
Interim Budget 2021-2022

Executive Summary

In line with the Council standing orders and best practice each year an annual budget is presented to the Council, usually in March, which sets out the organisation's financial budget for the next financial year together with a three-year medium-term financial plan based on estimates of income and expenditure.

The Council has delegated scrutiny of the budgets and financial plans to its new Performance and Resources Committee (PRC).

Following PRC scrutiny earlier in February and March, it is proposed that the Council agree an interim budget for 2021-22, to enable further time to develop a full 2021-22 budget which supports the Corporate Plan and ongoing financial sustainability. The papers sets out the reasons for this approach, as well as the process that will be followed should the Council agree.

Previous consideration	Considered by the People & Resources Committee on 1 February and 9 March.
Decision	The Council is asked to agree to approve an interim three month budget to the end of June 2021 at a specially convened meeting to take place before the end of March 2021.
Next steps	If agreed, the date and time of the meeting will be determined, and papers circulated before that meeting. It may not be possible to give the full one week's advance despatch of papers but a weekend will be incorporated in the papers despatch date.
Strategic aim	While the budget is relevant to all strategic aims, as it articulates the funding of all aims, aim 5 'build a resilient, healthy, capable and sustainable organisation' is particularly relevant to the issue of ensuring financial sustainability of expenditure plans.
Financial and resource implications	No direct costs associated with the decision asked for in this paper. Resources are in place to ensure that the further development of the budget can take place to planned timescales.
Author	Jo Moore, Executive Director of Corporate Services jo.moore@hcpc-uk.org.uk

Interim Budget 2021-22

1. Introduction

- 1.1 This paper sets out the rationale for proposing that Council adopt an interim budget approach for the first quarter of 2021-22.

2. People and Resources Committee budget scrutiny

- 2.1 At its meeting on 9 March 2021, the People and Resources Committee (PRC) considered the draft budget for 2021-22 together with a forecast 3-year financial plan. This paper is available on the Council iPad document system for reference. The forecast showed the budget as presented would lead to a net liabilities position over the next two financial years.
- 2.2 The Committee concluded that, having considered the scenarios set out in the financial plan, both with and without a fee increase (as this has not yet been achieved), there were a number of actions that should be undertaken to improve the HCPC's forecasted financial position and to move it to a more financially sustainable footing.
- 2.3 These actions require the SMT to review the phasing of development work expenditure in 2021-22 to consider whether cost implications could be reduced and/or timelines for implementation be adjusted to improve the overall net liabilities position.
- 2.4 The ambition agreed by the SMT and the Committee is to be able to achieve at least a balanced balance sheet i.e. not to be in a net liabilities position.
- 2.5 The Committee have agreed to recommend to the Council that it adopt a three month interim budget to the end of June 2021 to allow the SMT adequate time to undertake this further work and to identify any further efficiency savings.
- 2.6 It is proposed that this three-month interim budget be based on the financial resources required to deliver BAU and business critical activity, but that no new projects or programmes commence until the full-year budget for 2021-22 is approved by Council at its July 2021 meeting.
- 2.7 The rationale for the PRC and SMT recommending this approach is summarised below.

3. Rationale for an interim budget approach

- 3.1 **Achievable cost savings** - There has been a positive response from budget holders in identifying potential areas of cost savings in 2021-22. However there has not been adequate time to thoroughly test the desirability and achievability of many of the proposals and more work is needed to be confident that these savings are realistic and will not put the HCPC's regulatory performance at risk.

As Council will recognise, regulatory functions account for much of our expenditure, it is also an area for the most significant savings though efficiencies. However, savings in this area need careful evaluation, given the ongoing challenges to our performance and the need to accelerate improvement while continuing to operate under pandemic restrictions.

The proposed interim budget approach would enable time for the thorough testing of assumptions on cost savings, whilst still having in place a solid financial plan for the first three months of the year while this work is completed. Funding for the FtP improvement work is agreed, and the interim budget approach will not impact this investment.

- 3.2 **Realising the fee increase** - At this stage in the parliamentary approval process there may still be challenges delaying or preventing the fee rise. Therefore, it is not possible for the Executive to commit to a budget that is dependent on a fee increase from 1 July 2021, until the process is more advanced. This advancement and certainty will be achieved ahead of a proposed full year budget at the July meeting of Council.
- 3.3 **Phasing of the Corporate Plan** - We have developed an ambitious Corporate Plan for 2021-22 with a number of priorities essential to ensure that HCPC is a high-performing regulator underpinned by strong data, collaboration and compassion. The Executive are confident that it will be possible to deliver the commitments within the proposed Plan. However, more work is needed on the phasing of this work to ensure that the HCPC has no resource 'pinch points' and that expenditure and cashflow over the full year is understood and appropriate.
- 3.4 **Finance team resource pressures** - There have been resource pressures within the Finance Team as a result of the post launch issues with the finance and registration systems interface and the need to quickly respond to errors in direct debit collection, this had meant we are not as far progressed with budget interrogation as we would like to be. Additionally, there has been a period of extended leave for a key member of the team. An interim resource has been put in place to ensure the planned further interrogation of the budget is achievable with no additional delays.
- 3.5 **SMT oversight** - The Executive Director of Corporate Services joined the HCPC midway through February and has not had the time to fully interrogate the budget and longer-term financial plan with her team due, as mentioned above, to the ongoing issues of direct debit errors. Her intention is to develop a Medium Term-Financial Strategy underpinned by a robust efficiency agenda to be submitted for approval by Council in the new Financial Year. This

Strategy will set out the HCPC's plans to ensure continued financial sustainability.

4. Risk

- 4.1 The Council have agreed a measured risk appetite for financial and value for money risks. As noted in the risk appetite statement, we are funded through registrant fees and we have a responsibility to ensure we invest cautiously to minimise loss while maximising benefit. The statement is clear that it is essential that the HCPC remain a going concern to ensure ongoing public protection through regulatory operation. Enabling more time for the Executive to thoroughly examine and risk assess opportunities for savings contributes to the Council's assurance on ongoing concern and value for money.
- 4.2 The risk appetite for regulatory quality is also relevant here, as many of the savings requiring further examination relate to our regulatory functions. We have agreed that our focus needs to be on long term and lasting quality in our regulatory delivery. Taking a short term view on cost savings will not ensure long term lasting quality, and so robust examination is needed as to the potential impacts of cost savings on quality.

5. Recommendation

- 5.1 For the reasons set out above, the Council is asked to agree to consider a three month interim budget at a specially convened meeting before the end of March 2021. The full budget will be further developed and presented to the Council at its July 2021 meeting.