Council

23 March 2023

Budget 2023-24

Executive Summary

The presented budget for 2023-24 has been recommended for Council approval by the People and Resources Committee (PRC).

The budget sets out HCPC's draft 2023-24 budget and investment programme. The budget has been built on the basis of principles adopted by ELT and shared with Council in December 2022, requiring us to achieve a balanced position on the basis of prudent and realistic assumptions.

Finance and the Business Change Team have engaged actively with Heads of Department and budget holders to ensure that the budget is based on assumptions that are understood and owned by the organisation as a whole. The budget delivers a small operating surplus and a prioritised programme of investments aligned with the corporate plan also being considered by Council. There are some significant risks to manage over the year, as well as some upside opportunities.

The budget incorporates the Remuneration Committee's recommendation to Council on the annual pay award.

There is one change to the detailed figures considered by PRC. As noted in the minutes of the PRC meeting, the FTP legal costs figure was subject to further review to reflect a revised mix of cases between legal providers. Following that review the FTP budget has been increased by £100k resulting from slightly higher legal costs to enable greater assurance on the speed and quality of case throughput. The costs can be accommodated from within the corporate contingency and there is no change to the bottom-line position agreed by PRC. There is an associated risk of further FTP legal costs arising during the year that will be actively managed.

Decision	Council is asked to: • agree the draft 2023-24 budget as recommended by PRC, updated with the revised FTP legal costs figure; • agree the annual pay award incorporated in the budget, as recommended by the Remuneration Committee; • give approval for the Executive to progress with the contract tenders expected in 2023-24 listed in the private appendix; and

- note the risks and opportunities and associated mitigations that may affect the budget position over the course of the year.

Next steps	Individual departmental budgets will be delegated to individual budget holders.
Strategic priority	Delivery of priorities in all six priority areas within HCPC's strategy are enabled by the budget.
Financial and resource implications	As set out in the paper.
EDI impact	The Remuneration Committee received an equalities impact assessment of the pay award and other pay changes. The budget incorporates funding for further progress on EDI.
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Budget 2023-24

1. Background

1.1 HCPC went into the 2023-24 budgeting round with an underlying income and expenditure deficit of £0.7-0.9m, equivalent to 2-3% of operating expenditure. The underlying deficit arises from the need to sustain operational performance, invest in improvements and absorb non-pay inflationary pressures, set against the legacy of underfunding that we are addressing through the fees consultation.

1.2 As a result we have been obliged to run operating deficits for the past five years. This deficit position has led to our reserves declining steadily to a level below what is prudentially sustainable (see Appendix A).

1.3 Stronger financial management and efficiencies achieved over 2022-23, as well as additional international income, have improved the position. However if the current high levels of international applications and some FTP caseload slippage are stripped out we still have the underlying £1m deficit. There are also significant externally-driven risks beyond the underlying deficit that may require us to draw on reserves to meet legal and other liabilities. There are also some upside opportunities.

1.4 Our reserves are well below the level set by our reserves policy and it would not therefore be prudent to build a budget around the current high volume of international applications or to assume extra fee income at this stage. As a result we have had to prioritise and find efficiencies and other savings to address the £1m deficit.

2. Principles

2.1 In light of these challenges ELT agreed the following principles to underpin the 2023-24 budgeting process, which were shared with Council at its sustainability seminar in November 2022:

- Set a balanced budget, matching expenditure to income;
- No headcount growth unless funded by specific additional funding.
- Set budgets that take realistic account of BAU and the risk of unplanned pressures crystallising.
- Establish a rigorously prioritised list of essential further improvements with a clear payback in financial and performance terms, that are deliverable within our resource and funding base.
- Ensure that the projected costs of new activities capture the full cost of change including on IT, estates and recruitment.
- No non-essential use of temporary staff or overtime.

- Enable progress towards rebuilding our depleted reserves, for example by allocating any international income above budget levels to that objective.

3. Summary of draft budget

3.1 PRC has agreed a draft budget and investment plan developed in accordance with these principles. The budgeting process has been rigorous and tough. Finance have engaged with budget holders to ensure that BAU and other must-do costs are captured as well as to review and challenge on the scope for efficiencies and other savings.

Table 1: Summary of 2023-24 budget

	FY22-23 Forecast	FY23-24 Budget
	£'000	£'000
Total Income	**36,424**	**34,517**
Pay Costs	(15,459)	(15,056)
Non-Pay Costs	(19,674)	(18,882)
Operating Surplus/(Deficit)	**1,291**	**579**
Contingency Fund	(425)	(200)
HEE Associated Costs	(272)	-
Payroll costs adjustment	-	(77)
Transformation Costs	(147)	(179)
Total Surplus/(Deficit)	**447**	**123**
Capital Expenditure - Major Projects	(310)	(475)
Capital Expenditure - Non-Project Related	(70)	(100)
Overall Impact	**67**	**(452)**

3.2 The draft budget is based on prudent assumptions, to minimise the risk of running down our reserves further by making over-optimistic assumptions on income and costs. We have not assumed any additional income from a fee rise in 2023-24.[1] UK applications and renewals are assumed to be broadly flat year-on-year, taking account of the professions renewing in 2023-24 under the two-year renewals cycle. International income is based on an assumption of 8000 applications, which is close to the 2022-23 budgeted figure. If international applications continue at their current higher level (over 13,000 projected in 2022-23) the additional net income would be retained in reserves to cover potential legal liabilities from the NMC partners employment status case and the risk of costs arising from regulatory reform (see section below on risks).

3.3 The budget factors in benefits from the existing investment programme since the launch of the Corporate Strategy in 2021, including estates savings and

[1] The third graph in Appendix A provides a projection of the impact on HCPC's reserves on the basis of the 2023-24 budget and a 20% fee increase implemented from January 2024.

productivity gains in the Registration team. We have prioritised the proposed further investments in 2023-24 in accordance with projected benefits. Our overall cost efficiency improves by 3% in real terms.

3.4 We have factored in realistic assumptions on unavoidable costs and FTP caseload volumes, including numbers of new referrals and cases moving through the process and being closed or referred on at each stage (see section on FTP budget below for more detail).

3.5 Pay costs include the 4.5% annual pay award recommended by Remcom, plus the cost of reforming our pay banding structure, to help us recruit and retain talent and motivate our people, while remaining affordable.

3.6 We have had to be tough in setting priorities. We would like to do more, for example by making faster progress on data, but have had to prioritise rigorously in view of our income and reserves position. On top of BAU we can fund a prioritised programme to improve further our systems and performance. Most further improvements will be dependent on securing a fee increase.

3.7 The draft budget shows a modest operating surplus of £123k but an overall negative position of £452k, after taking account of capital funding for the priority investment projects.[2]

3.8 We continue to face a number of significant unbudgeted risks that would be calls on the modest contingency incorporated in the budget and may require further prioritisation if they crystallise. As noted, there are also some upside opportunities.

3.9 Budgeted FTE headcount would be 328 (see Table 4 below), compared to the forecast outturn for 2022-23 of 339, with the reduction the result of realising productivity gains and an assumption of international applications returning to lower steady state levels. Increases in some areas compared to the original 2022-23 budget relate to capacity to process additional international applications and to resourcing for approved initiatives within the corporate strategy, funded from within existing budgets.

4. Income

4.1 Total budgeted income is £34.5m, which assumes:

- 326,183 registrants (FY2022-23: 312,365 as of December 2022)
- 8,000 international applicants (FY2022 budget 8,000; projected outturn 13,682).
- Grant funding from DHSC of £152k for maintenance of the temporary register, which has been extended for a further two years. No other grant funding is assumed.

[2] Operational expenditure comprises the pay and non-pay running costs of our day-to-day operations, funded by registrant income. Capital expenditure on investments is funding for longer-term changes that are projected to yield future benefits; in accounting terms these up-front capital costs do not count as operational expenditure, but are accounted for over the lifetime of the projects concerned through depreciation charges.

Table 2: Income

	FY22-23 Forecast	FY23-24 Final Budget
	£'000	£'000
Registration Income	28,322	29,691
International Applications	7,350	4,317
Other Income	207	357
Grant Income	546	152
Total Income	**36,424**	**34,517**

5. Non-pay

5.1 Realistic provision has been made for non-pay inflation, with significant non-discretionary increases in IT and Facilities, reflecting inflationary pressures on utilities and US-dollar denominated licences and other IT costs.

5.2 The FTP legal budget increases slightly from £5.9m in 2022-23to £6.2m for 2023-24 as part of the new approach to managing caseloads, which enables efficiencies later in the process. Full-year costs of our legal providers, Blake Morgan and Capsticks, are recognised for 2023-24, partially offset by reduced costs as a result of additional frontloading of cases and lower case-to-answer rates compared to 2022-23 assumptions. See also paragraph 24 below.

5.3 The budget also incorporates an increase in the PSA levy from £785k to £825k, following a PSA consultation last year.

6. Pay

6.1 The budget assumes a 4.5% pay increase for all staff, at a cost of £571k including on-costs, which Remcom has agreed to recommend to Council. This would be in line with other regulators and wider market conditions. The pay award is on top of the £50k costs of reforming our pay banding structure, approved by Remcom in October 2022 and then Council, also factored into the budget, which will see around 50 people have their salaries uplifted to the new band minima.

6.2 The payroll budget also incorporates a 5% vacancy factor: i.e. it allows for the likelihood of recruitment taking longer than assumed in individual departmental plans. This assumption is based on our analysis of the data from 2022-23, when the equivalent figure has also been 5%. We will recruit as quickly as possible to critical posts and keep payroll affordability under review during the year, but we believe this vacancy factor assumption is realistic and should avoid the alternative of a recruitment freeze being implemented during the year.

6.3 We are making significant reductions in the use of overtime, so that it is no longer treated as part of our core resourcing but is confined to genuinely exceptional workload requirements. The overtime budget in Registrations is reducing from £100k in 2022-23 to £30k, and is now confined to providing an in-house surge capacity to help us process international applications. Managers in Registrations are closely involved in the rollout of the new approach, to mitigate any risks from the change taking effect compared to staff member's previous experience.

6.4 Agency staff currently stand at 14 FTEs with the majority sitting within Fitness to Practise (9 FTEs), followed by Registration (4 FTEs) and Finance (1 FTE). The majority of agency roles are assumed to be phased out before mid-year, which represents a significant reduction in comparison to 2022-23, where we had 32 agency staff as at December 2022.

7. Functional budgets and headcount

7.1 Departmental budgets provide sufficient funding for us to meet our regulatory responsibilities and continue to improve performance against PSA and service standards.

Table 3: Departmental budgets

	FY22-23 Forecast	FY23-24 Budget	Variance	
Department	**£'000**	**£'000**	**£'000**	**Notes**
Fitness to Practise	(15,270)	(15,364)	(94)	Additional payroll and legal costs largely offset by efficiencies from frontloading cases
Registration	(5,588)	(4,070)	1,518	Associated costs of international applications reduced compared to forecast outturn for FY2022-23, reflecting assumed international applications volume in 2023-24.
Information Technology	(3,201)	(3,407)	(206)	Additional licence fees and maintenance & support costs
Facilities Management	(1,523)	(2,025)	(502)	Increase in cost of utilities
Chief Executive	(1,412)	(974)	438	5% vacancy factor partially offset by additional role of Interim Deputy CEO new CEO in place from Q3 and PSA levy increase
Human Resources	(1,128)	(1,173)	(45)	Mostly recruitment fees
Finance	(1,242)	(1,161)	81	Decreases bank charges due to lower budgeted no. of international applications
Depreciation	(999)	(932)	67	Number of fixed assets reaching the end of their life cycle
Business Change	(977)	(889)	88	Reduced operational spend against Major Projects as a result of ELT reprioritisation exercise and review
Communications	(713)	(744)	(31)	Full costs of all staff conference (costs previously split with HR)
Governance	(697)	(693)	4	-
Policy & Standards	(639)	(634)	5	-
Education	(657)	(617)	40	Headcount reduction of 1 post
Professionalism & Upstream Regulation	(335)	(377)	(42)	Higher travel & subsistence costs
Partners	(264)	(291)	(27)	Partners' training costs
Insight & Analytics	(187)	(262)	(75)	Budget assumes 2 vacant post to be filled
Council & Chair	(301)	(325)	(24)	Increase in council meeting costs as budget assumes full attendance by members.
Operating Expenditure	**(35,133)**	**(33,938)**	**1,195**	

7.2 The FTP budget is based on recent trends for the main cost drivers, including a 2% increase in complaints and a 36% case to answer rate at Investigating Committee Panel stage. The case to answer rate is lower than was assumed in the 2022/23 budget (although in line with recent actual trends) as a result of changes made through the FTP improvement programme: in particular the introduction of legally qualified ICP Chairs and frontloaded investigations. These changes mean that more cases are closed at the ICP stage, and fewer cases are instructed to an external legal provider for preparation and presentation at a final hearing. This therefore realises efficiencies in the costs of final hearings. The FTP budget factors in the new operating model that will provide the capacity to undertake frontloaded investigations in-house, and realistic assumptions about how we will transition into this new model.

7.3 Registrations: the budget provides sufficient capacity to meet PSA and customer service standards. The year-on-year reduction in projected costs is in part due to the 2023-24 budget assuming a lower level of international applications than in 2022-23 (as set out above), resulting in lower associated costs as well as income. However the budget also factors in underlying productivity gains and, as noted above, less reliance on overtime.

7.4 Other departmental budgets incorporate a realistic view of unavoidable BAU costs and other commitments, for example IT licences. There are also savings and efficiencies to offset these pressures. Total departmental budgets are 5% lower in real terms than forecast outturn in 2022-23, after allowing for the higher costs in 2022-23of processing additional international applications.

Table 4: Staff numbers (full time equivalents)

Department	FY22-23 Budget	FY22-23 Forecast	Movement	FY23-24 Budget	Movement on FY22-23 Forecast	Notes
Business Change	13	12	(1)	11	(1)	
Chief Executive	7	7	0	9	2	(a)
Communications	6	6	0	6	0	
Education	12	12	0	11	(1)	
Facilities Management	9	9	0	9	0	
Finance	14	15	1	16	1	(b)
Fitness to Practise	135	141	6	134	(7)	(c)
Governance	11	11	0	11	0	
Human Resources	10	10	0	10	0	
Information Technology	14	16	2	16	0	(d)
Insight & Analytics	2	4	2	5	1	(e)
Partners	2	2	0	2	0	
Policy & Standards	9	9	0	11	2	(e)
Professionalism & Upstream Regulation	6	6	0	6	0	
Registrations	68	79	11	71	(8)	(f)
Total	**318**	**339**	**21**	**328**	**(11)**	

(a) Additional 2 roles for Executive Director of GAP and Office of Chair & Chief Executive.
(b) Additional temp staff resource recruited for project work on strengthening financial controls for Partners, NMC legal case, and external audit support.
(c) Mainly related to fixed term contractors in the form of apprentices whose contracts are ending in 2022-23.

(d) *Increase in Information Technology for 2022-23 relates to additional two first line support resources, funded from within existing budgets by releasing a more expensive senior role.*
(e) *Increases in Insight & Analytics and Policy & Standards for 2023-24 are for recruitment to vacancies already within agreed headcount establishment not filled in 2022-23.*
(f) *Additional 11 HEE funded resources related to the surge work for international applications for 2022-23have been extended only up to June 2023 for 2023-24 as volume of international applications are budgeted to reduce from 2022-23levels.*

8. Efficiency

8.1 The budget incorporates cashable efficiency assumptions and other savings enabled by our improvement programme, including:

- Registrations productivity: release of posts that were needed last year to recover the international backlog, enabled by the online registration system implemented in 2022 and planned new operating model: £130k.
- FTP efficiencies from frontloading of FTP cases and reduction in Case to Answer volumes: £350k.
- Reduction in overtime budget: £70k
- Procurement – negotiated cost reductions amounting to over £80k compared to budgeted contract values.
- Payroll in-house – currently estimates starting from £22k of savings resulting from bringing payroll function in-house and, therefore, ending our contract with the external payroll provider to process our payroll at the cost of £1,800 per month.

8.2 We may be able to achieve further efficiencies from estates downsizing, not scored in the budget, subject to concluding the deal recently approved by Council to exit our leased property by the end of this financial year.

8.3 Our overall cost efficiency will improve year-on-year by 3% after taking account of the impact of inflation, as we process broadly constant projected caseloads at lower real terms unit costs. This figure strips out the impact of different volumes of international and domestic applications, and therefore gives a meaningful year-on-year comparison.

9. Major projects and other improvement plans

9.1 We have carried out a thorough corporate planning and prioritisation process which has generated a challenging but feasible programme of investments, summarised below. The investments are aligned with our strategic aims and are divided into three groups, according to the order in which we aim to initiate them within available funding. The investments are summarised at Appendix B.

Group 1

9.2 Group 1 delivers further essential operational changes that will help us meet PSA standards and improve customer experience (Numbers 1,2,3 in Appendix B); further strengthen financial and resource management (4, 5); and meet non-discretionary legislative requirements on Welsh language standards (6).

9.3 The list is shorter than in previous years and represents a realistic assessment of what we can deliver with the funding and capacity we have. As top priorities, these projects would go ahead even if we do not secure a fee increase in 2023-24.

9.4 Total costs of the Group 1 pre-fee increase investments are £560k, comprising £475k capex and £85k opex, with total planned benefits of £615k to be realised over the lifetime of the new processes, technology and ways of working enabled by the investments. The benefits figures are subject to further review and challenge as part of our strengthened change management and benefits realisation governance, with sign-off of project initiation documents for new investments.

9.5 We have been prudent in not over-assuming cashable savings in the 2023-24 budget from these further investments: as would be expected, most of the benefits of the upstream investments will be delivered downstream. Under the current benefits profile around £375k of annual benefits are projected to be realised or coming on stream by April 2024, including on FTP legal costs; reductions in manual processing and improved customer response times in Registrations; and the move to cloud telephony and other reductions in IT maintenance and licensing costs as legacy systems are retired.

Group 2

9.6 We also aim to initiate up to three further improvement workstreams in support of existing corporate plan priorities, subject to developing more precise costings and funding availability. These are:

- Reviewing the operating model for partners to improve resource management and value (7). We have brought some of the costs forward into Q4 of 2022-23.

- Upfront costs of further estates downsizing by subletting or surrendering the lease on 33 Stannary Street. Since PRC's review of the draft budget, Council has approved an offer to the landlord, which he has accepted, which will enable us to recognise the costs in Q4 of 2022-23. (8)

- Developing a sustainability action plan (9): we are progressing work to define metrics and engaging with the NHS and other regulators on embedding sustainability in our regulatory standards. Much of this work can be done within existing budgets and resourcing. Any potential further costs need to be defined further as part of the work currently under way.

9.7 For these Group 2 priorities we will develop fuller business cases once the costs and benefits have been more fully defined. Affordability would be addressed through active management of the in-year position and we will not initiate any of the Group 2 projects without being able to release the necessary funding.

Group 3

9.8 Further improvements can be initiated during the year if we secure a timely fee increase, consistent with the terms of the fees consultation. The planning process has identified two priorities in this category:

- Data (10): Work to develop HCPC's data capability will continue in 2023-24 within business as usual resourcing. The budget will enable the Insight and Analysis (I&A) Team to continue its work on data standards through the continuing secondment of a dedicated data standards officer. This is essential foundational work to ensure our data analysis is reliable and repeatable. From within the proposed budget the team will also undertake further statistical analysis of FTP outcomes as impacted by EDI factors; issue further retention rate analysis; and develop external-facing, profession-specific publications. We will continue to build incrementally our data platform (which currently contains Registration data to meet HEE and EDI requirements), with the next priority being a module for renewals data. Although the proposed budget will enable us to take forward this important work, it will be limited in scope and pace. We can only make further substantial progress at the pace and quality we want with a fee rise. The main additional pieces of work that will be taken forward by the I&A and Technology Teams if we secure a fee rise are:

    - Making further and faster progress on developing the data platform;
    - through that work on the data platform, enable systematic reporting and analysis of our operational data on an efficient, consistent and secure basis, to help drive continued performance improvement;
    - the better integration of data from our other IT systems;
    - development from 2024-25 of external-facing online dashboards that enable users to customise how they view profession-specific data.

- Mapping registrant journeys (11): to analyse and define user journeys and contact points for external stakeholders accessing HCPC channels.

9.9 The corporate planning process took into account the potential requirement for additional resources on regulatory reform. We continue to await clarity from DHSC on the timetable. But if regulatory reform does get under way in earnest, we would expect to continue with all the Group 1 projects, but might need to defer progress on group 2 and 3 (in the latter case even if a fee increase is secured), as well as other corporate plan priorities funded from within BAU budgets. We will continue to work closely with other regulators on common approaches that minimise cost and complexity. However there is likely to be a need for additional resource.

10. Reserves

10.1 On the budgeted assumptions our reserves at the end of the financial year would be £2.4m, with up to a further £2m potentially ring-fenced to cover legal and other liabilities, if we secure additional net income from international scrutiny fees. This would be an improvement on the recent trend discussed above. However reserves would be £6.9m below the level set by our reserves policy.[3]

[3] Our reserves policy is that we should have positive free reserves, defined as net assets (i.e. total reserves) less intangible assets; the projected position in the draft budget would be net assets of £2.4m minus intangibles of £9.2m = reserves shortfall of £6.9m

Table 5: Balance sheet and reserves

	FY22-23 Forecast £'000	FY23-24 Final Budget £'000
Total Fixed Assets	**10,109**	**9,652**
Current Assets		
Other Current Assets	14,027	14,027
Cash & Cash Equivalents	12,899	13,479
Total Current Assets	**26,926**	**27,506**
Total Assets	**37,035**	**37,158**
Current Liabilities		
Current Liabilities	3,822	3,822
Deferred Income	30,838	30,838
Total Current Liabilities	**34,660**	**34,660**
Liabilities > 1 Year	142	142
Total Liabilities	**34,802**	**34,802**
NET ASSETS	**2,233**	**2,356**
General Fund	(1,041)	(1,751)
Rev-Res Land & Building	(483)	(483)
*Operating Surplus	(710)	(123)
GENERAL FUND	**(2,233)**	**(2,356)**

* £710k projected surplus is subject to further review as part of the detailed forecasting exercise taking place for January 2023 reporting. A number of provisions and ring-fenced contingency have been projected to account for the potential surrender of the lease for 33 Stannary Street, Partners (NMC case), Regulatory Reform and unanticipated catch-up of costs for the year-end.

11. Risks

11.1 The budget includes a £200k contingency (just under 1% of operating expenditure). There are significant risks to manage from the contingency and in some cases potentially from reserves:

- Regulatory reform: as noted above, there could be a need for a potentially significant level of additional resource. We are proactively seeking to mitigate this risk through active engagement with other regulators and DHSC, as well as through preparatory work being carried out within BAU resources. (Up to c£600k)

- Partners operating model: the work on developing an improved operating model for partners may give rise to costs, for example to carry out a further phase of the review and implement any changes to systems and processes; we will need to ensure that any changes do not destabilise delivery of regulatory outcomes. (c£150-200k for review costs, process and system improvements.)

- Sustainability: there may be costs beyond what can be afforded from BAU budgets to improve our organisational sustainability, depending on further work on defining metrics and an action plan. (c£150-200k)

- Partners’ employment status - NMC case: HCPC could face significant financial liabilities in relation to the employment status of partners, following a legal case involving NMC. We will provide Council with separate briefing on this issue as the legal position evolves and the potential costs become clearer; as noted above we envisage ring-fencing an element of reserves to cover these potential liabilities, if that becomes possible from additional international income beyond budgeted levels. (Worst case c£1.5m)

- Additional legal costs: further costs relating to Fitness to Practise case transfers and volume of final hearings could be incurred to ensure operational performance targets are maintained as part of PSA requirements. (c£300k)

12. Recommendation

12.1 We recommend that Council:

a) agrees the draft 2023-24 budget as recommended by PRC, updated with the revised FP legal costs figure;

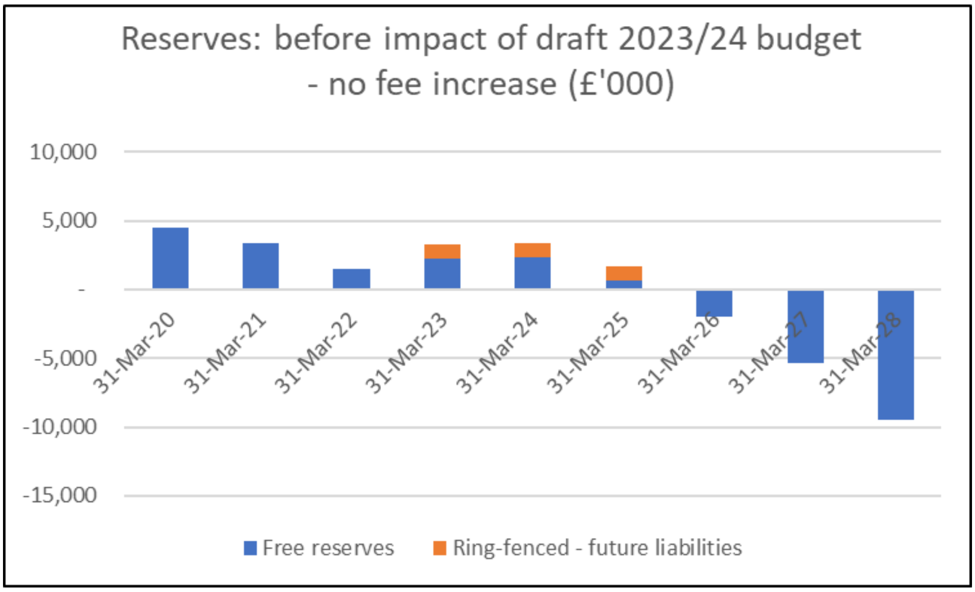
b) agrees the annual pay award incorporated in the budget, as recommended by Remcom;

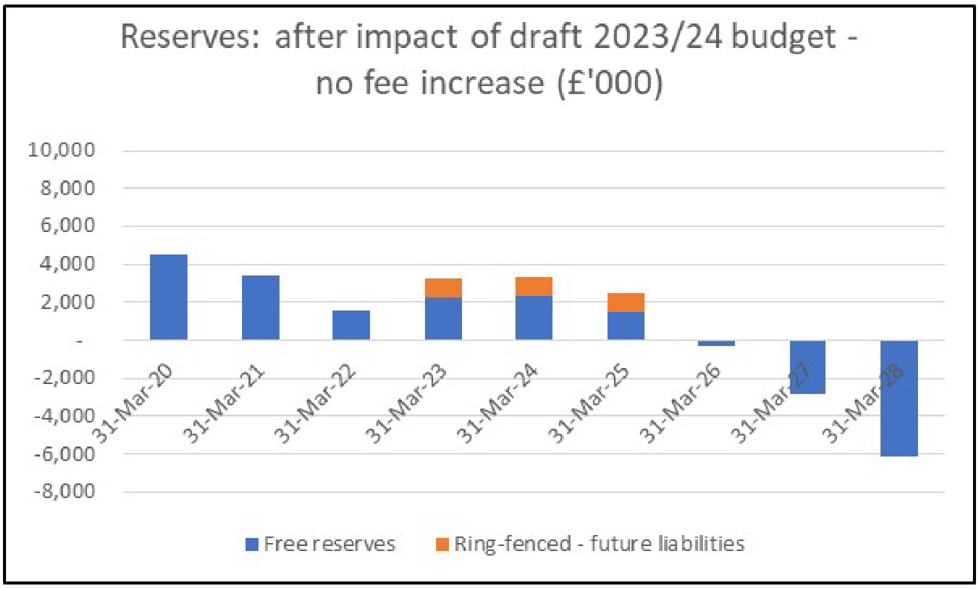
c) gives approval for the executive to progress the contract tenders expected in 2023-24 listed at Appendix C.

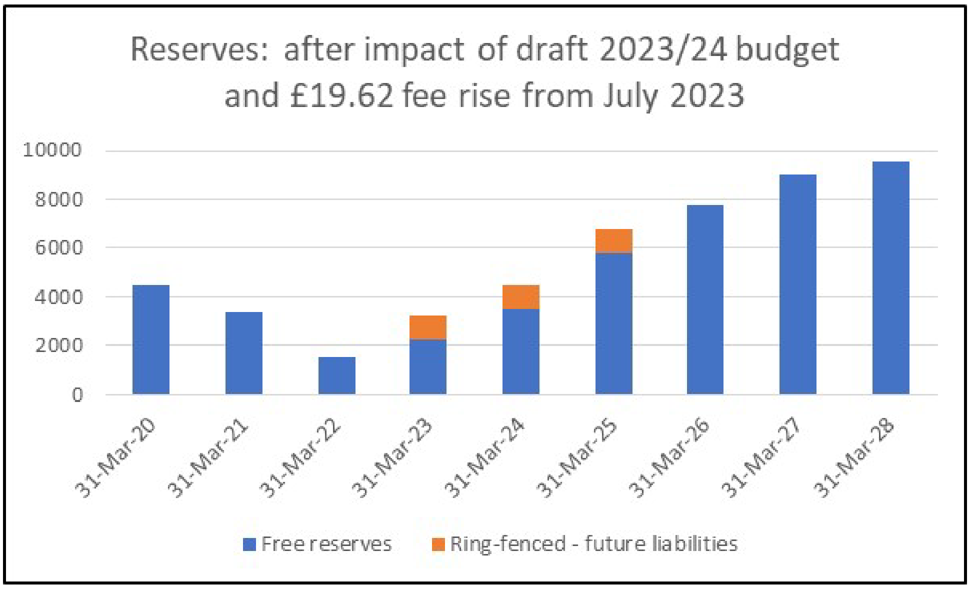
d) notes the risks and opportunities and associated mitigations that may affect the budget position over the course of the year.

12.2 The Executive will actively manage the budgetary position and pursue the scope for further efficiencies, including by bringing some costs forward into Q4 of 2022-23 where possible. We will report regularly to PRC on the in-year position.

Appendix A: Reserves (£'000)







Notes:

HCPC’s reserves policy would require us to hold around £9m reserves over the course of 2023-24.

The draft 2023-24 budget assumes international applications in 2023-24 of 8000, close to level as 2022-23 budget. If applications are higher, other things equal, reserves would increase.

No additional income from a fee increase is assumed in the draft 2023-24 budget. The third graph above shows the projected impact on reserves of a 20% fee increase in addition to the measures in the draft budget.

The yellow-coloured segments represent ring-fenced reserves that could be set aside to meet potential legal and regulatory reform liabilities; this ring-fenced reserve would be funded if possible from additional international income above the level assumed in the draft budget. The numbers and timing are subject to the full-year outturn in 2022-23, consideration of appropriate accounting treatments, and to further management discussions, as well as to emerging outturn over the course of 2023-24.

Appendix B: Investment projects (£'000)

Group 1: essential operational changes and other legislative must-dos, pre-fee increase					
Corporate Plan strategic theme	**Project**	**Capex**	**Opex**	**Total**	**Benefits**
Continuously improve and innovate	1. Operational improvement: FTP system and workflow changes, to enable frontloading efficiencies from in-house investigations.	50		50	286
	2. Operational improvement: Registrations online portal phase 2 improvements	150		150	150
	3. Operational improvement: Registrations online portal – mobile device compatibility				23
Build resilient, healthy, capable & sustainable organisation	4. People strategy: New recruitment portal	25		25	50
	5. Financial management: Business Central finance system implementation	230	10 + 66 backfill	305	107
Promote high quality professional practice	6. Legislative requirement: Welsh language standards	20	10	30	
	Total	**475**	**86**	**560**	**615**

Group 2: pre-fee-increase subject to affordability; costs under development					
Corporate Plan strategic theme	**Project**	**Capex**	**Opex**	**Total**	**Benefits**
Build resilient, healthy, capable & sustainable organisation	7. Estates consolidation: 33 Stannary Street	tbc	tbc	tbc	tbc
	8. Operational improvement and resource management: partners operating model	tbc	tbc	tbc	tbc
	9. Develop sustainability action plan	tbc	tbc	tbc	tbc

Group 3: post-fee increase					
Develop insight and exert influence	10. Data platform and reporting		50 + 125 backfill	175	24
Promote the value of regulation	11. Mapping registrant journeys		40	40	12
	Total		**215**	**215**	**36**

Note: benefits estimates of Group 3 projects to be further developed