

People and Resources Committee

Meeting Date	12 June 2025
Title	Financial Strategy
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<p>Executive Summary</p> <p>Overview</p> <p>The financial strategy sets out how the HCPC will achieve financial sustainability, deliver value for money, and maintain financial controls. It supports the delivery of the HCPC’s corporate strategy and ensures that financial planning, management and controls are robust and aligned with our regulatory responsibilities.</p> <p>Purpose</p> <p>The purpose of the financial strategy is to set out how the HCPC will manage finances to support delivery of the corporate strategy and ensure we remain a financially sustainable, high-performing and innovative regulator. It also defines the framework and principles that underpin financial planning, management and controls over the medium to long term.</p> <p>Key Sections</p> <p>1. Financial sustainability</p> <p>The HCPC’s financial sustainability is underpinned by short and long-term financial planning, scenario modelling, and alignment with strategic priorities.</p> <ul style="list-style-type: none"> • Strategic financial planning: Emphasising the importance of maintaining balanced budgets, a rolling five-year financial plan and bi-annual fee reviews. • Budget process: Describes how the HCPC prepares, reviews and agrees its budget in line with its financial regulations to support delivery of a balanced budget. • Management accounts and reporting process: Sets out how financial performance is monitored through monthly management accounts and quarterly reforecasts. 	

- Reserves policy: Ensures the maintenance of an appropriate level of reserves to mitigate financial risks with a strategic aim of maintaining positive realisable net assets.
- Investment strategy: Provides guiding principles for ensuring that any investments made by the HCPC are appropriately managed. It specifies that only investments in Sterling cash deposits with financial institutions that are appropriately regulated are permitted.
- Pension plan: Recognises the long-term funding position of the defined benefit pension scheme in order to provide financial security for its staff.

2. Value for money

Delivering value for money is a key objective of the strategy, ensuring resources are used efficiently, and investments are targeted and well-governed.

- Strategic investment and business cases: Ensures that business cases are developed for all significant investments and provide a robust rationale for investment decisions.
- Procurement practices: Embeds procurement approaches that comply with public sector procurement standards with the aim to ensure compliance, competition and value for money.
- Efficiency and continuous improvement: Supports continuous improvement and identifies opportunities to reduce cost and improve outcomes.
- Sourcing route and delivery models: Considers the most appropriate sourcing and delivery models by evaluating the technical complexity of the service, market maturity and potential for economies of scale.
- Collaboration and partnerships: Encourages collaboration with other departments and fellow regulators to share knowledge and drive efficiencies.

3. Financial controls

Strong financial controls are essential to managing public funds effectively and ensuring confidence in the HCPC's financial stewardship.

- Governance framework: Sets out the internal governance arrangements for financial decision-making, approvals and accountability.
- Income controls: Ensures robust processes are in place to maintain stable cash flows and reduces financial risk.
- Expenditure controls: Controls are designed to manage risk while also enabling the organisation to deliver its services effectively by following due process and protecting public funds.
- Transparency and integrity: Promotes openness and ethical conduct in financial management and reporting.

4. Additional information contained in the financial strategy

- Fee strategy: Moves from infrequent, needs-based increases to scheduled reviews every two years, with regular, incremental changes and public consultation.
- Business cases: Transitions from a less formalised investment framework to business cases aligned with HM Treasury's Green Book.
- Procurement regulation: updates from older EU-based rules (2006) to compliance with PCR 2015 and the Procurement Act 2023, reflecting the current UK regulatory framework.

Conclusion and recommendations

The Committee is asked to recommend the financial strategy to the Council for approval.

Action required	The Committee is asked to consider and recommend the financial strategy to the Council for approval.
Previous consideration	The financial strategy was reviewed by the Executive Leadership Team (ELT) on 3 June 2025.
Next steps	Following recommendation from the Committee, the updated financial strategy will be submitted to the Council for approval and subsequently communicated across the organisation and uploaded to the intranet.
Financial and resource implications	Ensuring the financial strategy is adhered to by the organisation, in line with our corporate strategy and adopting the key areas: financial sustainability, value for money and financial controls.
Associated strategic priority/priorities	Build a resilient, healthy, capable and sustainable organisation
Associated strategic risk(s)	5.a The resources we require to achieve our strategy are not in place or are not sustainable
Risk appetite	Financial - measured
Communication and engagement	The finance team was involved in updating the financial strategy.
Equality, diversity and inclusion (EDI) impact and Welsh language standards	The equality impacts were considered when updating the financial strategy.

Other impact assessments	Not applicable
Reason for consideration in the private session of the meeting (if applicable)	Not applicable

FINANCIAL STRATEGY

Status of document:	Draft
Version:	1.0
Approved by:	People and Resources Committee (TBC)
Date of approval:	12 June 2025 (TBC)
Effective from:	1 July 2025 (TBC)
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Next policy review date:	May 2028

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1. Executive Summary

Financial Sustainability

The HCPC's financial strategy aligns with our corporate strategy and is designed to ensure we maintain our financial sustainability over the long-term, in support of delivering our strategic goals centred on patient safety. HCPC benefits from a relatively secure income stream from registrant fees, but is subject to a range of potential financial risks and liabilities that need to be actively managed, including through regular fee reviews.

Value for Money

The HCPC has a duty to use registrants' fees effectively and efficiently. We use our financial resources to fund our core regulatory responsibilities and invest in service improvements. We are committed to transparency in demonstrating how we are delivering value with registrants' and applicants' fees.

Financial Controls

HCPC is committed to maintaining strong financial control, planning and reporting. This includes maintaining financial projections as guardrails for our corporate strategy, to ensure affordability and value over the long term; annual budgeting; regular reforecasting and variance analysis; and active management of financial risks and opportunities. These processes help ensure that operational performance is regularly compared against expectations, enabling prompt and informed financial decision-making. The approach is based on close collaboration between budget holders and the finance function, with strong governance to maintain oversight and accountability.

2. Financial Sustainability

2.1. Strategic Financial Planning

The HCPC adheres to a number of core budgeting principles to ensure financial sustainability. One of the key rules is that recurrent core expenditure must not exceed recurrent income. This is designed to protect the organisation's financial health by ensuring that regular operational costs can be covered without relying on reserves or non-recurrent income. Additionally, the total budget, which includes both core and project expenditure, must balance to avoid deficits and maintain fiscal discipline. A rolling five-year financial plan is maintained and updated annually. This forward-looking approach ensures that strategic decisions are made with a clear understanding of their financial implications over the medium to long-term and aligns resources with corporate strategy.

The HCPC's fee setting is governed by legislation and any change to the level of registrant fees must go through a public consultation¹ and be approved by the Privy Council. The HCPC plans to review registrant and applicant fees every two years. This approach allows for regular, incremental adjustments that take account of affordability for registrants while maintaining our ability to deliver our statutory functions effectively.

2.2. Budget Process

The budget process is detailed in our Financial Regulations². The budget process involves multi-year planning with a strong emphasis on the first year, aligning closely with the annual business planning and budgeting cycle. Annual budgets outline total income, operational and capital expenditures, departmental allocations, the annual registration fee, and their impact on reserves. Once approved, budget holders are responsible for managing their allocated funds effectively, operating within a tolerance of plus or minus 5%. However, exceptions apply to demand-led regulatory functions, such as Fitness to Practise hearing costs, which may exceed budget constraints when necessary to fulfil regulatory responsibilities.

Budgets are generally fixed, but any necessary revisions are addressed through forecasting rather than altering the original budget. The Executive Leadership Team (ELT) has the authority to reallocate funds between budget lines, but any changes that exceed the total approved budget or involve core business or capital expenditures require Council approval. If a budget holder anticipates overspending, they must seek approval from the ELT. Upon approval, the revised amounts are reflected in updated forecasts, ensuring transparency and oversight throughout the budget cycle.

2.3. Management Accounts and Reporting Process

Monthly management accounts are prepared across all activities, comparing actual costs to budgets and forecasts by department and spend category, with forecasts updated monthly for major changes and detailed reforecasts conducted quarterly. Summarised accounts, including explanations for significant variances, are presented to the People and Resources Committee and the Council, which may request further reports. Budget holders are responsible for reviewing these accounts, understanding the reasons behind variances, and explaining them when required.

¹ Consultation on HCPC Fees: [consultation-on-hcpc-fees-2024---consultation-document.pdf](#)

² Financial Regulations Policy: [Financial Regulations - Policy.docx](#)

They must also manage financial risks in line with the Council's risk management policy and framework.

2.4. Reserves Policy

The HCPC maintains a reserves policy³ that underpins its commitment to financial sustainability and demonstrates good financial stewardship. The policy is based on realisable net assets, which excludes intangible assets. This ensures that the reserves figure reflects the actual resources available to the organisation should they be required.

The strategic aim of the policy is to maintain positive realisable net assets, with an aspiration to build and maintain free reserves at a level equivalent to three months' of operating expenditure. Reserves help to smooth the impact of one-off costs, manage financial shocks and provide flexibility to respond to opportunities or risks. Reserves are not intended to be used to fund routine operations or to fund structural deficits. This approach is consistent with HM Treasury guidance and supports the HCPC's long-term resilience and public accountability.

2.5. Investment Strategy

The HCPC's investment policy⁴ is designed to be prudent and aligned with its low appetite for financial risk. As such, investment activity is restricted to sterling bank deposits with financial institutions that are appropriately regulated. No more than 67% of total cash may be held with a single bank, reducing counterparty risk⁵ and ensuring diversification.

The organisation aims to achieve a positive real return over the medium term, meaning that the value of its investments should grow at a rate higher than inflation. This helps to preserve the value of the organisation's funds in real terms and contributes to long-term financial stability, even within the constraints of a low-risk investment environment.

³ Reserves Policy: <https://www.hcpc-uk.org/globalassets/meetings-attachments3/council-meeting/2024/2-march/item-05-reserves-policy.pdf>

⁴ Investment Policy: https://hcpcuk.sharepoint.com/:w:/r/sites/Documents/_layouts/15/Doc.aspx?sourcedoc=%7BE7D25751-1745-4F2A-A68B-424011B85237%7D&file=HCPC%20-%20Investment%20Policy.docx&action=default&mobileredirect=true&DefaultItemOpen=1&wdLOR=c92DF7E7B-3BE7-4B6E-926F-F54F8FCB5421

⁵ In the context of the HCPC, counterparty risk often refers to the risk that a bank or financial institution where money is invested could fail and the HCPC might lose some or all of its money.

2.6. Pension Plan

The HCPC provides a defined contribution pension scheme for its employees. Contributions are made by both the employer and employees and the scheme is designed to provide long-term financial security for staff. In addition to pension savings, the plan includes life insurance and disability benefits, as well as provisions for early retirement in certain circumstances.

The scheme is overseen by our pension provider's client relationship management team alongside our independent specialist pension consultancy company⁶ and is subject to regular audits to ensure that it complies with relevant legislation and regulatory standards. This governance structure helps to ensure transparency, accountability and the delivery of benefits in line with expectations.

3. Value for Money

3.1. Strategic Investments and Business Cases

Major projects and strategic investments are supported by business cases that are proportionate to the scale and scope of the expenditure. These business cases follow the principles of HM Treasury's Green Book⁷ and provide a robust rationale for investment decisions. Even in cases where the primary benefit of a project is not financial, for example, where the goal is to improve regulatory effectiveness or public protection, the business case must still demonstrate comparative value. This ensures that all resources are used efficiently and that opportunities to deliver better outcomes are pursued in a structured, evidence-based way.

3.2. Procurement Practices

The HCPC's procurement policies⁸ are aligned with both the Public Contracts Regulations⁹ (contracts signed prior 24 February 2025) and The Procurement Act 2023¹⁰, with the aim to ensure compliance, competition and value for money. All

⁶ Our current pension provider is Aviva and our pension consultants are Barnett Waddingham

⁷ HM Treasury's Green Book: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

⁸ HCPC Procurement Policy:

<https://hpcuk.sharepoint.com/sites/Documents/Documenthub/Forms/AllItems.aspx?id=%2Fsites%2FDocuments%2FDocumenthub%2FFinance%2FProcurement%20Policy%2Epdf&parent=%2Fsites%2FDocuments%2FDocumenthub%2FFinance>

⁹ Public Contracts Regulations 2015: <https://www.gov.uk/guidance/public-sector-procurement-policy#public-contracts-regulations-2015>

¹⁰ The Procurement Act 2023: <https://www.gov.uk/government/collections/procurement-act-2023-guidance-documents>

purchases exceeding £10,000 are subject to competition, while contracts over £100,000 must be tendered in line with public procurement rules.

Procurement decisions are not based solely on cost; they also consider whether the goods or services meet the organisation's needs, whether suppliers act ethically and whether staff are treated fairly. This approach reflects the HCPC's values and its commitment to social responsibility in the use of public funds.

3.3. Efficiency and Continuous Improvement

Efficiency is embedded into the HCPC's planning, budgeting and reporting processes. The organisation regularly reviews its operations to identify opportunities to reduce costs or improve outcomes. These measures may include cost-cutting initiatives, process improvements or adjustments to the scope or scale of services provided. The goal is to maximise the impact of available resources and ensure that every pound spent contributes meaningfully to our statutory objectives.

3.4. Sourcing Route and Delivery Models

The HCPC assesses its delivery models to ensure that they remain fit for purpose. When considering the most appropriate sourcing route, the organisation evaluates a number of factors, including the technical complexity of the service, market maturity, potential for economies of scale, variability of demand and the need for independence or sensitivity in delivery. Each sourcing route decision is subject to ongoing review to ensure that it continues to deliver value and meets the needs of the HCPC and its stakeholders.

3.5. Collaboration and Partnerships

Internally, the Finance and Commercial department works closely with budget holders to ensure that financial decisions are informed by operational knowledge and aligned with strategic goals. This collaborative approach is based on mutual trust, professional integrity and a shared commitment to public protection.

Externally, the HCPC engages in long-term partnerships with suppliers and collaborates with other public bodies where appropriate. This may include joint procurement exercises, shared services or collective approaches to supplier engagement. These collaborations help to reduce costs, improve service quality and promote best practice across the sector.

4. Financial Controls

4.1. Governance Framework

Financial governance at the HCPC is underpinned by a clear framework of roles and responsibilities. The Council and its subcommittees are responsible for approving the corporate and financial strategies, approving annual budgets, overseeing the internal control framework and signing off the annual report and accounts.

The Chief Executive, who also serves as the Registrar, is the organisation's Accounting Officer and is accountable to Parliament through the Privy Council. This status reflects the HCPC's position as a public body and ensures a high standard of financial oversight and accountability. The HCPC is also subject to oversight from the Department of Health and Social Care (DHSC) and should be mindful of the principles set out in HM Treasury's 'Managing Public Money'¹¹ guidance.

4.2. Income Controls

The HCPC's income control framework is designed to provide stability and predictability. The organisation operates a prepaid registration model, which means that registrants pay fees in advance. This ensures a stable cash flow and reduces financial risk. At the same time, the HCPC recognises the importance of supporting registrants who are experiencing financial difficulty. Flexible payment arrangements and other forms of support are available to those in need, helping to maintain access to the register and uphold professional standards.

4.3. Expenditure Controls

Expenditure controls at the HCPC are based on a proportionate and risk-based approach. Controls are designed to manage risk while also enabling the organisation to deliver its services effectively. The aim is to strike the right balance between control and agility, ensuring that staff have the authority they need to act while also protecting public funds. Overly burdensome controls can damage morale and hinder performance, so the HCPC seeks to create a framework that supports both accountability and innovation.

¹¹ HM Treasury's Managing Public Money: <https://www.gov.uk/government/publications/managing-public-money>

4.4. Transparency and Integrity

The HCPC is committed to transparency and integrity in all aspects of its financial management. It is also firmly committed to ethical conduct in preventing bribery, corruption, fraud and related misconduct, as laid out in our Anti-Bribery and Fraud Policy.¹² Key information, including expenditure data, executive remuneration, financial reports and performance against key performance indicators (KPIs), is published regularly. The organisation's financial conduct is guided by the Nolan principles of public life¹³ and the HCPC's own Code of Conduct¹⁴. These standards promote honesty, openness and accountability, helping to build public trust and confidence in the HCPC's financial stewardship.

¹² Anti-Bribery and Fraud Policy: [15.-anti-bribery-and-fraud-policy-13-march-2024.pdf](#)

¹³ Nolan principles of public life: <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

¹⁴ HCPC Code of Conduct: <https://www.hcpc-uk.org/globalassets/about-us/who-we-are/council-and-committees/council/code-of-conduct-for-council-members.pdf>