29 and would report few years since their initial registration. Instead, some respondents report that it is many years since their initial registration. This may indicate that these respondents misread the instructions and answered the registration survey instead of the renewal one (perhaps because the registration survey was the first link presented on the survey

page), even though their registration was many years ago. Whilst this casts doubt on the reliability of some registration survey responses, registration is of less economic significance than renewal (as it only happens once in a typical career).

Table A6G: Number of registration responses by regulator and age

Regulator	Under 20	20-29	30-39	40-49	50-59	60-64	65+	Overall
GCC	0	*	*	*	0	0	0	*
GDC	0	0	0	0	*	0	*	*
GMC	0	*	0	0	0	0	0	*
GOC	*	7	7	*	*	0	*	21
GOsC	0	0	*	*	0	0	0	*
HPC	0	0	*	0	0	0	0	*
NMC	0	*	*	8	6	*	0	19
Overall	*	11	12	12	13	*	*	53

No responses were received for the PSNI or GPhC

Table A6H: Number of registration responses by regulator and years since registration

Regulator	Less than 1 year	1-4 years	5-9 years	10-14 years	15-19 years	20-24 years	25-29 years	30-34 years	35-39 years	40-44 years	45 years or more	Overall
GCC	*	0	*	*	0	0	0	0	0	0	0	*
GDC	0	0	0	0	0	0	0	*	0	*	0	*
GMC	*	0	0	0	0	0	0	0	0	0	0	*
GOC	6	*	*	*	0	0	*	*	0	0	*	21
GOsC	0	*	0	0	0	*	0	0	0	0	0	*
HPC	*	0	0	0	0	0	0	0	0	0	0	*
NMC	*	*	*	*	*	*	*	*	*	0	0	19
Overall	14	8	*	6	*	*	*	9	*	*	*	53

No responses were received for the PSNI or GPhC

Annex 6.2.3. Compliance costs: time spent complying

The tables below constitute the main survey results – estimates of registrants' time spent complying – and are also used in subsequent sections of this annex to estimate the overall annual monetised cost of compliance associated with registration, renewal and CPD reporting.

Annex 6.2.3.1. Renewal and CPD reporting survey

The results in Table A6I show that renewal places only a small annual time burden on registrants. There is nonetheless variation between regulators, with the GCC and GOsC medians being notably higher than others, and the GMC median being particularly low. In all cases it appears to be easy to find the relevant form.

Table A6I: Breakdown of annual median time (minutes) associated with renewal

Abbreviation	Find form	Familiarise with process	Collect documents	Provide information	Overall renewal
GCC	0	15	25	20	60
GDC	0	1	0	2	7
GMC	0	1	0	2	3
GOC	0	5	0	2	10
GOsC	0	5	20	20	49
GPhC	0	5	0	2	8
HPC	0	5	3	2	18
NMC	0	5	0	2	12
Annual retention	0	5	0	2	12
Periodic renewal	0	5	0	10	15
Overall	**0**	**5**	**0**	**2**	**12**

No responses were received for the PSNI
Note: in any given year, NMC registrants go through either annual retention or periodic renewal.

Table A6J considers the annual median time burden of CPD keeping (which applies to all respondents) alongside CPD submitting and audit (which only apply to some respondents). The 'Overall CPD' column shows the median CPD time across registrants once CPD keeping, submitting and audit are added together at the individual level. (It therefore reflects the fact that CPD submitting and audit do not apply to all registrants; regulators with lower rates of CPD submitting and audit will show a lower burden).

The table shows that the annual median time burden of CPD keeping and recording is more significant than that of renewal, amounting to a number of hours in some cases. Again, there is notable variation between regulators. Whilst it is acknowledged that there may be reasons why compliance costs may vary across professions/ regulators, not addressed in this annex, the low GOC burden (which is backed by a large sample) might demonstrate potential to make this process less burdensome, although it is noted that GOC has a small number of audit respondents. The NMC, GDC and GOsC burdens also appear to be relatively low.

Table A6J: Breakdown of annual median time (minutes) associated with CPD reporting

Regulator	CPD keeping	CPD submitting	CPD audit	Overall CPD
GCC	35	60	52	145
GDC	55	25	120	60
GOC	15	7	7	17
GOsC	55	40	52	70
GPhC	240	25	30	270
HPC	150	162	570	150
NMC	55	60	124	55
Annual retention	55	120	7	55
Periodic renewal	55	25	240	55
Overall	**35**	**15**	**52**	**37**

No responses were received for the PSNI
The GMC does not require its registrants to submit CPD

Table A6K presents the overall renewal and CPD reporting burdens together. A further 'Overall' column in the table is calculated by adding the overall renewal and CPD reporting estimates together at the individual level. Similarly to its component parts, the overall burden shows notable variation, with the GOC burden being lowest overall. The GDC and NMC estimates are also comparatively low, as is the estimate for the GMC (which does not include CPD reporting).

Table A6K: Overall annual median time (minutes) associated with renewal and CPD reporting

Regulator	Overall renewal	Overall CPD	Overall
GCC	60	145	219
GDC	7	60	71
GMC	3	Not applicable	3
GOC	10	17	32
GOsC	49	70	152
GPhC	8	270	288
HPC	18	150	187
NMC	12	55	67
Annual retention	12	54.5	64
Periodic renewal	14.5	54.5	75
Overall	**12**	**Not applicable**	**57**
Overall excluding GMC	**12**	**34.5**	**57**

No responses were received for the PSNI
The GMC does not require its registrants to submit CPD

Annex 6.2.3.2. Registration survey

Whilst it must be kept in mind that the registrants survey achieved a lower response rate than the renewal/CPD survey, Table A6L shows that registration can also incur a burden amounting to several hours. The GOC and NMC estimates (which have comparatively larger samples) are lower than for the other regulators. It is noted that whilst the GMC ID check only takes a few minutes, a respondent reported having to queue for several hours (as the check is conducted in person at medical school) so the burden is larger than just the ID check itself.

Table A6L: Overall median time (minutes) associated with registration

Regulator	Find form	Familiarise with process	Collect documents	Fill in form	GMC ID check	Overall registration
GCC	22	45	37	112	Not applicable	227
GDC	3	7	22	10	Not applicable	106
GMC	0	45	22	10	210	286
GOC	3	22	22	10	Not applicable	66
GOsC	0	45	37	22	Not applicable	136
HPC	10	7	67	37	Not applicable	121
NMC	3	22	22	22	Not applicable	69
Overall	3	22	22	22	210	76

No responses were received for the PSNI or GPhC

Annex 6.2.4. Financial costs faced by respondents

As well as asking for the time burden faced by respondents, the survey enabled them to enter and describe any financial costs that they incurred as part of the compliance process. However, the results are difficult to interpret because it is hard to draw the line between those financial costs that can truly be classed as part of the compliance process and those that are associated with more general professional expectations/responsibilities, and there is inconsistency of reporting between respondents. Nonetheless, the key points made are summarised below.

Annex 6.2.4.1. Renewal and CPD reporting survey

11.7% (126/1,077) of renewal and CPD reporting survey respondents reported an additional financial cost. Of these responses, the mean amount is £206 and the median is £10 (reflecting a distribution that is skewed by a small number of very high estimates).

- A small number of respondents included the time cost of carrying out their CPD, with one arguing that it was of no proven benefit. A small number of other respondents included the costs paid to CPD course providers, which were said to vary greatly by course. These respondents make up many of the high costs reported.
- Several respondents listed their professional indemnity insurance as an additional financial cost, as it is required by their regulator. These costs run into hundreds of pounds per year.
- The smaller financial costs reported include a number of entries for postage costs (including by recorded and special delivery), the cost of telephone calls, photocopying/scanning costs, and direct debit and credit card fees.

Annex 6.2.4.2. Registration survey

18.9% (10/53) of registration survey respondents reported an additional financial cost. Here, the mean is £252 and the median is £20, so the distribution is again heavily skewed by a small number of very high estimates.

- As well as phone calls, postage (including special delivery), GP letters and proof of vaccinations, some respondents listed higher amounts for insurance and for college fees (e.g. for the College of Chiropractors and the College of Optometrists).

Annex 6.2.5. Other findings

Below, summaries are presented of satisfaction scores reported and the fraction of respondents that use online methods when interacting with their regulator.

Annex 6.2.5.1. Renewal and CPD reporting survey

Table A6M shows that whilst all regulators are making use of online systems for renewal and CPD reporting, there is notable variation in the use of these online systems.

Table A6M: Number of respondents who used the internet for renewal and CPD reporting

Regulator	Not online	Online	% online
GCC	9	40	82%
GDC	22	24	52%
GMC	7	10	59%
GOC	64	463	88%
GOsC	8	24	75%
GPhC	0	16	100%
HPC	7	9	56%
NMC	209	165	44%
Annual retention	170	156	48%
Periodic renewal	39	9	19%
Overall	**326**	**751**	**70%**

No responses were received for the PSNI

The survey asked respondents for an overall satisfaction score between 0 and 10 (inclusive) relating to the renewal and CPD reporting process. To encourage respondents to use the scale consistently, the following descriptions were allocated to the highest possible score, the lowest possible score and the middle possible score. For maximum clarity, these definitions were included in the actual drop-down box from which respondents selected their chosen score.

10 = extremely satisfied
5 = neither satisfied nor dissatisfied
0 = completely dissatisfied

Table A6N shows variation in renewal and CPD satisfaction scores by regulator. Average scores only fall below 5 ('neither satisfied nor dissatisfied') in the case of the GOsC's mean score; all other means and medians are always above 5 (notably so in some cases).

Table A6N: Mean and median renewal and CPD satisfaction scores by regulator

Regulator	Mean	Median
GCC	5.4	5
GDC	6.0	5
GMC	7.3	8
GOC	7.4	8
GOsC	4.7	5
GPhC	6.8	7
HPC	6.5	7
NMC	6.1	5
Annual retention	6.2	5
Periodic renewal	5.8	5
Overall	**6.7**	**7**

No responses were received for the PSNI

Further analysis shows that the mean satisfaction score is higher for those who used online methods than those who did not. (The mean scores, across all regulators, are 7.1 for those who used online methods and 5.9 for those who did not).

Annex 6.2.5.2. Registration survey

The same satisfaction scoring system and question format was used in the registration survey. Here, only the GDC's mean result falls below 5, with the mean and median results at or above 5 in all other cases (again, sometimes notably so). However, it must be kept in mind that these findings are based upon smaller sample sizes than those for the renewal/CPD survey.

Table A6O: Mean and median renewal and CPD satisfaction scores by regulator

Regulator	Mean	Median
GCC	5.0	5
GDC	4.8	5
GMC	6.0	6
GOC	7.1	8
GOsC	5.7	5
HPC	5.0	5
NMC	6.8	7
Overall	**6.5**	**7**

No responses were received for the PSNI or GPhC

Because of the small number of respondents it is less meaningful to differentiate between those who used online methods and those who did not. The mean satisfaction score is nonetheless slightly higher amongst those who did *not* use online methods in the case of registration. (The mean score is 6.75 for those who did not use online methods and 6.2 for those who did).

Annex 6.3. Estimation of total annual monetised cost of compliance

The following method combines the time burdens from the above survey with other data in order to produce an estimate of the total annual monetised cost of compliance associated with registrants' registration, renewal and CPD reporting processes. The methodology, data sources and results are set out below:

Annex 6.3.1. Methodology

The methodology differs between the two surveys.

Annex 6.3.1.1. Renewal and CPD reporting

The compliance time cost of renewal and CPD reporting can be calculated as the product of three things:

For each regulator:

- the median number of hours (per registrant, per year) spent complying with renewal and CPD reporting;
- the typical number of professionals that renew per year; and

- an average hourly wage relating to that regulator's registrants (at around the midpoint of their career). These wages are argued to represent the opportunity cost[12] of a typical registrant's time.

Annex 6.3.1.2. Registration

A similar approach can be used to calculate the overall compliance time cost of registration, although please take note of the different wage rates needed:

For each regulator:

- the median number of hours (per registrant, per year) spent complying with initial registration;
- the number of professionals that register per year; and
- an average hourly *starting wage* relating to that regulator's registrants (who will be at the start of their career). Here, these wages are argued to represent the opportunity cost of a new registrant's time.

Annex 6.3.2. Data sources used

The data used in the total annual monetised compliance cost estimate is set out in three places within this annex. In each case, full details of the data sources used are provided and the assumptions that have been applied:

- Tables A6K and A6L from the survey results in this section contain estimates of the median minutes per registrant spent on registration, renewal and CPD reporting processes. These estimates are converted into hours for this particular calculation.
- Annex 6.4 presents average wage rates for each regulator's registrants. For certain regulators (particularly those with a large number of registrants of different types and seniority), wage rates are identified for different staff types and seniority levels and are then weighted by staff numbers. Separately, the Annex contains data on starting salaries, some of which are also derived through a similar weighted averaging process.
- Annex 6.5 sets out the number of professionals that register and renew each year. The data is taken from the operating cost templates as completed by the regulators themselves, alongside some minor assumptions.

Annex 6.3.3. Results

Annex 6.3.3.1. Renewal and CPD reporting

Table A6P sets out the components and results of the compliance time cost associated with renewal and CPD reporting. Following the method above, the rightmost column is the product of the three columns to its left.

[12] If registrants were not complying with regulators' processes, they would be carrying out their usual tasks; wages are assumed to reflect the value of these usual tasks.

Table A6P: Total annual monetised cost of compliance associated with renewal and CPD reporting

		Average hourly wage	Average annual number of renewals	Median renewal and CPD hours (per registrant, per annum)	Total annual monetised cost of compliance associated with renewal and CPD reporting
GCC		£20.56	2,398	3.64	£180,000
GDC		£33.55	88,665	1.19	£3,532,000
GOC	Student	£4.98	3,726	0.53	£10,000
	Non-Student	£18.76	19,783		£195,000
GOsC		£20.56	4,156	2.53	£216,000
HPC		£22.29	100,221	3.12	£6,961,000
NMC		£21.46	See below	See below	See below
	Annual retention	£21.46	426,593	1.07	£9,763,000
	Periodic renewal	£21.46	213,296	1.25	£5,721,000
GPhC		£21.05	54,214	4.80	£5,479,000
PSNI	Trainee	£12.70	10	No data	No data
	Pharmacist	£22.80	1,892	No data	No data
GMC	Provisional	Not applicable	6,813	0.04	Not applicable
	Full	£44.98	219,576		£412,000
Overall					**£32,469,000**

The overall compliance time cost for renewal is estimated at £32.5 million per annum, taking account of the fact that the GMC does not require its registrants to submit CPD.

6.3.3.2. Registration

Table A6Q provides a similar presentation of the compliance time cost associated with registration. Again, the rightmost column is the product of the three columns to its left.

Table A6Q: Total annual monetised cost of compliance associated with registration

		Average hourly *starting wage*	Average annual number of registrations	Median registration hours (per registrant)	Total annual monetised cost of compliance associated with registration
GCC		£11.75	153	3.78	£7,000
GDC		£13.62	6,798	1.76	£163,000
GOC	Student	£4.98	1,218	1.10	£7,000
	Non-Student	£12.34	1,125		£15,000
GOsC		£10.28	300	2.27	£7,000
HPC		£13.52	14,654	2.01	£398,000
NMC		£13.52	22,528	1.14	£348,000
	Annual retention	Not applicable	Not applicable	Not applicable	Not applicable
	Periodic renewal	Not applicable	Not applicable	Not applicable	Not applicable
GPhC		£14.32	10,008	No data	No data
PSNI	Trainee	£12.70	194	No data	No data
	Pharmacist	£15.00	14	No data	No data
GMC	Provisional	£14.70	7,008	4.76	£490,000
	Full	£19.52	5,856		£544,000
Overall					**£1,979,000**

Because of the far smaller number of registrations and the lower wage rates, the time cost of compliance (estimated to be £1.98 million per annum) is far lower than the time cost of renewal and CPD registration. The GMC makes up a high share of the cost, although this is partly driven by a higher average wage.

6.3.3.3. Renewal, CPD reporting and registration combined

Adding together the time cost of compliance for renewal, CPD reporting and registration gives an annual total of £34.5 million.

Annex 6.4. Details of wage data used

This annex provides further detail on the sources of the starting and average wage rates used in Annex 6.3. (To calculate the compliance cost of renewal and CPD reporting, overall average wages are needed, whereas to calculate the compliance cost of registration, starting wages (i.e. from the beginning of a registrant's career) are needed). In each case, the wages are argued to represent the opportunity cost of registrants' time; if registrants were not complying with regulators' processes, they would be carrying out their usual tasks, and the wages are assumed to reflect the value of these usual tasks.

The following hourly wage rates are used in the compliance cost calculations.

Table A6R: Average hourly wages used in the compliance cost calculation

		Average hourly wage	**Average hourly *starting wage***
GCC		£20.56	£11.75
GDC		£33.55	£13.62
GOC	Student	£4.98	£4.98
	Non-Student	£18.76	£12.34
GOsC		£20.56	£10.28
HPC		£22.29	£13.52
NMC		£21.46	£13.52
	Annual retention	£21.46	Not applicable
	Periodic renewal	£21.46	Not applicable
GPhC		£21.05	£14.32
PSNI	Trainee	£12.70	£12.70
	Pharmacist	£22.80	£15.00
GMC	Provisional	Not applicable	£14.70
	Full	£44.98	£19.52

Annex 6.4.1. Data sources

The following table illustrates the data sources and assumptions that have been used to compute the hourly wage rates. Within particular regulators, weighted averages have sometimes been used to capture different wage rates for different types and grades of staff. The most current data has been used; websites were accessed in March 2012. 'Midpoint' indicates that the midpoint has been taken of a range from a given data source. See http://www.nhscareers.nhs.uk/details/default.aspx?id=766 for Agenda for Change pay bands.

Table A6S: Data sources for starting pay, average pay and hours worked

Regulator and registrant type	**Data source for starting pay**	**Data source for average pay**	**Data source for hours worked (if applicable)**
General Chiropractic Council	£20,000 per annum: Prospects careers website[13]	£35,000 per annum: judgment based on Prospects careers website[14]	1,703 hours: judgment based on 37.5-hour week excluding 25 days annual leave and 8 days statutory leave
General Dental Council *(a) and (b) weighted by the share of Dentists and Dental Nurses in GDC registrant numbers*	(a) Dentists £29,800 per annum: Prospects careers website[15] (b) Dental nurses £15,860 per annum: Agenda for Change Band 3[16]	(a) Dentists £84,900 per annum: Dental Earnings and Expenses report 2009/10[17]. (b) £29,776 per annum: weighted average of median FTE total earnings for qualified nurses in bands 3-6 (Table 17.1, PSSRU 2011[18]). Weighted using the share of qualified nurse FTEs by Agenda for Change band in the underlying sample	(a) Dentists 1,689 hours: survey[19] (b) Dental nurses 1,566 hours: assumed to be the same as for nurses

[13] See http://www.prospects.ac.uk/chiropractor_salary.htm
[14] See http://www.prospects.ac.uk/chiropractor_salary.htm
[15] See http://www.prospects.ac.uk/dentist_salary.htm
[16] See http://www.nhscareers.nhs.uk/details/default.aspx?id=188
[17] Information Centre for Health and Social Care (2011), Dental Earnings and Expenses 2009/10. See http://www.ic.nhs.uk/pubs/dentalearnexp0910enwa

Regulator and registrant type		Data source for starting pay	Data source for average pay	Data source for hours worked (if applicable)
General Optical Council	Student	£4.98 per hour: National Minimum Wage for those aged 18-20[20]	£4.98 per hour: National Minimum Wage for those aged 18-20	Wage is already in hourly format
(a) and (b) weighted by the share of Optometrists and Dispensing Opticians in GOC registrant numbers	Non-Student	(a) Optometrists £23,750 (midpoint) per annum: Prospects careers website[21] (b) Dispensing Opticians £15,000 per annum: Prospects careers website[22]	(a) Optometrists £22.08 per hour: Annual Survey of Hours and Earnings 2011[23] (b) Dispensing Opticians £20,000 per annum: Prospects careers website[24]	(a) Optometrists: wage is already in hourly format (b) Dispensing Opticians 1,703 hours: judgment based on 37.5-hour week excluding 25 days annual leave and 8 days statutory leave
General Osteopathic Council		£17,500 (midpoint) per annum: Next Step careers website[25]	£35,000 per annum: judgment based on Prospects careers website[26]	1,703 hours: judgment based on 37.5-hour week excluding 25 days annual leave and 8 days statutory leave

[18] See http://www.pssru.ac.uk/project-pages/unit-costs/2011/index.php
[19] Information Centre for Health and Social Care (2010), Dental Working Hours England and Wales 2008/09 and 2009/10. See http://www.ic.nhs.uk/statistics-and-data-collections/primary-care/dentistry/dental-working-hours-england-and-wales-2008-09-and-2009-10
[20] See http://www.direct.gov.uk/en/Employment/Employees/TheNationalMinimumWage/DG_10027201
[21] See http://www.prospects.ac.uk/optometrist_salary.htm
[22] See http://www.prospects.ac.uk/dispensing_optician_salary.htm
[23] Office for National Statistics (2011), Annual Survey of Hours and Earnings, Table 14a (hourly pay excluding overtime for ophthalmic opticians). See http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-235202
[24] See http://www.prospects.ac.uk/dispensing_optician_salary.htm
[25] See https://nextstep.direct.gov.uk/PlanningYourCareer/JobProfiles/JobProfile0289/Pages/default.aspx
[26] See http://www.prospects.ac.uk/osteopath_salary.htm

Regulator and registrant type	Data source for starting pay	Data source for average pay	Data source for hours worked (if applicable)
Health Professions Council	£21,176 per annum: Agenda for Change Band 5[27]	£34,899 per annum: weighted average of median FTE total earnings for qualified AHPs (Table 17.2, PSSRU 2011) Weighted using the share of qualified AHP FTEs by Agenda for Change band in the underlying sample	1,566 hours: 37.5 hours per week excluding 29 days annual leave and 8 days statutory leave (PSSRU 2011)
Nursing & Midwifery Council	£21,176 per annum: Agenda for Change Band 5[28]	£33,600 per annum: weighted average of median FTE total earnings for qualified nurses (Table 17.1, PSSRU 2011) Weighted using the share of qualified nurse FTEs by Agenda for Change band in the underlying sample	1,566 hours: 37.5 hours per week excluding 29 days annual leave and 8 days statutory leave (PSSRU 2011)
General Pharmaceutical Council *(a) and (b) weighted by the share of Pharmacists and Pharmacy Technicians in GPhC registrant numbers*	(a) Pharmacist £25,000 (midpoint) per annum: Royal Pharmaceutical Society illustrative estimate[29] (b) Pharmacy Technician £18,402 per annum: Agenda for Change Band 4[30]	(a) Pharmacist £38,000 per annum: Community Pharmacist (PSSRU 2011) (b) Pharmacy Technician £25,900 per annum: average of AHP median FTE total earnings for Agenda for Change bands 4 and 5 (Table 17.2, PSSRU 2011)[31]	(a) Pharmacist 1,667 hours: 40 hours per week excluding 29 days annual leave and 8 days statutory leave (PSSRU 2011) (b) Pharmacy Technician 1,566 hours: assumed to be the same as for AHPs

[27] See http://www.nhscareers.nhs.uk/details/Default.aspx?Id=190;
[28] See http://www.rcn.org.uk/__data/assets/pdf_file/0005/372992/004106.pdf
[29] See http://www.rpharms.com/about-pharmacy/careers-in-pharmacy.asp
[30] See http://www.nhscareers.nhs.uk/details/Default.aspx?Id=237
[31] See http://www.nhscareers.nhs.uk/details/Default.aspx?Id=237

Regulator and registrant type		Data source for starting pay	Data source for average pay	Data source for hours worked (if applicable)
Pharmaceutical Society of Northern Ireland	Trainee	£21,176 per annum: Agenda for Change Band 5[32]		Assumed to be the same as for pharmacists
	Pharmacist	£25,000 (midpoint) per annum: Royal Pharmaceutical Society illustrative estimate[33]	£38,000 per annum: Community Pharmacist (PSSRU 2011)	1,667 hours: 40 hours per week excluding 29 days annual leave and 8 days statutory leave (PSSRU 2011)
General Medical Council	Provisional	£31,400 per annum: Median FTE total earnings for Foundation Year 1 (PSSRU 2011)		2,136 hours: 48 hours per week excluding 25 days annual leave and 8 statutory leave days (PSSRU 2011)
Weighted using the share of FY2+ FTEs by staff type in the underlying sample; GPs and GP registrars taken into account using a separate data source[34]	Full	£41,700 per annum: Median FTE total earnings for Foundation Year 2 (PSSRU 2011)	£84,835 per annum: weighted average of median FTE total earnings for doctors of Foundation Year 2 and above (Table 17.3, PSSRU 2011)	For starting pay: 2,136 hours, i.e. 48 hours per week excluding 25 days annual leave and 8 statutory leave days (PSSRU 2011) For average pay: weighted average of hours as in PSSRU (2011), although sickness days are not accounted for

[32] See http://www.pharmalife.co.uk/prr/documents.php?doc=overview
[33] See http://www.rpharms.com/about-pharmacy/careers-in-pharmacy.asp
[34] See http://www.ic.nhs.uk/statistics-and-data-collections/workforce/nhs-staff-numbers/nhs-staff-2001--2011-overview

Annex 6.5. Details of staff volume data used

This annex sets out the staff volume data needed to calculate the annual monetised cost of compliance in Annex 6.3. Data is needed (for each regulator) on the average number of registrations and renewals per annum. This data is set out below alongside related assumptions.

Annex 6.5.1. Data sources and assumptions

Staff numbers are taken from the operating cost templates as completed by the regulators themselves. Some adjustments are needed in the case of the HPC and the NMC:

- HPC operate a two-yearly renewal cycle with an uneven balance of renewals in each year. The operating cost template is therefore not representative of the average annual number of renewals. HPC's average number of renewals is therefore calculated as half of (Stock of registrants minus Number of new registrations).
- NMC operate a system whereby (more detailed) Periodic Reviews are conducted every three years, with (less detailed) Annual Reviews in intervening years. NMC's average number of Periodic Reviews is therefore calculated as one third of (Stock of registrants minus Number of new registrations). Similarly, NMC's average number of Annual Reviews is therefore calculated as two thirds of (Stock of registrants minus Number of new registrations).

The resulting staff numbers are presented in the table below.

Table A6T: Average number of registrations and renewals by regulator

		Average annual number of registrations	**Average annual number of renewals**
GCC		153	2,398
GDC		6,798	88,665
GOC	Student	1,218	3,726
	Non-Student	1,125	19,783
GOsC		300	4,156
HPC		14,654	100,221
NMC		22,528	See below
	Annual retention	Not applicable	426,593
	Periodic renewal	Not applicable	213,296
GPhC		10,008	54,214
PSNI	Trainee	194	10
	Pharmacist	14	1,892
GMC	Provisional	7,008	6,813
	Full	5,856	219,576

Annex 6.6. Full survey instructions and contents

As described earlier in Annex 6, CHSEO developed two online surveys to estimate the cost of compliance (registrants' time and money) associated with (i) initial professional registration and (ii) renewal of professional registration (including CPD). The surveys were opened for responses on Friday 3rd February and closed on Wednesday 14th March. The survey address (www.chseo.org.uk/survey) was marketed through a number of professional bodies to ensure that all of the health professional regulators were represented.

The following sections set out the instructions provided to respondents alongside key survey contents and features.

Annex 6.6.1. Survey instructions

The following instructions (italicised) were displayed at www.chseo.org.uk/survey. They ultimately ask respondents to click one of two links, leading either to the registration survey questions or to the renewal survey questions. Both sets of questions were hosted using a secure, paid account on the Survey Monkey service (www.surveymonkey.com).

Thank you for participating in this 5-10 minute anonymous online survey. Its aim is to collect data on how much time (and money) that registrants spend complying with their regulators' registration or renewal processes. You will be asked questions relating to your experience of either registration or renewal based upon your most recent recollection of the process.

To begin, please read the following and then click the appropriate link. Please only complete one of them.

- *If the last time you paid a fee to your regulator was for initial registration then...*
  ...please click here to complete the registration survey
  [link to https://www.surveymonkey.com/s/S5RYTTP]
- *If the last time you paid a fee to your regulator was to renew your registration then...*
  ...please click here to complete the renewal survey
  [link to https://www.surveymonkey.com/s/RLQP5DX]

Further information about this survey:

- *The results from the survey will inform a review of the cost-efficiency of professional regulation, conducted on behalf of the Council for Healthcare Regulatory Excellence (CHRE).*
- *The survey is completed anonymously; no personally identifiable information is asked for. Results from the survey will be reported at an aggregate level so that individual responses are non-identifiable.*
- *All information submitted through the survey will be encrypted. (Once you click through to the survey, you should see a padlock icon or an 'https' designation in your web browser).*
- *On completion of the research, all data (including survey responses) will be returned to CHRE and deleted by us.*

Annex 6.6.2. Key principles and validation for survey questions

To facilitate analysis and increase the number of complete responses, respondents were required to answer all questions apart from those with a free text response. Invalid inputs (e.g. text typed into a number field) were automatically detected, with the respondent then asked to correct them. Unless complete and valid responses were provided, the survey would not continue onto the next page of questions.

For ease of use, many of the questions asked respondents to select from a list of ranges (e.g. '2-3 hours', '3-4 hours' etc.) where the highest option is open-ended and ambiguous (e.g. '4 hours or more'). When such questions are critical to the analysis, respondents who selected these options were asked for a precise response (e.g. asked to type in the number of hours), therefore reducing the need to apply assumptions in subsequent analysis.

Annex 6.6.3. Renewal survey contents

The following questions were asked to all renewal survey respondents. The survey also asked Nursing and Midwifery Council registrants the following question: "The last time you renewed your registration, was this an Annual Retention or a Periodic Renewal (every 3 years)?" Subsequent questions and prompts were then customised with the phrase 'annual retention' or 'periodic renewal'.

For the most important questions below, the different response options are presented using indented bullet points.

- Are you male or female?
- How old are you?
- Which regulator are you registered with?
- What is your registered profession?
- For how many (completed) years have you been registered?
- Where did you qualify to practise?
    - UK
    - Non-UK
- Through which means did you complete the renewal process? (Please select as many as appropriate).
    - Post
    - Online
    - Telephone
- *Prompt: Thinking back to when you were last required to renew your registration, please answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you actively spent pursuing the goal, rather than the time that elapsed.*
- How long did it take you to find the renewal form?
    - No time at all - it was handed/posted/e-mailed to me
    - No time at all - a renewal notification was posted/e-mailed/texted to me
    - Less than 1 minute
    - 1 - 4 minutes
    - 5 - 9 minutes
    - 10 -14 minutes
    - 15 minutes or more (please specify a whole number of minutes)
- How long did it take you to familiarise yourself with the renewal process - e.g. reading guidance, speaking to colleagues or asking questions?

    - Less than 1 minute
    - 1 - 9 minutes
    - 10 - 19 minutes
    - 20 - 29 minutes
    - 30 minutes or more (please specify a whole number of minutes)
- How long did you spend collecting the documents and other information required to complete the renewal - e.g. providing details of any changes to your circumstances?
    - No documents were needed
    - 1 - 9 minutes
    - 10 - 19 minutes
    - 20 - 29 minutes
    - 30 minutes or more (please specify a whole number of minutes)
- How long did it take you to provide this information to your professional regulator, whether online, over the phone or on paper?
    - Less than 5 minutes
    - 5 - 14 minutes
    - 15 - 24 minutes
    - 25 minutes or more (please specify a whole number of minutes)
- How long did you spend (in the last complete year) keeping a record of your CPD (including any associated documentation)? Do not include time spent doing the CPD itself.
    - Less than 10 minutes
    - 10 - 19 minutes
    - 20 - 29 minutes
    - 30 - 39 minutes
    - 40 - 49 minutes
    - 50 - 59 minutes
    - 1 hour or more (please specify to the nearest hour)
- Have you ever been required to submit a record of your CPD to your professional regulator?
    - Yes
    - No
- (If applicable) Thinking back to the last time you were required to submit a record of your CPD, how much of your time was taken up by the submission process?
    - Less than 5 minutes
    - 5 - 9 minutes
    - 10 - 19 minutes
    - 20 - 29 minutes
    - 30 minutes or more (please specify a whole number of minutes)
- Aside from routinely recording or submitting your CPD, have you ever been selected to have your CPD record audited?
    - Yes
    - No
- (If applicable) Thinking back to the last time your CPD record was audited, how much of your time was taken up by the audit process?
    - Less than 15 minutes
    - 15 - 29 minutes
    - 30 - 44 minutes
    - 45 - 59 minutes
    - More than 1 hour (please specify to the nearest hour)
- Other than the retention fee itself, did you incur any other financial costs in the process?

    - Yes
    - No
- (If applicable) You just answered that you faced some additional financial costs associated with the renewal process. Please give a brief description of these costs.
    - Free text box
- (If applicable) What was the sum total of these additional financial costs to you?
- On a scale from 0 to 10, how satisfied were you with the renewal process that you were required to undertake?
    - 10 = extremely satisfied
    - 5 = neither satisfied nor dissatisfied
    - 0 = completely dissatisfied
- Please add any further comments in the box below.
    - Free text box

Annex 6.6.4. Registration survey contents

The following questions were asked to all registration survey respondents apart from those who were trained outside of the UK. (The survey was not targeted at non-UK respondents although they were provided with a free text comment box). The question wording (and, more importantly, a key prompt) was to some extent customised based on the respondent's stated regulator. The customised prompts for GMC full registration, GMC provisional registration, PSNI Pharmacists, PSNI Trainees, GPhC Pharmacists and GOC Students are presented at the end of this section.

For the most important questions below, the different response options are presented using indented bullet points.

- Are you male or female?
- How old are you?
- Which regulator are you registered with?
- What is your registered profession?
- (PSNI only) Are you registered as a:
    - Trainee pharmacist
    - Pharmacist
- (GOC only) Are you registered as a student?
    - No - I am already qualified (and am registered as an optometrist or dispensing optician)
    - Yes - I am not yet qualified (and am registered as a student)
- Where did you qualify to practise?
    - UK
    - Non-UK
- (GMC only) Are you:
    - Provisionally registered
    - Fully registered
- For how many (completed) years have you been registered?
- *Prompt (see end of this section for the specific prompts used for GMC full registration, GMC provisional registration, PSNI Pharmacists, PSNI Trainees, GPhC Pharmacists and GOC Students): The following questions relate to the time and money that you spent when complying with the registration process set by your regulator (i.e. compliance costs).*

Please note that the questions relate only to the initial registration process. Therefore, please do not include any compliance costs associated with any subsequent registration such as specialty registration or the recording of additional qualifications.
Please think back to when you went through the process of initial registration with your regulator and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).

- Through which means did you complete the registration process? (Please select as many options as appropriate).
    - By post
    - Over the telephone
    - Online
    - In person
- How long did it take you to find the registration application form?
    - No time at all - it was handed/posted/e-mailed to me
    - Less than 5 minutes
    - 5 - 14 minutes
    - 15 - 29 minutes
    - 30 - 44 minutes
    - 45 - 60 minutes
    - 1 hour or more (please specify to the nearest hour)
- How long did it take you to familiarise yourself with the registration process - e.g. reading guidance, speaking to colleagues or asking questions?
    - Less than 15 minutes
    - 15 - 29 minutes
    - 30 - 59 minutes
    - 1 hour - 1 hour 29 minutes
    - 1 hour 30 minutes - 1 hour 59 minutes
    - 2 hours - 2 hours 59 minutes
    - 3 hours - 3 hours 59 minutes
    - 4 hours or more (please specify to the nearest hour)
- How long did you spend collecting the documents and other information required to complete the registration application - e.g. providing proof of identification, qualification certificates, photos and approvals/references?
    - Less than 15 minutes
    - 15 - 29 minutes
    - 30 - 44 minutes
    - 45 - 59 minutes
    - 1 hour - 1 hour and 14 minutes
    - 1 hour and 15 minutes - 1 hour and 29 minutes
    - 1 hour and 30 minutes - 1 hour and 44 minutes
    - 1 hour and 45 minutes - 1 hour and 59 minutes
    - 2 hours or more (please specify to the nearest hour)
- How long did it take you to fill in the registration application form and send it (along with any supporting information) to your professional regulator?
    - Less than 5 minutes
    - 5 - 14 minutes
    - 15 - 29 minutes
    - 30 - 44 minutes
    - 45 - 59 minutes
    - 1 hour - 1 hour 14 minutes
    - 1 hour 15 minutes - 1 hour 29 minutes

    - 1 hour 30 minutes - 1 hour 44 minutes
    - 1 hour 45 minutes - 1 hour 59 minutes
    - 2 hours or more (please specify to the nearest hour)
- In terms of elapsed time - i.e. from the moment you submitted your application to the point you were notified of the outcome - how long did it take for your application to be processed? (Not including appeals)
    - Less than 7 days
    - Between 7 and 14 days
    - Between 15 and 21 days
    - Between 22 and 28 days
    - Between 1 and 2 months
    - More than 2 and up to 3 months
    - More than 3 and up to 4 months
    - More than 4 and up to 5 months
    - 5 months or more (Please specify whole number of months)
- (GMC provisional only) How long did it take you to comply with the GMC ID check (usually conducted at your medical school during the 4th or 5th year)? Please include time spent finding appropriate identification documents and attending the ID check itself.
    - Less than 30 minutes
    - 30 - 59 minutes
    - 1 hour - 1 hour 29 minutes
    - 1 hour 30 minutes - 1 hour 59 minutes
    - 2 hours - 2 hours 59 minutes
    - 3 hours - 3 hours 59 minutes
    - 4 hours - 4 hours 59 minutes
    - 5 hours or more (please specify to the nearest hour)
- Other than the registration fee itself, did you incur any other financial costs in the process?
    - Yes
    - No
- (If applicable) You just answered that you faced some additional financial costs associated with the registration process. Please give a brief description of these costs.
    - Free text box
- (If applicable) What was the sum total of these additional financial costs to you?
- On a scale from 0 to 10, how satisfied were you with the registration process that you were required to undertake?
    - 10 = extremely satisfied
    - 5 = neither satisfied nor dissatisfied
    - 0 = completely dissatisfied
- Please add any further comments in the box below.
    - Free text box

For GMC full registration, GMC provisional registration, PSNI Pharmacists, PSNI Trainees, GPhC Pharmacists and GOC Students, different ‘prompt’ text was used prior to the ‘how much time’ questions. The different prompts are listed below.

- GMC provisional registration:
  The following questions relate to the time and money that you spent when complying with the provisional registration process set by the GMC (i.e. compliance costs).

Please think back to when you went through the process of provisional registration and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).

- GMC full registration:
  The following questions relate to the time and money that you spent when complying with the full registration process set by the GMC (i.e. compliance costs associated with full registration).
  Please note that the questions relate only to the full registration process - therefore please do not include any compliance costs associated with the provisional registration process that you would have undertaken previously. Also, please do not include any compliance costs associated with any subsequent registrations such as specialty or GP registration.
  Please think back to when you went through the process of full registration and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).
- GPhC Pharmacist registration:
  The following questions relate to the time and money that you spent when complying with the registration process set by your regulator (i.e. compliance costs).
  Please note that the questions relate only to the pharmacist registration application itself. Therefore, please do not include any compliance costs associated with the pre-registration training year or the registration assessment. Please also do not include any compliance costs associated with any subsequent registration such as specialty registration or the recording of additional qualifications.
  Please also note that the focus of this survey is to gather data regarding compliance costs associated with new pharmacist registrations; please do not complete the survey (just close it now) if you were formerly an RPSGB registrant and transferred to the GPhC.
  Please think back to when you went through the process of pharmacist registration and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).
- PSNI Pharmacist Registration:
  The following questions relate to the time and money that you spent when complying with the pharmacist registration process set by your regulator (i.e. compliance costs).
  Please note that the questions relate only to the pharmacist registration application itself. Therefore, please do not include any compliance costs associated with trainee registration, the pre-registration training year or the registration assessment. Please also do not include any compliance costs associated with any subsequent registration such as specialty registration or the recording of additional qualifications.
  Please think back to when you went through the process of pharmacist registration and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).
- PSNI Trainee Registration:

The following questions relate to the time and money that you spent when complying with the pharmacist trainee registration process set by your regulator (i.e. compliance costs).
Please note that the questions relate only to the pharmacist trainee registration application itself. Therefore, please do not include any compliance costs associated with the pre-registration training year or the registration assessment.
Please think back to when you went through the process of trainee registration and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).

- GOC Student:
  The following questions relate to the time and money that you spent when complying with the student registration process set by your regulator (i.e. compliance costs).
  Please think back to when you went through the process of student registration with your regulator and answer the following questions as accurately as you recall. When asked about the amount of time spent, please provide the time that you spent actively pursuing the goal, rather than the time that elapsed (unless otherwise specified).

Annex 7. Pre-registration education and training providers' compliance costs

This annex describes the survey and methodology used to estimate pre-registration education and training providers' compliance costs.

Annex 7.1. Overview of survey of education and training providers' compliance costs

The health professional regulators impose compliance costs on pre-registration education and training providers as part of their:

- initial programme approval;
- on-going monitoring of approved programmes;
- programme re-approval;
- approving major changes to programmes; and
- quality assurance processes.

Table A7A (overleaf) sets out further details regarding these quality assurance processes and an indication of where processes differ for specific regulators.

Annex 7.1.1. Aim of survey

CHSEO developed a paper-based survey of education providers with the aim of:

- investigating potential variation across regulators in the compliance costs that they impose on pre-registration education and training providers; and
- estimating an annual total monetised compliance cost imposed on pre-registration education and training providers.

More specifically, the aim of the survey was to obtain an estimate of the compliance cost imposed by each regulator on an education provider (for a typical course) for each of the four quality assurance processes listed above. For example, on average, regulator X imposes Y person hours of compliance activity on an education provider for programme re-approval (of a typical course).

It is important to note that, for the purpose of this survey it is necessary to assume that the 'institution-effect' is constant – i.e. that the time it takes an institution to comply with a regulator's requirements is solely driven by the requirement imposed and not by the efficiency (or otherwise) with which the institution responds. In practice this might not be the case, however, our approach of targeting a small number of education and training providers that offer a wide range of courses quality assured by a wide range of regulators (described below) means that variation in the 'institution-effect' is somewhat reduced.

Annex 7.1.2. Marketing of the survey

In order to obtain survey responses relating to a range of courses assured by a range of regulators in an efficient and timely manner, education and training providers that are most 'highly quality-assured' – i.e. those institutions that provide a number of courses that are quality assured by a range of health professionals' regulators – were primarily targeted.

*Table A7A: Overview of regulators' four pre-registration education and training quality assurance activities**

Quality assurance activity	**Frequency of activity**	**Nature of activity**	**Notable exceptions/ deviations**
Initial programme approval	**Occurs once** when a new programme is introduced	Some regulators adopt a **cohort approach** visiting each year to follow the first cohort of students through the course Some regulators adopt a **single visit approach** (HPC, NMC, GDC (dental care professionals), GOsC and GCC)	The GMC, GDC (dentists), GPhC and GOC adopt the cohort approach. The HPC, NMC, GDC (dental care professionals), GOsC and GCC adopt a single visit approach.
Ongoing monitoring of approved programmes	Monitoring is usually undertaken at **yearly intervals** (when programme re-approval is not scheduled)	The majority of regulators adopt a purely **paper-based approach.** Should annual monitoring throw up significant concerns, regulators may opt to revisit.	The **NMC** (through their QA suppliers) carry out *visits* to the majority of institutions as part of their annual programme monitoring process. However, around a significant proportion of their education and training providers have 'earned autonomy' status which exempts them from a visit – allowing the NMC to focus on those institutions that have not been awarded 'earned autonomy' status.
Programme re-approval	Approximately every **5 years**	Institutional **visits** form the foundation of programme re-approval.	The **HPC**'s initial programme approval is usually 'open-ended' subject to satisfactory monitoring (annual programme monitoring and major change monitoring) – i.e. the HPC does not appear to have a programme re-approval process as such as it uses an on-going monitoring process.
Approving major changes to programmes	**Ad hoc** – occurs when a major changes to a programme requires more intensive scrutiny	Occurs where a major change to a programme requires more intensive scrutiny and **includes a visit**.	N/a

* information adapted from CHRE paper 'The quality assurance regimes applied by the health professions regulatory bodies on higher education institutions', February 2009, http://www.chre.org.uk/_img/pics/library/pdf_1286379852.pdf

It was acknowledged at the outset of the survey, that it may be difficult to obtain a high number of estimates within the survey's timescales. However, this is the first time that such a survey has been conducted and the aim was to attempt to obtain at least one estimate of the compliance cost imposed by each regulator (for a typical course) for the key compliance activities.

Annex 7.2. Analysis of survey responses

The survey contained a set of questions relating to each of the four compliance processes (initial programme approval, on-going monitoring, programme re-approval and major change approval). The survey format allowed targeted institutions to provide estimates (where feasible) relating to any of these four processes for any (typical) course regulated by one of the nine regulators for any recent compliance activity.

The survey asked institutions to estimate person hours (split by administrative, academic, clinical and 'other' staff types) spent complying with regulators' requirements against the relevant compliance process – using either data recorded by the institution, via recollections of those staff involved in the process or a combination of these methods.

Annex 7.2.1. Numbers of complete responses by regulator and compliance activity

Responses from three institutions covering a range of courses, regulators and compliance activities were received. Table A7B below shows that almost full coverage across two of the compliance activities – on-going monitoring and programme re-approval – was achieved. However, it was not possible to achieve coverage for the other two compliance activities – initial programme approval and major change approval.

Table A7B: Number of responses by regulator and compliance activity

	Compliance Activity			
Regulator	Initial programme approval	On-going monitoring	Programme re-approval	Approval of major change
NMC	0	1	2	1
GMC	0	1	1	0
HPC	1	3	0	0
GDC (Dentists)*	0	1	1	0
GDC (DCPs)*	0	1	0	0
GPhC	0	1	1	0
GOC	0	1	1	0
GOsC	1	1	1	0
GCC	0	1	1	0
PSNI	0	0	0	0

*Estimates relating to dentistry and dental care professionals have been separated out – whilst assured by the same regulator, compliance costs are likely to differ for these two groups of professions.

Annex 7.2.2. Details of courses for which estimates were submitted

Table A7C below provides some high-level details relating to the courses for which compliance cost estimates were submitted (without revealing the specific course or institution). The table demonstrates that the courses surveyed were typical and that the compliance activity, for which estimates were provided, was generally carried out relatively recently. However, for programme re-approval, in some instances, the compliance activity was carried out four or five years ago. This is to be expected since, for most regulators/ courses, programme re-approval occurs every five years.

Table A7C: Details of courses for which compliance cost estimates were submitted

	Compliance Activity			
	Initial programme approval	On-going monitoring	Programme re-approval	Approval of major change
NMC	None	BNurs (2011)	BMid (2008) BSc Nursing (2011)	BSc Nursing (2011)
GMC	None	Medicine (2012)	Medicine (2012)	None
HPC	BSc 2012	BSc (2010/11) Aggregate estimate provided by one instution providing an average across 10 HPC approved courses (course types included BSc, MSc, MA and Pg Dip)	None	None
GDC (Dentists)	None	BDS (2011)	BDS (2007)	None
GDC (DCPs)	None	BSc Oral Health Science (2011)	None	None
GPhC	None	MPharm (2012)	MPharm (2010)	None
GOC	None	BSc (2011/12)	BSc (2007/8)	None
GOsC	MOst 2009/10	MOst 2011/12	BSc 2009/10	None
GCC	None	MChiro 2010	MChiro 2007	None
PSNI	None	None	None	None

Annex 7.2.3. Compliance costs: time spent complying

Table A7D below presents the compliance costs estimates (person hours – totalled across each of the staff types) per course by regulator and compliance activity. In the few cases where there is more than one estimate per regulator per compliance activity, the mean value is presented.

The majority of the estimates supplied were formed via recollections of those staff involved in the process or via a combination of recollections and some recorded data – indicating that this information tends not to be routinely recorded by institutions.

Table A7D: Compliance cost estimates, per course, by regulator and compliance activity (person hours)

	Compliance Activity			
Regulator	Initial programme approval	On-going monitoring	Programme re-approval	Approval of major change
NMC		177	503	718
GMC		432	456	
HPC	120	49		
GDC (Dentists)		15	546	
GDC (DCPs)		12		
GPhC		5	529	
GOC		39	191	
GOsC	365	32	365	
GCC		21	90	
PSNI				

Annex 7.2.4. Caveats relating to Table A7D

The following notes were provided by the institutions that submitted compliance cost estimates presented in Table A7D and should be kept in mind when interpreting the estimates:

On-going monitoring

Course assured by the NMC: "It is difficult to estimate clinical staff time as this activity is often lead by a few individuals but numerous others in the clinical environment participate in the preparation and visit" (Clinical staff time makes up 30 person hours of the 177 person hour estimate).
Course assured by the HPC: "We attempt to incorporate compliance [with the regulator] on an on-going basis so that work towards successful annual monitoring is on an on-going basis and [the estimate] is possibly an under-estimate." (This quote relates to one of the three estimates that form the 49 person hour mean estimate presented in Table A7D.)
Course assured by the GOsC: "Collecting of information [is] aided by [our] internal quality [assurance] processes for which the same data is generated".
Course assured by the GCC: "The annual monitoring requirements have changed recently due to legislative changes requesting data that the University does not as yet collect". A conflict of interest is noted for this estimate – the head of department that provided this estimate is also an appointed member of the GCC.

Programme re-approval

Course assured by the GPhC: "This [estimate] is based upon the re-accreditation process in 2010 carried out by the RPSGB. The process changed in 2011 when the GPhC took over responsibility for accreditation."
Course assured by the GCC: A conflict of interest is noted for this estimate – the head of department that provided this estimate is also an appointed member of the GCC.

Annex 7.2.5. Interpretation of time spent complying by regulator

Annex 7.2.5.1. On-going monitoring

Bearing in mind the small samples and the caveats listed above, the estimates in Table A7D indicate that compliance costs associated with on-going monitoring appear to vary considerably. The estimate for the GMC is considerably higher than those for the other regulators. The estimate for the NMC is also significantly higher – however, it must be noted that, as described in Table A7A, it is understood that the NMC includes institutional visits as part of their on-going monitoring process, whereas, generally speaking, other regulators do not. The GPhC's estimate appears to be notably low. However, it must be reiterated that each of these estimates are based upon just one submitted estimate. The remaining regulators appear to have compliance costs associated with on-going monitoring of around 12-49 person hours per course.

Annex 7.2.5.2. Programme re-approval

Table A7D indicates that compliance costs associated with programme re-approval appear to be relatively consistent across regulators at around 400 to 500 person hours per course. However, again bearing in mind the small sample sizes and the caveats listed above, the GOC and GCC appear to be notable exceptions with lower compliance costs estimates. There is no estimate for the HPC since, as described in Table A7A it is understood that the HPC adopt a different approach with an 'open-ended' initial programme approval process subject to satisfactory on-going monitoring. The HPC therefore does not appear to have a programme re-approval process as such.

Annex 7.2.5.3. Initial programme approval and major change approval

Only two estimates were provided for initial programme approval and one estimate for major change approval. There is, therefore, not enough data to comment on variation across regulators for these compliance activities.

Annex 7.3. Estimation of annual total monetised cost of compliance

An estimate of the annual total monetised cost of compliance imposed upon pre-registration education and training providers can be calculated using the following estimates:

- Average person hours spent complying with regulators' quality assurance processes, per course, by compliance activity and regulator (i.e. Table A7D above).
- Average hourly wages for those individuals carrying out the compliance activity (use of hourly wages are argued to represent the opportunity cost[35] of individuals' time) (Table A7E below)
- Typical number of courses subjected to each of the compliance activities each year (Table A7F below)

Table A7E (below) presents estimates of hourly wages for individuals carrying out compliance activities.

[35] If individuals within education and training institutions were not complying with regulators' quality assurance processes they would be carrying out their usual tasks; wages are assumed to reflect the value of these usual tasks.

Table A7E: Estimates of hourly wages for individuals carrying out compliance activities

	Regulator	Estimate of hourly wage
Administrative staff	n/a	£11
Academic staff	n/a	£22
Clinical staff	GCC	£20.56
	GDC	£33.55
	GOC	£18.76
	GOsC	£20.56
	HPC	£22.29
	NMC	£21.46
	GPhC	£21.05
	PSNI	£22.80
	GMC	£44.98
Other staff	n/a	£22

The hourly wage estimates for clinical staff represent the average pay for the profession(s) regulated by the relevant regulator. These wages are the same as those used for the registrants' survey. Details of the data sources used to derive these estimates can be found in Table A6S, Annex 6.4.1. These estimates assume that an average member of clinical staff within an education and training institute earns the same wage as an average member of the relevant profession.

The hourly wage estimates for administrative and academic staff are obtained from the Annual Survey of Hours and Earnings (Office for National Statistics, 2011)[36].

Table A7F (below) presents estimates of the typical number of pre-registration education and training courses that might be subject to on-going monitoring and programme re-approval each year.

[36] See http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-235202

Table A7F: Estimates of typical number of pre-registration education and training courses that might be subject to on-going monitoring and programme re-approval each year

Regulator	Estimate of total number of pre-registration education and training courses	**On-going monitoring** Estimate of the number of pre-registration education and training courses subjected to on-going monitoring each year*	**Programme re-approval** Estimate of the number of pre-registration education and training courses subjected to programme re-approval each year^
NMC	286	286	57
GMC	32	32	6
HPC	471	471	94
GDC	88	88	18
GPhC	49	49	10
GOC	33	33	7
GOsC	20	20	4
GCC	5	5	1
PSNI	2	2	0
Total	986	986	197

* assumes that each pre-registration education and training course is subjected to on-going monitoring each year

^ assumes that a fifth of all pre-registration education and training courses are subject to programme re-approval each year (i.e. on the assumption that, generally speaking, programme re-approval occurs approximately once every five years for the majority of courses/ regulators).

These estimates have been derived using the estimates of the total number of pre-registration education and training course assured by each regulator (gathered through the supplementary data template, Annex 5.2.2). It has then been assumed that each of these courses are subject to on-going monitoring each year and a fifth of the courses are subject to programme re-approval each year (on the assumption that, generally speaking, programme re-approval occurs approximately once every five years for the majority of courses/ regulators).

Table A7G below presents monetised compliance cost estimates, per course, by compliance activity and regulator. Each estimate has been calculated by applying an appropriate hourly wage (Table A7E) to the associated person hours spent complying (for each staff type). As with Table A7D, in the few cases where there is more than one estimate, the mean value is presented.

Table A7G: Monetised compliance cost estimates, per course, by regulator and compliance activity (£s)

	Compliance Activity			
Regulator	Initial programme approval	On-going monitoring	Programme re-approval	Approval of major change
NMC		£2,778	£10,202	£13,825
GMC		£5,720	£6,072	
HPC	£2,426	£792		
GDC (Dentists)		£343	£6,006	
GDC (DCPs)		£229		
GPhC		£55	£8,280	
GOC		£671	£3,290	
GOsC	£7,056	£657	£7,056	
GCC		£326	£1,673	
PSNI				

Table A7H (below) presents *annual* monetised compliance cost estimates, per course, by compliance activity and regulator. Each estimate has been calculated by applying an estimate of the number of pre-registration education and training courses that might be subject to on-going monitoring and programme re-approval each year to the monetised estimates presented in Table A7G.

Table A7H: annual monetised compliance cost estimates by regulator and compliance activity (£s)

	Compliance Activity			
Regulator	Initial programme approval	On-going monitoring	Programme re-approval	Approval of major change
NMC	Insufficient data to produce estimate	£794,415	£583,553	Insufficient data to produce estimate
GMC		£183,040	£38,861	
HPC		£373,032	£0	
GDC (Dentists)		£8,237	£28,829	
GDC (DCPs)		£14,680	£0	
GPhC		£2,695	£81,142	
GOC		£22,143	£21,712	
GOsC		£13,142	£28,225	
GCC		£1,628	£1,673	
PSNI		£110	£3,312	
Total		£1,413,122	£787,306	

Bearing in mind the small sample sizes and caveats described in this annex, Table A7H indicates that the annual total monetised compliance cost imposed on pre-registration education and training providers might be around £1.4m and £0.8m per year for on-going monitoring and programme re-approval respectively.

There is not enough data to estimate a total monetised compliance cost for initial programme approval and approval of major change. However, it could be assumed that initial programme approval and approval of major change, together, impose a compliance cost of a similar order to that of programme re-approval (both these activities are likely to occur less frequently than programme re-approval). This would imply an annual total monetised compliance cost across all of the four compliance activities of around £3m (on-going monitoring: £1.4m, programme re-approval: £0.8m and initial programme approval and major change approval together: £0.8m)

Annex 7.4. Education survey contents

The full survey document is presented overleaf.

[Annex 7.4: Copy of Education Survey contents]

Health Professional Regulators' Assurance of Education Providers:
Survey of Education Providers' Costs of Compliance

The Council for Healthcare Regulatory Excellence (CHRE, the body that oversees the UK's nine health professional regulatory bodies) is conducting a cost-efficiency and effectiveness review of the health professional regulators. As part of this work CHRE are conducting a survey (organised by the Centre for Health Service Economics and Organisation, CHSEO) to understand how much time education providers spend complying with health professional regulators' quality assurance processes.

We would therefore like to hear about the time that your institution / department spends complying with your relevant health professional regulators' quality assurance of your educational programme(s) (i.e. your compliance costs) via this short survey.

Health professional regulators' quality assurance processes vary by regulator but can generally be classed as:

- Annual programme monitoring
- Programme re-approval (often occurs every 3-5 years)
- Approval of major change to a programme
- Initial programme approval

Your institution / department may have complied with some of these regulatory activities more recently (e.g. complying with a regulator's annual programme monitoring process) with some compliance activities having occurred a number of years ago (e.g. complying with a regulator's initial approval or re-approval process). However, we would like to hear from you regarding your institution / department's compliance costs associated with as many of these processes as possible – whether via data recorded by your department or via recollections of those staff involved in the processes.

If you are able to provide estimates of your institution / department's compliance costs, for particular academic programmes, associated with:

- Annual programme monitoring – **then please complete 'Section A'**
- Programme re-approval – **then please complete 'Section B'**
- Approval of major change to a programme – **then please complete 'Section C'**
- Initial programme approval – **then please complete 'Section D'**

Please complete as many sections as possible.

To do so, click the grey boxes and then type into them. Use your mouse to select from lists and set checkboxes. When finished, save this file on your computer.

Please then email the completed file to: jenny.ball@nuffield.ox.ac.uk by **21st March 2012**

Data collected via the survey will be reported on at an aggregate level and will not be attributed to specific education providers. If you have any questions regarding the survey, please contact Jenny Ball at the Centre for Health Service Economics and Organisation (CHSEO) on: jenny.ball@nuffield.ox.ac.uk or 020 7972 1447.

Section A: Annual Programme Monitoring

A1. Please complete the following initial details:

Academic institution:	(e.g. University of xx)
Course:	(e.g. BSc xx)
Year:	(i.e. the year that the annual monitoring being reported on took place)
Please choose the relevant health professional regulator from the drop-down list: (Click to select)	

A2. Please estimate the total 'person hours' [37] spent collecting information or preparing documents required for the 'annual programme monitoring' process:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

A3. Please estimate the total 'person hours' spent completing 'annual programme monitoring' forms:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

[37] A person hour is defined as one hour worked by one person. For example, if 2 people both worked on an activity for 3 hours each this would equate to 6 person hours.

A4. Were there any other compliance activities associated with the 'annual programme monitoring' process not covered above?

Please specify activity:

Please estimate the total 'person hours' spent complying with the above activity:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

A5. Have the above estimates been provided using:

	Checkbox
Data recorded by your department	☐
Information recalled by staff involved in the process	☐
A combination of the above	☐

A6. Do you have any further comments regarding this estimate?

Response:

A7. Do you have any other data or information, that does not fit into this template, that you would be willing to share with us that would be useful in estimating compliance costs? If so please provide details below:

Response:

Section B: Programme Re-approval

B1. Please complete the following initial details:

Academic institution:	(e.g. University of xx)
Course:	(e.g. BSc xx)
Year:	(i.e. the year when programme re-approval process took place)
Please choose the relevant health professional regulator from the drop-down list: (Click to select)	

B2. Please estimate the total 'person hours' [38] spent planning and gathering information in preparation for the 'programme re-approval' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

B3. Please estimate the total 'person hours' taken up during the 'programme re-approval' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below (e.g. students, prospective employers, patients):	

[38] A person hour is defined as one hour worked by one person. For example, if 2 people both worked on an activity for 3 hours each this would equate to 6 person hours.

B4. Please estimate the total 'person hours' taken up by compliance activities following the 'programme re-approval' visit (e.g. providing follow-up information or feedback to the regulator):

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

B5. Were there any other compliance activities associated with the 'programme re-approval' process not covered above?

Please specify activity:

Please estimate total 'person hours' spent complying with the above activity:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

B6. Have the above estimates been provided using:

	Checkbox
Data recorded by your department	☐
Information recalled by staff involved in the process	☐
A combination of the above	☐

B7. Do you have any further comments regarding this estimate?

Response:

B8. Do you have any other data or information (that does not fit into this template) that you would be willing to share with us that would be useful in estimating compliance costs? If so please provide details below:

Response:

Section C: Approval of Major Change to a Programme

C1. Please complete the following initial details:

Academic institution:	(e.g. University of xx)
Course:	(e.g. BSc xx)
Year:	(i.e. the year when assurance of major change process took place)
Please choose the relevant health professional regulator from the drop-down list: (Click to select)	

C2. Please estimate the total 'person hours' [39] spent planning and gathering information in preparation for the 'approval of major change' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

C3. Please estimate the total 'person hours' taken up during the 'approval of major change' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below (e.g. students, prospective employers, patients):	

[39] A person hour is defined as one hour worked by one person. For example, if 2 people both worked on an activity for 3 hours each this would equate to 6 person hours.

C4. Please estimate the total 'person hours' taken up in any compliance activities following the 'approval of major change' visit (e.g. providing any follow-up information to the regulator, providing feedback to the regulator):

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

C5. Were there any other compliance activities associated with the 'approval of major change' visit not covered above?

Please specify activity:

Please estimate total 'person hours' spent complying with the above activity:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

C6. Have the above estimates been provided using:

	Checkbox
Data recorded by your department	☐
Information recalled by staff involved in the process	☐
A combination of the above	☐

C7. Do you have any further comments regarding this estimate?

Response:

C8. Do you have any other data or information (that does not fit into this template) that you would be willing to share with us that would be useful in estimating compliance costs? If so please provide details below:

Response:

Section D: Initial Programme Approval

D1. Please complete the following basic details:

Academic institution:	(e.g. University of xx)
Course:	(e.g. BSc xx)
Year:	(i.e. year of initial programme approval process; if the 'initial programme approval' process was conducted over a number of years please provide an estimate associated with just one year/ one visit and specify the year of the visit)
Please choose the relevant health professional regulator from the drop-down list: (Click to select)	

Was the 'initial programme approval' process conducted over a:

	Checkbox
Single visit	☐
Many visits over a number of years (cohort approach)	☐

D2. Please indicate the total 'person hours' [40] spent <u>planning</u> and <u>gathering information</u> in preparation for the 'new programme approval' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

D3. Please indicate the total 'person hours' taken up <u>during</u> the 'new programme approval' visit:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below (e.g. students, prospective employers, patients):	

[40] A person hour is defined as one hour worked by one person. For example, if 2 people both worked on an activity for 3 hours each this would equate to 6 person hours.

D4. Please indicate the total 'person hours' taken up in any compliance activities <u>following</u> the 'new programme approval' visit (e.g. providing any follow-up information to the regulator, providing feedback to the regulator):

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

D5. Were there any other compliance activities associated with the 'new programme approval' process not covered above?

Please specify activity:

Please indicate total 'person hours' spent complying with the above activity:

	Number of person hours
Administrative staff	
Academic staff	
Clinical staff	
Other individuals, please specify in the grey boxes below:	

D6. Have the above estimates been provided using:

	Checkbox
Data recorded by your department	☐
Information recalled by staff involved in the process	☐
A combination of the above	☐

D7. Do you have any further comments regarding this estimate?

Response:

D8. Do you have any other data or information (that does not fit into this template) that you would be willing to share with us that would be useful in estimating compliance costs? If so please provide details below:

Response:

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