

Audit Committee – 21 June 2012

Draft Annual Report and Accounts 2011-12

Executive summary and recommendations

**Introduction**

The draft Annual Report and Accounts for the year ending 31 March 2012 is attached.

**Decision**

The Committee is requested to review and recommend the draft annual report and accounts to Council for approval.

**Background information**

Our auditors, the National Audit Office, have completed their audit and the Annual Report incorporates their feedback.

Mazars LLP have provided advice on taxation.

At the Council meeting in May 2012, the Council agreed that the Audit Committee and the Finance and Resources Committee would be jointly responsible for reviewing the Annual Report and Accounts and for agreeing any amendments.

**Key Financial points**

Total operating income £17,419k (2010-2011, £16,928k)

Total operating expenditure £17,364k (2010-2011, £16,257k)

Operating surplus £97k (2010-2011, £671k)

Impairment of land and buildings £70k (2010-2011, £74k)

Retained deficit for year £63k (2010-2011, surplus £620k)

Net investment income totalled £77k (2010-2011, £108k).

The Statement of Financial Position for the organisation shows net assets of £1,919k (2011 £1,742k) and non-current assets with a net book value of £4,970k (2011 £3,861k). Of this, tangible assets are primarily freehold land and buildings. Asset additions of £1,042k includes the deposit paid for 186 Kennington Park Road.

The freehold land and buildings at year end were re-valued to £2,150k which resulted in the impairment adjustments outlined in Note 8 in the Accounts.

Finally, the draft Annual Report will remain subject to minor editorial amendments such as numerical column alignments and addition of an index with page number references, to be made by the Publications Manager before submission for approval by Council.

**Financial implications**

National Audit Office audit fees of £38,500.

Mazars LLP fees of £3,000.

**Appendices**

Appendix One - HPC Annual Report and accounts 2011-12

**Date of paper**

11 June 2012

1 April 2011 to 31 March 2012

Health Professions Council  
Annual report and accounts 2011–12

## **Contents**

Foreword from the Chair and Chief Executive and Registrar **x**

### **Governance **x****

- Legislative and regulatory background to the Council **x**
- Accounting Officer
- Council objectives **x**
- Committee membership **x**
- Composition of the Council in 2010–11 **x**
- Council attendance **x**
- Council member attendance at committee meetings **x**
- Method of appointment of Council members **x**
- Methods used to assess performance and training of Council members **x**
- Council and Committee member expenses and fees **x**
- Executive Management Team **x**
- Risks and internal control **x**
- Information security **x**

### **Management commentary **x****

- Key operating statistics and commentary **x**
- Financial review **x**
- Risks and key relationships **x**
- Health and safety **x**
- Welsh language scheme **x**
- Corporate, social and environmental responsibility **x**
- Equality and diversity **x**
- Personal-data-related incidents **x**

### **Remuneration report **x****

- Chief Executive and Registrar's remuneration **x**
- Chair and Council members **x**
- Council and Committee member expenses and fees **x**
- Audit information **x**
- Auditor **x**

### **The certificate and report of the Comptroller and Auditor General to the Houses of Parliament **x****

- Respective responsibilities of the Council and its Chief Executive and auditor **x**
- Scope of the audit of the financial statements **x**
- Opinion on regularity **x**
- Opinion on financial statements **x**
- Opinion on other matters **x**
- Matters on which I report exception **x**
- Report **x**

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012 **x**

Other Comprehensive Expenditure for the year ended 31 March 2012 **x**

Statement of financial position as at 31 March 2012 **x**

Statement of cash flow as at 31 March 2012 **x**

Statement of changes in reserves **x**

Notes to the financial statements for the year ended 31 March 2012 **x**

## **Foreword from the Chair and Chief Executive and Registrar**

This year the Health Professions Council celebrated its ten year anniversary. Since the shadow Council was formed in 2002, we have regulated three further professions, the Register has grown by 59 per cent, and we now approve more than 600 education and training programmes throughout the UK.

In February 2012, we revised and republished our strategic intent which outlines our objectives over the next three years and reaffirms our commitment to continuous improvement. Following last year's successful introduction of online renewals, this year we completed our third and final year of project work to introduce an electronic fitness to practise case-management system. The early signs are that the system is helping us to track and manage cases and hearings more efficiently. We have also started work on reviewing the information technology needs of our Education Department to ensure that we will be able to effectively manage the anticipated increase in programmes seeking approval over the coming years. In 2010 the government announced that the General Social Care Council (GSCC) was to be abolished and responsibility for regulating approximately 85,000 social workers in England transferred to the HPC. We have continued to work closely with our colleagues at the GSCC on this and we would like to thank them for their hard work towards ensuring a smooth transfer of their regulatory functions. We have also been working with colleagues in the care councils of the other UK countries to develop arrangements for sharing information and to ensure that social workers who wish to work in different parts of the UK are able to do so without unnecessary barriers. The transfer is expected to take place in August 2012.

The coming year will also see a number of other developments. The Health and Social Care Act will change our name to the Health and Care Professions Council from August 2012. The government has previously proposed that we should become responsible for registering practitioners who dispense unlicensed herbal medicines and we anticipate the publication of a consultation and legislation in the coming year. The Council for Healthcare Regulatory Excellence (CHRE) will also publish the findings of its review looking at the cost effectiveness and efficiency of the regulators. Perhaps most significantly for professional regulation as a whole, the three UK Law Commissions published a joint consultation on wide-ranging proposals to reform the legislation of the regulators.

As we look ahead to new challenges, we must acknowledge those who have played a key role in our achievements to date. We would like to thank our employees, Council members and partners for the role they continue to play in shaping and delivering effective public protection. Their day-to-day commitment to this common purpose is what gives the HPC its reputation as a robust regulator of health and care professionals.

**Anna van der Gaag**  
**Chair**

**Marc Seale**  
**Chief Executive and Registrar**

## **Governance**

### **Legislative and regulatory background to the Council**

The Health Professions Council, a 'body corporate', was set up on 1 April 2002 by the Health Professions Order 2001. The HPC replaced the Council for Professions Supplementary to Medicine. The Council is one of nine UK statutory regulators for healthcare professionals. As of 31 March 2012 the HPC regulated approximately 220,000 individuals. These are known as registrants and are members of the 15 professions regulated by the HPC. The Council is an independent, self-funding organisation. It is regarded as a public body but it is not part of the Department of Health or the NHS. All its operational financial costs are funded by fees from registrants. The fees are set out in the Health Professions Council (Registrations and Fees) Rules 2003 and any fee increase is subject to a consultation and must be approved by the Privy Council.

### **Accounting Officer**

The Chief Executive and Registrar is Marc Seale who is appointed as Accounting Officer by the Privy Council. The Accounting Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives whilst safeguarding the Health Profession Council's assets for which he is responsible.

The Chief Executive and Registrar, as the Accounting Officer, routinely attends Council meetings, Audit Committee meetings and Executive Management Team meetings. He is also the designated senior officer in the whistle-blower policy for employees to approach, if they have concerns regarding malpractice.

### **Council objectives**

The principal objective of the HPC in exercising its functions is set out in the Health Professions Order 2001. The objective is "to safeguard the health and well-being of persons using or needing the services of registrants". The main functions of the Health Professions Council are to establish standards of education and training, conduct and performance for members of the relevant professions and to ensure the maintenance of those standards. The Council ensures that arrangements are in place to enable it to discharge its responsibilities effectively.

The HPC has a Council which provides leadership and oversight for the organisation. The Council operates collectively, concentrating on advising on strategic issues affecting the organisation's performance as well as scrutinising and challenging policies and performance, with a view to the long-term health and success of the organisation.

The Health Professions Council's Code of Corporate Governance incorporates a series of regulatory documents and policies which govern how it operates, takes decisions and the procedures followed to ensure that its actions are fair, efficient, transparent and accountable to its stakeholders. The Council adheres to the

Corporate Governance Code of Good Practice 2011 to the extent that it is practical and appropriate.

In accordance with the governance arrangements set out in the Health Professions Order 2001, the Council has four statutory committees. These are:

- the Conduct and Competence Committee;
- the Education and Training Committee;
- the Health Committee; and
- the Investigating Committee.

The Council has also established four non-statutory committees. These are:

- the Audit Committee;
- the Communications Committee;
- the Finance and Resources Committee (which also meets as the Remuneration Committee); and
- the Fitness to Practise Committee.

### **Committee membership**

The three 'Practice Committees' (the Investigating Committee, the Conduct and Competence Committee and the Health Committee) are composed of registrant and lay 'Partners' who sit on fitness to practise Panels. No Council members sit on these three committees as they are responsible for the fitness to practice decisions of the organisation. The Council has appointed non-Council members to the Education and Training Committee so that it includes one member from each profession regulated by the HPC. These members were appointed in accordance with the principles set out by the Office of the Commissioner for Public Appointments. The four non-statutory committees comprise only Council members.



## Composition of the Council in 2011–12

The members of Council and their attendance at Council and committee meetings are as follows.

### Council attendance

Member	Meetings attended
Anna van der Gaag (Registrant)	7 / 7, Chair
Pradeep Agrawal (Registrant)	5 / 6
Jennifer Beaumont (Registrant)	5 / 6
Mary Clark-Glass (Lay)	6 / 7
Malcolm Cross (Registrant)	4 / 7
John Donaghy (Registrant)	6 / 7
Sheila Drayton (Lay)	5 / 7
Julia Drown (Lay)	7 / 7
John Harper (Lay)	5 / 7
Richard Kennett (Lay)	7 / 7
Jeff Lucas (Lay)	7 / 7
Morag MacKellar (Registrant)	6 / 7
Arun Midha (Lay)	4 / 7
Penny Renwick (Registrant)	7 / 7
Keith Ross (Lay)	6 / 7
Deep Sagar (Lay)	6 / 7
Eileen Thornton (Registrant)	5 / 7
Annie Turner (Registrant)	6 / 7
Joy Tweed (Lay)	7 / 7
Diane Waller (Registrant)	5 / 7
Neil Willis (Registrant)	1 / 1

### Key

X / Y            Indicates the number of meetings attended (X) as a proportion of those which took place in 2011–12 (Y) whilst a member of Council

Chair            Indicates Chair of Council

## Council member attendance at committee meetings

Member	Committee				
	Audit	Communications	Education and Training	Finance and Resources / Remuneration	Fitness to Practise
Pradeep Agrawal	–	–	–	–	2 / 2
Jennifer Beaumont	–	–	–	5 / 5	2 / 2
Mary Clark-Glass	–	–	3 / 4	6 / 7	1 / 1
Malcolm Cross	–	–	–	5 / 7	3 / 3
John Donaghy	–	–	3 / 4	–	2 / 3
Sheila Drayton	–	Chair 3 / 3	–	5 / 7	–
Julia Drown	–	3 / 3	–	7 / 7	3 / 3
John Harper	–	–	3 / 4	5 / 7	–
Richard Kennett	–	–	–	Chair 7 / 7	–
Jeff Lucas	Chair 5 / 5	–	4 / 4	–	–
Morag MacKellar	3 / 5	3 / 3	–	–	2 / 3
Arun Midha	–	3 / 3	4 / 4	7 / 7	–
Penny Renwick	–	–	4 / 4	–	3 / 3
Keith Ross	–	–	–	7 / 7	Chair 3 / 3
Deep Sagar	4 / 5	–	1 / 2	–	0 / 3
Eileen Thornton	–	–	Chair 4 / 4	3 / 7	–
Annie Turner	–	–	3 / 4	–	3 / 3
Joy Tweed	4 / 5	3 / 3	4 / 4	–	–
Diane Waller	–	3 / 3	3 / 4	–	–
Neil Willis	–	–	–	1 / 1	1 / 1

### Key

- X/Y Indicates the number of meetings attended (X) as a proportion of those which took place in 2011–12 (Y) whilst the Council Member was a member of that Committee
- Indicates not a member of that committee
- Chair Indicates Chair of that committee

## **Method of appointment of Council members**

The full membership of the Council is 20 members, 10 registrant members and 10 lay members, including the Chair. The Chair may be either a registrant or a lay member. The registrant and lay members are appointed by the Appointments Commission, acting on behalf of the Privy Council. There must be at least one member (lay or registrant) from each country of the United Kingdom.

## **Methods used to assess performance and training of Council members**

The performance review system for Council members was agreed by the Council in 2006. There are a number of elements to it. Firstly, the individual performance review system provides a mechanism for annual self-appraisal; a mechanism for appraisal of the Chair; and an opportunity for members of Council to discuss their perceptions and experiences of the Health Professions Council with the Chair. The system is competency-based, in common with many systems used for review of board members. Members complete a self-appraisal form and meet with the Chair for discussion and feedback and identification of any training needs. The Chair then presents a paper to Council, outlining general themes and conclusions from the process. In 2011, the Chair's summary covered members' feedback on the review process, training and development needs and feedback on the Executive and the Council's relationship with the Executive. Council members also considered the quality of information provided at Council and Committee meetings to be high, enabling them to make informed, evidence based decisions. In addition to this process, Committee members and Committee chairs are invited to provide 180-degree feedback in addition to the existing appraisal processes. Finally, assessment of the Council's performance is carried out periodically as part of the Council's strategy workshops. This gives Council the opportunity to reflect on collective performance at a strategic level and against the objectives set out in the Council's strategic intent document.

The Council sets standards of education and training for Council and Committee members, not simply to meet its statutory obligations but also in order to ensure, amongst other things, that members are given the opportunity to gain the skills and knowledge necessary to perform their functions effectively. As part of the annual self-appraisal, members are asked to identify any training and development needs. Training is then approached in two ways; firstly, there is training undertaken by Council or Committees as a whole and secondly training undertaken on an individual basis. Examples of training provided over the last year to Council and Committees include Chairs' training, Registration Appeals training, governance, conflicts of interest and decision-making in education programme approval. Individual training has included attendance at a training session on impact assessments, attendance at professional body conferences and a day at HPC to observe fitness to practise hearings and the work of the Executive.

## **Council and Committee member expenses and fees**

An allowance is paid to Council members for attendance at Council meetings or Committee meetings; meetings attended on behalf of the HPC where prior approval has been given and attendance at a conference or event which forms part of the

member development programme, where prior approval has been given and with the maximum allowance being six days per year. Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

### **Executive Management Team**

The Executive Management Team comprises the departmental directors. Its role is to assist the Chief Executive in the day-to-day running of the HPC. It meets weekly and decides on key matters relating to policy, management and resources, subject to the overall direction, reserved powers and control of the Council. Progress is fed back to each Council meeting in the Chief Executive's report.

During 2011–12 the Executive Management Team implemented a new approach to delivering its strategy through programme and project management. This has been applied using the governance procedures set out in Managing Successful Programmes and PRINCE 2.

### **Risks and internal control**

The Council's regular agenda includes scrutinising and advising on risk management. The Council is supported by the Audit Committee and by the Internal and External auditors. The auditors are invited to attend Audit Committee meetings, where key issues are discussed relating to governance, risk management or control across the organisation. The Council vests the responsibility of its risk management process in its Executive Management Team, which is responsible for formulating methods of mitigating identified risks and for formulating a business-continuity plan.

Current risks are identified and evaluated as to their significance and probability of occurrence by the Executive Management Team. All such risks are assigned a risk owner who is responsible for managing and mitigating the risk. Risk management is an on-going process. The Audit Committee reviews the latest Risk Register and the top ten risks at each meeting. The Committee takes into account feedback from the auditors and it provides feedback to the Executive. Risks identified in the Risk Register are considered and referenced in the work plans for each department and highlighted in significant projects. The Committee has reviewed at each meeting the risks associated with the transfer of regulatory functions from the General Social Care Council. The Committee reviewed the project plan, so that it could better understand the relationship between the project risk register and operational work and thus ensure that all details were covered.

Risk mitigation occurs in a variety of ways. For example:

- monitoring regular management information (exception reporting);
- obtaining suitable insurance cover;
- ensuring certain administrative procedures such as regular password changes and the segregation of duties;
- providing employee training;

- monitoring legislative changes for their impact on the Health Professions Council's operations; and
- maintaining a system of accountability.

Activities to mitigate against risk include:

- ensuring consideration of the Council's strategic objectives in reacting to change brought about by UK legislation and other external developments;
- reviewing and updating operating procedures;
- ensuring suitable systems and physical infrastructures are in place;
- ensuring employees are adequately briefed and trained in order to respond to change;
- ensuring that corporate governance best practice, as appropriate to the Council, is maintained and updated to meet changing requirements;
- constructing comprehensive budgeting and forecasting models to produce an annual budget and five-year plan which are reviewed and agreed by the Council;
- ensuring regular reviews by the Council and the Finance and Resources Committee of monthly and annual financial performance against forecasts;
- ensuring on-going audits by the internal and external auditors, and specialist information technology / service security providers;
- obtaining external specialist advice on legislative compliance in a range of areas;
- setting performance targets to measure financial and other performance, including individual goals and objectives for departments and managers;
- clearly defining and monitoring procedures for the authorisation and control of revenue and expenditure;
- operating within the dictates of relevant financial regulations, policies and procedures;
- ensuring clear documentation of operating procedures and processes to maintain ISO accreditation; and
- regular quality audits of the Health Professions Council's processes by the British Standards Institute.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control that has been in place in the Health Professions Council for the year ending 31 March 2012 and up to the date of approval of the annual report and accounts, in accordance with HM Treasury guidance.

Internal controls are created and maintained by the Executive Management Team. The internal controls are routinely reviewed by the Internal Auditors and their suggestions for improvement and the responses of the Executive Management Team are included in the internal audit reports. In 2011–12, internal audit reports on

Corporate Governance, the Purchase Requisition System, Partners, Payroll and Information Security and Data Protection have been considered by the Audit Committee. The minutes of the Audit Committee are routinely provided to the Council. If necessary, internal control issues are escalated by the Audit Committee to the Council. Achievement of the Audit Committee action points is monitored at subsequent Audit Committee meetings and addressed as appropriate, in audit findings reports from the auditors. In addition to regular reports on risk and internal audits, the Audit Committee has, over the last year, considered papers in relation to business process improvement, including ISO accreditation and the follow-up of internal audit recommendations. The Quality Management System successfully passed an audit by the British Standards Institute in October 2011.

As the Accounting Officer, the Chief Executive and Registrar has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation and by comments made by the external auditors in their management letters and other reports. The Accounting Officer has been advised of the implications of the result of his review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During 2011–12 the key risks which we addressed included:

- preparation for opening the Register to social workers in England;
- completion of the fitness to practise case management system;
- potential costs of fitness to practise hearings;
- dependence on a viable power supply;
- the need to communicate via postal services;
- basement flooding;
- judicial review; and
- financial distress of trade suppliers causing loss of service.

### **Information security**

The HPC holds a range of information including personal data. We have an Information Risk Policy (IRP) and related procedures in place. In the year ended 31 March 2012 and to the date of approval of this Annual Report and Accounts no areas of concern were identified.

## Management commentary

### Key operating statistics and commentary

The table below shows the key operating statistics for the five years to 31 March 2012.

	2007–08	2008–09	2009–10 (restated)*	2010–11	2011-12
Total operating income £000s	11,625	13,549	16,088	16,928	17,419
Total operating expenditure £000s	11,578	12,928	16,234	16,257	17,322
Net operating surplus/(deficit) in £000s	47	621	(146)	671	97
Retained surplus/(deficit) in £000s	(976)	(376)	(99)	620	(63)
Working Capital in £000s	3,010	4,214	5,987	7,225	7,373
Total Assets in £000s	10,397	10,637	11,313	13,098	14,199
Capital purchases in £000s	1,539	1,242	1,071	948	1,685
Average number of FTE permanent employees	95	116	127	138	147
Number of registrants	178,393	185,689	205,311	215,095	219,212
Fitness to practise allegations	424	483	772	759	925
Fitness to practise hearings	324	396	567	673	732

\* The 2009–10 accounts are restated as a result of the Hearing Aid Council Register transferring to the HPC on 1 April 2010.

The number of permanent employees at 31 March 2012 was 153 (31 March 2011, 142).

In the five years since 2007 net registrant numbers have risen by 23 per cent. The number of registrants at the end of the financial year is a combination of the opening balance, the number of UK and international registrations added during the year, readmissions to the Register, additions from any new professions regulated, and reduced by the number of registrants who deregister during the year.

Income growth during the past five years has come both from growth in registrant numbers within each profession and from the addition of two new professions to the Register, practitioner psychologists and hearing aid dispensers. The professions which have seen the most growth in terms of registrant numbers are occupational therapists, paramedics, radiographers and speech and language therapists. Income growth during the past five years also came from across-the-board fee rises. Following an extensive consultation process with stakeholders the Council approved a general fee rise which came into effect on 1 April 2009. The renewal fee increased from £72 per year to £76 per year and only takes effect from the date each profession next renews. The previous fee rise occurred in June 2007.

### Financial review

There was a retained deficit after tax of £63K (2010–11, surplus £620K) for the year, which is set out in these financial statements. Income totalled £17,419K (2010–11, £16,928K), an increase of three per cent. Operating expenditure totalled £17,322K (2010–11, £16,257K). This resulted in an operating surplus for 2010–11 of £97K. At 31 March 2012 accounting reserves had increased to £1,919K (2010–11, £1,742K).

Net investment income, including profit or loss on sale of investments, totalled £77K (2010–11, £252K). There were no financial assets held in the current year, as these had all been liquidated in 2010–11.

The Statement of Financial Position shows property, plant and equipment totalling £3,275K (2010–11, £2,427K). This is primarily freehold land and buildings. Asset additions of £1,043K included £1,000K for the deposit on the purchase of a new building. The freehold land and buildings were revalued at the year end to £2,150K which resulted in the impairment being written to the income and expenditure account of £70K (2010–11, £74K). Included in the Statement of Financial Position are intangible assets at cost totalling £1,695K (2010–11, £1,434K) relating to various computer systems. Included within intangible assets are the registration system, fitness to practise case-management system and the finance management system. Intangible asset additions of £642K included £489K relating to the fitness to practise case-management system and £52K relating to the registration system. Cash at bank and on deposit was £8,709K (2010–11, £8,722K). There was deferred income of £10,473K (2010–11, £9,344K) comprising registration and renewal fees received in advance.

Ninety seven per cent by value of purchase invoices were paid within 30 days and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

### **Risks and key relationships**

The Health Professions Council maintains and regularly updates an organisation-wide 'risk register'. The register catalogues the agreed key risks facing the organisation in the short- to medium-term, assigns a risk owner and converts the risk likelihood and significance into a risk score. Please refer also to the risk and internal control section in the Governance section.

Over the next five years, regarding income, there is uncertainty in several areas. These include:

- forecasting the number of new professional groups who may join the Health Professions Council Register, the number of international applicants, the number of readmissions and the rate of deregistration of registrants, including retirements and voluntary de-registrations;
- forecasting the magnitude of future fee changes; and

Over the next five years, regarding spending, there is uncertainty in several areas. These include the following.

- Forecasting the cost impacts (timing and magnitude) of the transfer of the regulatory functions of the General Social Care Council to the HPC and the cost impacts of the Command paper 'Enabling Excellence'.
- Forecasting the increase in the number of fitness to practise allegations and the total cost of fitness to practise hearings.
- Forecasting the cost impacts (timing and magnitude) of capital infrastructure projects, including software enhancements, software upgrades and building works.



The Health Professions Council continues to value its relationships with a wide range of stakeholder groups. These groups include the general public, employers, government, education providers, unions, professional bodies, other regulators and registrants. These key relationships do not affect the Health Profession Council's long-term financial position.

The Health Professions Council has supplier contracts relating to services that are a key part of fulfilling its function as a regulator. These include instructing a legal firm to provide legal services relating to conducting fitness to practise hearings and obtaining on-going legal advice from an external public law advisor. It also includes ensuring IT-system-support contracts and data-back-up procedures are in place.

### **Health and safety**

The total number of employee sick leave days reported in 2011–12 was 819 (2010–11, 843 days). The average number of sick days per full time equivalent employee in 2011–12 was 5.6 days (2010–11, 6.1 days). The Health Professions Council is committed to adhering to the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that employees, partners, Council members, Committee members and external visitors to the Health Professions Council premises continue to enjoy the benefits of a safe working environment. No health and safety incidents were reported during the year.

### **Welsh language scheme**

The HPC's Welsh language scheme received the approval of the Welsh Language Board in September 2011. The scheme sets out the actions HPC will take to make sure that English and Welsh are treated equally when carrying out its public business. The HPC has undertaken several actions set out within the scheme. For example, it has revised and expanded the information available on its website in Welsh.

The HPC is aware that Welsh language schemes will be replaced with revised standards as part of the implementation of the Welsh Language (Wales) Measure 2011. The HPC believes that the work it has done to implement the scheme will help it to meet the new standards and will continue to monitor the situation.

### **Corporate, social and environmental responsibility**

The Council first approved a corporate and social responsibility (CSR) 'statement of intent' in 2007. Since then a cross directorate working group has pursued ongoing and new initiatives around the statement of intent's main themes: employees, stakeholders, money, suppliers, environment and community.

In 2011–12, activities relating to corporate and social responsibility have included the following.

- Participation in Walk to Work Week, encouraging employees to include walking into their daily commute.

- Small-scale internal fundraising events have raised money for local, national and international charities.
- An organisation-wide commitment to ensuring that electronic equipment is switched off when not in use.
- National Volunteers Week was marked by sharing employee stories on the intranet about where and when employees volunteer in their spare time.

The working group's approach is flexible and allows new ideas and initiatives to be explored whilst ensuring the Council's commitment to this area. The working group plans to continue improving existing facilities and to explore new ways to contribute to the organisation's corporate, social and environmental responsibility.

### **Equality and diversity**

The Health Profession Council maintains a single equality and diversity scheme encompassing commitments we have made in order to ensure that we are an organisation that values diversity and promotes inclusion. The scheme contains policy commitments on diversity strands, arrangements for training and information on the collection and monitoring of demographic data. It also includes departmental action plans, which link the commitments in the scheme to our formal work-planning process.

The Health Professions Council is an equal opportunities employer and provides employment opportunities and advancement for all suitably qualified persons regardless of age, disability, ethnic origin, gender, gender identity, marital status, political beliefs, religion or sexual orientation. The HPC is recognised as a positive place to work for disabled people, and holds the Jobcentre plus 'Two Ticks for Disability' symbol.

## Personal-data-related incidents

Table 1: Summary of Protected Personal Data Related Incidents formally reported to the Information Commissioner's office in 2011–12.

None Reported

Table 2: Summary of Other Protected Personal Data related incidents in 2011–12

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Council are set out in the table below.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Council premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Council premises	2
III	Ensure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other.	Nil

The two incidents in the above table were as follows.

- 1) A HPC panel member, travelling by train, had a bag stolen containing information relating to a fitness to practise case. The panel member had a legitimate business reason for carrying the material. In accordance with the guidance issued by the Information Commissioner's Office (ICO), the loss of data was not considered to be a "serious breach" and so there was no requirement to report it to the ICO. However, the HPC considered it to be good practice to alert the ICO and CHRE.
- 2) A HPC complainant received the details of another case's investigating committee decision in error. In accordance with the guidance issued by the ICO, the loss of data was not considered to be a "serious breach" and so there was no requirement to report it to the ICO. However, the HPC considered it to be good practice to alert the ICO and CHRE.

## Remuneration report

The remuneration levels for the Chief Executive and Executive Management Team (EMT) are reviewed annually in March by the Remuneration Committee, after due consideration of annual performance and changes in market rates. To obtain the market rates, an external specialist consultancy is used to assess the remuneration levels, based on the job description for each role. For existing employees, the resulting remuneration changes normally come into effect from the start of the subsequent financial year and apply for the full financial year, or until the date of leaving, whichever comes first.

The Remuneration Committee is made up of the following committee members.

- Richard Kennett (Chair)
- Jennifer Beaumont
- Mary Clark-Glass
- Malcolm Cross
- Sheila Drayton
- Julia Drown
- John Harper
- Arun Midha
- Keith Ross
- Eileen Thornton

In the Health Professions Council's remuneration package, the most significant item is salary benefit. No performance bonuses are payable to any employee and no EMT members are on fixed-term contracts. For employees passing their six-month probationary period, they can elect to join the contributory pension scheme. The employer contribution levels in the current employment contract are 16.5 per cent for contracts pre-dating May 2007 and seven per cent basic salary for employee contracts dated May 2007 onwards. The employee contribution rate is set at a minimum of three per cent of basic salary.

The employment contract for EMT members requires a termination notice period of three months to be given by the employee after successfully completing their probationary period. At 31 March 2012 there were no provisions relating to compensation for early termination of any employees and no significant awards were made in respect of early termination made to past EMT members. No Health Professions Council employee roles require the employee to have a health practitioner's background.

## Chief Executive and Registrar's remuneration

	<b>2011–12</b>	<b>2010–11</b>
Total remuneration	£148,977	£148,977
Council contributions to pension	£24,581	£24,581
Total pension fund	£474,912	£422,465

The Chief Executive and Registrar declined a pay increase in 2011–12. The Chief Executive and Registrar was 58 as at 31 March 2012.

On 25 January 2012 the Financial Reporting Advisory Board approved disclosure requirements which mean that we are required to disclose the median salaries of staff and the ratio to the highest paid director's salary. These are shown in the table below.

	<b>2011–12</b>	<b>2010–11</b>
Remuneration band of highest paid director (£'000)	145–50	145–50
Median total	£27,621	£27,000
Remuneration ratio	5.4	5.5

The information in the above tables was subject to audit.

## Chair and Council members

The Chair and Council members do not receive remuneration for their services but receive an attendance allowance when they attend Council and Committee meetings. The Chair also receives an additional amount for preparatory and administrative work for up to 60 days per annum. No benefits in kind were provided to the Chair, Council or Committee members during the year.

Council and Committee member allowances, totalling £227,548 (2010–11, £212,984) were accrued and paid to 31 members (2010–11, 28 members). This includes eleven non-Council Committee Members. The attendance allowances for Council members accrued and paid directly to, or via their employer, were as follows. The information in this table is subject to audit.

	2011–12		2010–11	
	£'000	Number of days	£'000	Number of days
Anna van der Gaag	55–60	180	50–55	164
Pradeep Agrawal	5–10	31	–	–
Jennifer Beaumont	5–10	20	–	–
Mary Clark-Glass	5–10	22	5–10	22
Malcolm Cross	5–10	31	10–15	34
John Donaghy	5–10	22	5–10	17
Sheila Drayton	5–10	26	5–10	27
Julia Drown	5–10	30	5–10	26
John Harper	5–10	25	0–5	14
Richard Kennett	10–15	41	5–10	31
Jeff Lucas	5–10	28	5–10	32
Morag MacKellar	5–10	24	5–10	18
Arun Midha	10–15	37	5–10	26
Penny Renwick	5–10	23	5–10	27
Keith Ross	5–10	21	5–10	21
Deep Sagar	0–5	13	5–10	17
Eileen Thornton	0–5	2	–	–
Annie Turner	5–10	25	10–15	39
Joy Tweed	5–10	30	10–15	28
Diane Waller	5–10	20	5–10	30
Neil Willis	–	–	10–15	35

## **Audit information**

The Comptroller and Auditor General, who has been appointed under statute and reports to Parliament, has audited the Annual Report and Accounts. The cost of providing audit services in respect of the Annual Report and Accounts was £42,000. There was no auditor remuneration for non-audit work.

Our internal audit service provides an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit makes recommendations based on the appraisal of each system reviewed. An annual assurance report is provided to the Accounting Officer and Audit Committee. We have chosen to outsource the provision of the internal audit service to ensure wholly independent and fully professional analysis and recommendations. For 2011–12, our provider is Mazars LLP, who were appointed from April 2011, following a competitive tender.

The Accounting Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish that our auditors are aware of that information. So far as he is aware, there is no relevant audit information of which our auditors are unaware.

### **Auditor**

The management commentary and certain sections of the remuneration report are audited by the Health Professions Council's external auditors, the National Audit Office.

Article 46 (2) of the Health Professions Order 2001 requires that the annual accounts shall be audited by persons the Council appoints. The Council has appointed the Comptroller and Auditor General to audit the accounts and, separately, under Article 46 (5) of the Health Professions Order 2001, the Comptroller and Auditor General is required to examine, certify and report on the annual accounts.

The Health Professions Council's internal auditors for financial year 2011–12 were Mazars LLP.

By order of the Council

**Anna van der Gaag**  
Chair

**Marc Seale**  
Chief Executive and Registrar  
Accounting Officer

Signature

Signature

Date

Date

## **The certificate and report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Health Professions Council for the year ended 31 March 2012 under Article 46(5) of the Health Professions Order 2001. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Council and its Chief Executive and auditor**

As explained more fully in the Statement of responsibilities of the Council and its Chief Executive, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with law. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Health Professions Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Health Professions Council; and
- the overall presentation of the financial statements.

I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and



the financial transactions conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Health Professions Council's affairs as at 31 March 2012 and of its deficit, changes in reserves and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health Professions Order 2001 and the Privy Council directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Privy Council directions issued under the Health Professions Order 2001; and
- the information given in the 'Composition of the Council in 2011-12' and 'Management Commentary' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements

### **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

Signature

Date

1 April 2011 to 31 March 2012

Health Professions Council  
Annual report and accounts 2011–12

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
<b>Income</b>			
Fee income	3	17,404	16,844
Other income		15	84
<b>Total operating income</b>		<u>17,419</u>	<u>16,928</u>
Staff costs	5	5,887	5,462
Depreciation and amortisation		507	527
Other expenditure	6	10,928	10,268
<b>Total operating expenditure</b>		<u>17,322</u>	<u>16,257</u>
<b>Surplus / for the year after operational costs</b>		<u>97</u>	<u>671</u>
Grant income received		229	-
Costs relating to transfer of General Social Care Council functions		(376)	(168)
Costs relating to the regulation of Herbal medicine		(105)	-
Investment income	4	77	108
Profit on disposal of investments		-	144
Impairment of freehold land and buildings		(70)	(74)
Income related to the CPSM pension		85	-
<b>(Deficit)/Surplus on ordinary activity before taxation</b>		<u>(63)</u>	<u>681</u>
Taxation	7	(-)	(61)
<b>Retained (deficit)/ surplus for the year</b>		<u>(63)</u>	<u>620</u>

The notes on pages 7 to 23 form part of these financial statements.

The operating (deficit)/surplus for the year arises from the Council's continuing operations.

## Other Comprehensive Expenditure for the year ended 31 March 2012

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
	£'000	£'000
Net loss on revaluation of Property, Plant and Equipment	-	(4)
Other Comprehensive Expenditure for the year ended 31 March	<u>-</u>	<u>(4)</u>

## Statement of financial position as at 31 March 2012

	Notes	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	3,275	2,427
Intangible assets	9	1,695	1,434
<b>Total non-current assets</b>		<u>4,970</u>	<u>3,861</u>
<b>Current assets</b>			
Trade and other receivables	11	520	515
Cash and cash equivalents	12	8,709	8,722
<b>Total current assets</b>		<u>9,229</u>	<u>9,237</u>
<b>Total assets</b>		<u>14,199</u>	<u>13,098</u>
<b>Current liabilities</b>			
Trade and other payables	13	(1,807)	(2,012)
Deferred income	14	(10,473)	(9,344)
<b>Total current liabilities</b>		<u>(12,280)</u>	<u>(11,356)</u>
<b>Assets less liabilities</b>		<u>1,919</u>	<u>1,742</u>
<b>Reserves</b>			
Revaluation reserve		-	-
General reserve		1,919	1,742
		<u>1,919</u>	<u>1,742</u>

The notes on pages 7 to 23 form part of these financial statements

Approved and authorised for issue on behalf of the Council and signed on its behalf:

**Anna van der Gaag**  
Chair

**Marc Seale**  
Chief Executive and Registrar  
Accounting Officer

Signature

Signature

Date

Date

## Statement of cash flow as at 31 March 2012

	Notes	2012 £'000	2011 £'000
<b>Cash flows from operating activities</b>			
Surplus from operating activities		97	671
Costs relating to the transfer of regulatory functions from the General Social Care Council		(376)	(168)
Costs relating to the regulation of Herbal medicine		(105)	-
Income relating to the CPSM pension scheme		85	
Depreciation and amortisation	<b>8&amp;9</b>	507	527
Disposal of property, plant and machinery		-	13
(Increase) in trade and other receivables	<b>11</b>	(5)	(308)
(Decrease)/Increase in trade payables	<b>13</b>	(156)	165
Increase in deferred income	<b>14</b>	1,129	952
<b>Net cash inflow from operating activities</b>		<u>1,176</u>	<u>1,852</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>8</b>	(1,043)	(103)
Purchase of intangible assets	<b>9</b>	(642)	(845)
Purchase of financial assets	<b>10</b>	-	(132)
Proceeds from sale of financial assets	<b>10</b>	-	2,058
Investment income	<b>4</b>	77	108
Gain on disposal of financial assets		-	144
<b>Net cash flows from investing activities</b>		<u>(1,608)</u>	<u>1,230</u>
<b>Taxation</b>		(50)	(9)
<b>Cash flows from financing activities</b>			
Grant income from the Department of Health		469	-
		<u>469</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<u>(13)</u>	<u>3,073</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>8,722</u>	<u>5,649</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>8,709</u>	<u>8,722</u>

The notes on pages 26 to 43 form part of these financial statements.

## Statement of changes in reserves

	Note	Revaluation reserve £	General reserve £	Total reserves £
<b>Balance at 1 April 2010</b>		4	1,122	1,126
Net loss on revaluation of property, plant and equipment		(4)	-	(4)
Merger from Hearing Aid Council Surplus for the year		-	620	620
<b>Balance at 31 March 2011</b>		-	1,742	1,742
Surplus for the year		-	(63)	(63)
<b>Total recognised income and expense for the year</b>		-	1,679	1,679
Grant income received		-	240	240
<b>Balance at 31 March 2012</b>		-	1,919	1,919

# Notes to the financial statements for the year ended 31 March 2012

## 1 Accounting policies

### **Basis of preparation**

These financial statements have been prepared in accordance with the 2011–12 Government Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Health Professions Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Health Professions Council are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### **Early adoption of IFRS, amendments and interpretations**

Health Professions Council has not adopted any IFRS's, amendments or interpretations early.

### **IFRS, amendments and interpretations in issue but not yet effective, or adopted**

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the Health Professions Council.

- IFRS 7 Financial Instruments: Disclosures Amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which are effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 Financial Instruments is a new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement: IFRS 13 applies when other IFRS require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.
- IAS 1 Presentation of Financial Statements is an amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- IAS 19 Employee Benefits provides the amendments to improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities provide amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.



None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the Health Professions Council.

### **Going concern**

The officers of the Council have reviewed the operations and cash flow forecasts for the period to 31 March 2012. The Council considers that it is appropriate to prepare the Statement of Financial Position on a going concern basis.

### **Property, plant and equipment**

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses in respect of both land and buildings recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a re-valued building does not differ materially from its carrying amount. The fair value of freehold properties is determined with a full valuation carried out by professionally qualified Chartered Surveyors on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors, with a minimum interval of five years, more frequently if open market values are considered to be volatile. The latest valuation was in April 2012. Property capital costs incurred between valuations are capitalised at cost.

Any revaluation surplus is credited to the assets revaluation reserve included in the accumulated funds section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive net expenditure, in which case the increase is recognised in the statement of comprehensive net expenditure. A revaluation deficit is recognised in the statement of comprehensive net expenditure except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the buildings and the net amount is restated to the re-valued amount of the buildings. Upon disposal, any revaluation reserve relating to the particular building being sold is transferred to the General Reserves.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. Individual assets costing £1,000 or more are capitalised and subsequently depreciated. Items costing less than £1,000, other than computers and related equipment, are written off to the income and expenditure account in the year of acquisition.

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives. The annual rate of depreciation for each class of depreciable asset held at 31 March 2012 is as follows.

- Freehold buildings – over 50 years.
- Office furniture and equipment – over four years.
- Computer equipment – over three years.

The carrying value of non-current assets is assessed annually and any impairment is charged to the income and expenditure account. The estimated useful life and residual values of non-current assets are also assessed annually.

### **Intangible assets**

Intangible assets are stated at historic cost of acquisition less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Amortisation is not provided for until the asset is fully developed and in use. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The registration IT system, finance software and fitness to practise case-management system are amortised over three years using the straight-line method based on estimated useful life. The systems are not amortised until the system is fully developed and in use. Amortisation is provided from the go-live date of the system.

Software Licences are amortised over three years using the straight-line method based on estimated useful life.

### **Financial instruments**

#### **Financial assets**

The Council classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired.

**Trade and other receivables.** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services but also incorporate other types of contractual monetary assets. They are initially recognised at fair-value plus associated transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at invoiced value or amortised cost using the effective interest rate method, less provision for impairment.

**Cash and cash equivalents.** These include cash in hand, deposits held at call with banks and bank overdrafts.

#### **Financial liabilities**

The Council classifies its financial liabilities as follows.

**Trade and other payables.** These are recognised at invoice-value and arise principally from the receipt of goods and services.

**Provisions.** A provision is recognised in the Statement of Financial Position when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are

determined by discounting the expected future cash flows at the HMT discount rate of 2.2 per cent.

### **Pensions**

The Council contributes to a defined contribution pension scheme on behalf of its employees. Council contributions are expensed to the statement of comprehensive net expenditure on an accruals basis.

The Council previously operated or supported two defined benefit pension scheme arrangements on behalf of its employees and former employees. The first scheme is a final salary scheme which was closed to new entrants in June 1995. This scheme was wound up in January 2012 and the surplus distributed. The second scheme is a defined benefit occupational pension scheme supported by a levy on the Council and other external contributing bodies. This scheme was closed to new entrants in July 2006. Both schemes required contributions to be made to separately administered funds. There is an on-going potential liability on the Council to meet its share of the current obligations of the second scheme where periodic actuarial valuations are undertaken. This scheme currently indicates a deficit. Contributions made to the schemes are expensed to the statement of comprehensive net expenditure when the liability is identified. An identified surplus is credited to the statement of comprehensive net expenditure.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised.

There are no other unfunded employee benefit arrangements.

### **Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. Income is measured at the fair value of the consideration received.

Fee income comprises registration fees, readmission fees, renewal fees, scrutiny fees and preregistration fees. Scrutiny, registration and readmission fees are charged and collected upon application for registration. Renewal fees are collected in advance and are recognised as deferred income in the Statement of Financial Position until they become period income. The renewal cycle for each of the 15 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a bi-annual basis.

Interest income is recognised on an accruals basis. Other income, including dividends, is recognised when receivable.

### **Leases**

Operating lease rentals are expensed in equal annual amounts over the lease term.

### **Foreign currency**

The presentational and functional currency of the Council is pounds sterling.

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the income and expenditure account for the period.

### **Taxation**

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable.

The tax currently payable is based on the investment income for the year. The Council's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

<b>3 Fee income by profession</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Arts therapists	258	217
Biomedical scientists	1,781	1,783
Chiropodists / podiatrists	994	971
Clinical scientists	360	358
Dieticians	619	586
Hearing aid dispensers	135	86
Occupational therapists	2,563	2,492
Operating department practitioners	816	765
Orthoptists	92	99
Paramedics	1,281	1,206
Physiotherapists	3,797	3,585
Prosthetists / orthotics	47	69
Practitioner psychologists	1,429	1,497
Radiographers	2,201	2,114
Speech and language therapists	1,031	1,016
	<u>17,404</u>	<u>16,844</u>
<b>4 Investment income</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposit interest	77	46
Fixed interest securities	-	12
Quoted equities	-	50
	<u>77</u>	<u>108</u>

5 Staff costs	Permanent staff	Others	2012 Total	2011
	£'000	£'000	£'000	£'000
Wages and salaries	4,756	60	4,816	4,438
Social security costs	514	5	519	465
Pension costs	347	-	347	332
Other payroll expense including recruitment and temporary staff	74	131	205	227
	<u>5,691</u>	<u>196</u>	<u>5,887</u>	<u>5,462</u>

The average number of full time equivalent (FTE) permanent employees during the year was 147 (2010–11, 138). The average number of fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was 11 (2010–11, 3).

### Pension funding arrangements

#### The Council for Professions Supplementary to Medicine (CPSM) Scheme

This final salary scheme was closed in June 1995 and has no active members. On 28 March 2002, all members of the CPSM Scheme were served with a statutory notice of closure. At March 2011, the Scheme had 8 deferred members (members whose benefits are not yet in payment) and 7 members with pensions in payment. The benefits are secured by insurance policies issued by The Scottish Life Assurance Society ("Scottish Life").

The Scheme was wound up in January 2012 when Scottish Life secured pensions which increase in-line with the requirements of the Scheme rules and the surplus of £84,752 was credited to the statement of comprehensive net expenditure.

#### The Capita Federated FlexiPlan Scheme

This Scheme is a defined benefit, occupational pension scheme. Its target was to provide final-salary benefits at retirement, but Capita notified the Health Professions Council in January 2007 that with effect from 10 July 2006, the provision of target benefits was withdrawn due to difficulties in the funding position of the Scheme. The Scheme is now a money-purchase arrangement with guaranteed rates of interest of two per cent per annum for contributions received after 31 March 2003 and four per cent for contributions received before that date. At retirement, a member's pension will be the annuity that can be purchased on the open market by the member's Capital Account.

The Capita Federated FlexiPlan scheme is a multi-employer scheme comprising at least 260 employers at 31 March 2012. Entrust Pension Recovery Ltd ("Entrust") was appointed as the corporate trustee in May 2007 and KPMG appointed as the scheme administrators and actuaries to the trustees in July 2008. The Scheme is covered by the Pension Protection Fund (PPF) for which a levy is payable. The Scheme is now in the process of being wound up and all employers' contributions were stopped at the end of January 2010.

The most recent actuarial valuation of the Scheme indicated that the value of the Scheme's assets were less than the value of the Scheme's liabilities. The amount of deficit is not known as there is an issue relating to a technical point in the Scheme. To resolve this, the Scheme's administrators have sought clarification by application to Court. The case was heard in February 2012 and the judgement is awaited.

### **The Friends Provident Scheme**

This is a designated stakeholder, defined contribution scheme open to Health Professions Council employees from May 2008. At 31 March 2012, there were 68 active members in the pension scheme. During the financial year to 31 March 2012 HPC contributed £347K to the pension scheme.

<b>6 Other operating expenditure</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Professional services	4,262	4,233
Partners (agents)	2,539	2,451
Office services	1,324	992
Computer services	604	535
Communications	531	524
Specific departmental costs	496	460
Property services	416	348
Council and Committee expenses	302	274
Projects	252	251
Travel and subsistence	202	200
	<u>10,928</u>	<u>10,268</u>
 <b>Operating expenditure includes:</b>	 <b>2012</b>	 <b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	42	36
• Internal audit – Mazars LLP (PKF 10/11)	50	32

Included within the internal audit fee for Mazars LLP was £33K relating to work done in relation to a specific project in reviewing the accounting for deferred income.

<b>7 Taxation</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
UK corporation tax on taxable income of the year	12	61
Adjustment in respect of prior years	<u>(12)</u>	<u>-</u>
Total current tax charge	<u>-</u>	<u>61</u>
Deferred taxation:		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>61</u>
Factors affecting tax charge / (credit) for year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:		
Surplus / Deficit on ordinary activities before tax	<u>(105)</u>	<u>689</u>
Surplus / Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK – 28% (2009–10, 28%)	(28)	193
Effect of:		
Non-taxable income	(4,610)	(4,748)
Additional tax on interest received net	-	1
Loss on disposal of investments	-	9
Expenses not deductible for tax purposes	4,659	4,615
Benefits of small companies starting rate relief	(9)	(9)
Prior year over provision	(12)	-
Tax losses eliminated	-	-
Current tax charge for the period	<u>-</u>	<u>61</u>

8 Property, plant and equipment 2011-12	Freehold land £'000	Freehold properties £'000	Assets under Construction £'000	Office furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation At 1 April 2011	750	1,500	-	468	642	3,360
Additions	-	-	1,022	7	14	1,043
Disposals	-	-	-	(30)	(1)	(31)
Impairment	(50)	(50)	-	-	-	(100)
31 March 2012	700	1,450	1,022	445	655	4,272
Depreciation At 1 April 2011	-	-	-	389	543	932
Charge for the year	-	30	-	30	66	126
Disposals	-	-	-	(30)	(1)	(31)
Reversal on revaluation	-	(30)	-	-	-	(30)
31 March 2012	-	-	-	389	608	997
Net book value:						
At 31 March 2012	700	1,450	1,022	56	47	3,275
At 31 March 2011	750	1,500	-	79	98	2,427

### Freehold properties

The valuations of freehold land and buildings were made on 20 April 2012 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 6<sup>th</sup> Edition.

Park House, comprising the land and buildings of 184 Kennington Park Road, London SE11 4BU and the adjoining land and buildings of 20 Stannary Street and 22–26 Stannary Street was valued at £2,150,000. The historic cost of the Park House property was £1,659,254 (2011, £1,659,254) and accumulated depreciation based on cost was £511,188 (2011, £478,003).

Stiles Harold Williams did not believe that there was a material difference between existing use value and the market value of the property.



On 21 February 2012, HPC paid a deposit of £1,000,000 in relation to the purchase of 186 Kennington Park Road and a financial charge, in favour of HPC, was placed on this property. The completion on purchasing this property is due in April 2013 and £725,000 is payable on completion.

### Historic documents and papers

The HPC has a collection of historic documents, works of art and papers. The HPC does not put a value on this collection

<b>8 Property, plant and equipment 2010–11</b>	<b>Freehold land £'000</b>	<b>Freehold Properties £'000</b>	<b>Office furniture and equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
Cost or Valuation					
At 1 April 2010	735	1,631	417	615	3,398
Additions	-	8	51	44	103
Disposals	-	(13)	-	(18)	(31)
Revaluation		(4)	-	-	(4)
Impairment	15	(122)			(107)
<b>31 March 2011</b>	<b>750</b>	<b>1,500</b>	<b>468</b>	<b>641</b>	<b>3,359</b>
Depreciation					
At 1 April 2010	-	-	357	474	831
Charge for the year	-	33	32	87	152
Disposals	-	-	-	(18)	(18)
Reversal on revaluation	-	(33)	-	-	(33)
<b>31 March 2011</b>	<b>-</b>	<b>-</b>	<b>389</b>	<b>543</b>	<b>932</b>
Net book value:					
At 31 March 2011	750	1,500	79	98	2,427
At 31 March 2010	735	1,631	60	141	2,567

**9 Intangible assets  
2011-12**

	<b>Software Licences £'000</b>	<b>Finance system £'000</b>	<b>Education System £'000</b>	<b>Fitness to practise case- management system £'000</b>	<b>Registration system £'000</b>	<b>Total £'000</b>
Cost or valuation:						
At 1 April 2011	61	64	-	577	3,145	3,847
Additions	45	-	56	489	52	642
31 March 2012	106	64	56	1,066	3,197	4,489
Amortisation:						
At 1 April 2011	9	53	-	-	2,351	2,413
Charge for the year	24	11	-	-	346	381
31 March 2012	33	64	-	-	2,697	2,794
Net book value:						
At 31 March 2012	73	-	56	1,066	500	1,695
At 31 March 2011	52	11	-	577	794	1,434

**9 Intangible assets  
2010-11**

	<b>Software Licences £'000</b>	<b>Finance system £'000</b>	<b>Fitness to practise case management system £'000</b>	<b>Registration system £'000</b>	<b>Total £'000</b>
Cost or valuation:					
At 1 April 2010	-	64	53	2,885	3,002
Additions	61	-	524	260	845
31 March 2011	61	64	577	3,145	3,847
Amortisation:					
At 1 April 2010	-	32	-	2,006	2,038
Charge for the year	9	21	-	345	375
31 March 2011	9	53	-	2,351	2,413
Net book value:					
At 31 March 2011	52	11	577	794	1,434
At 31 March 2010	-	32	53	879	964

The software licences were included within computer equipment for year ending 31 March 2011. These have been re-classified in 2012 and are now being shown in the intangible assets.

<b>10 Financial assets</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Listed investments as at 1 April	-	1,926
Additions	-	132
Disposals	-	(2,058)
	<u>-</u>	<u>-</u>
Unrealised gain / (loss) on investments	-	-
At 31 March	<u>-</u>	<u>-</u>
Historical cost value at 31 March	<u>-</u>	<u>-</u>

<b>11 Trade receivables</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Prepayments	456	473
Other receivables	64	42
	<u>520</u>	<u>515</u>

The ages of all debtors are current and there are no amounts past due but not impaired. The main element of the other receivables relate to employee season-ticket loans. There are no impaired financial assets.

<b>12 Cash and cash equivalents</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Balance at 1 April	8,722	5,649
Net change in cash	(13)	3,073
Balance at 31 March	<u>8,709</u>	<u>8,722</u>

The following balances at 31 March were held at:

	<b>2012 £'000</b>	<b>2011 £'000</b>
Commercial banks and cash in hand	3,823	3,594
Short-term investments	4,886	5,128
Balance at 31 March	<u>8,709</u>	<u>8,722</u>

<b>13 Trade payables and other current liabilities</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	12	61
Other taxation and social security	187	180
Other payables	564	780
Accruals	1,044	991
	<u>1,807</u>	<u>2,012</u>

Other payables are mainly made up of the purchase ledger control account.

<b>14 Deferred income</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Registration fees in advance	275	337
Renewal fees in advance	10,198	9,007
	<u>10,473</u>	<u>9,344</u>

### **15 Operating Lease**

During the year, HPC entered into an operating lease for the rental of office space at units 7 & 8, 33 Stannary Street. The lease is due to expire in July 2016. Therefore HPC's financial commitments are:

	£'000
Less than one year	37
Between two and five years	83
Greater than five years	-

### **15 Contingent Liability**

The Capita FlexiPlan Pension Scheme identified earlier in this report, outlined an unknown liability due to an issue relating to a technical point in the scheme. To resolve this, the Scheme's administrators are seeking clarification by application to Court. There is a possible transfer of economic benefit which, based on an actuarial report commissioned by the trustee as at 31 March 2009, shows a scheme funding deficit between £4 million and £20 million, depending on the outcome of the court case. The Health Professions Council share of this is 2.001% which would create a liability between £80,000 and £400,000. The case was at the beginning of February 2012 and judgement is awaited. Until then it is not possible to estimate with any certainty the financial outcome. The amount of £53,950 has been recognised in the 2011/12 accounts as this is the amount payable in 2012/2013 based on clearing the maximum shortfall, including interest over 10 years.

## **16 Related-party transactions**

The Council's sponsor is the Privy Council Office, with whom no transactions took place. The main entity with which the Health Professions Council has dealt with during the year was the Department of Health. A grant was received for £469K (2011, £240K) in relation to the regulation of Social Workers.

There were various transactions with Council members and non-Council Committee members during the year. Council members and non-Council Committee members receive an attendance allowance when they attend Council or Committee meetings. Such allowances, totalling £227,548 (2010–11, £212,984), were accrued and paid to 31 members, including ten non-Council Committee members (2010–11, 28 members).

## **17 Post statement of financial position events**

The financial statements are authorised to be issued for the accounting officer to sign on 2012 . There are no other items to note.

## **18 Financial instruments**

The details of the various categories of financial assets are outlined in note 7(Financial Assets) and note10 (Trade receivables). The details of the various categories of financial liabilities are outlined in note 12 (Trade payables and other current liabilities).

The Health Professions Council does not use financial instruments that increase its own credit risk profile and has no external debt exposure. It uses a variety of risk mitigations including credit rating assessments to assess credit risk of counter parties including suppliers and financial institutions.

### **Currency and liquidity risk**

The Council currently has no borrowings and relies primarily on fees for its cash requirements. Based on its reserves policy, the Council considers there is no significant exposure to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

The Health Professions Council adhered to its reserves policy at all times during the year. The policy is to maintain a reserve level that is a minimum of three months' operating expenditure. The reserves policy was reviewed and approved by Council on 10 May 2012. Due to registration renewal cycles and the payment methods of registrant fees, the Health Professional Council holds a significant amount of cash in short-term money-market accounts to cover the expenditure expected to be incurred over the payment period

### **Interest rate risk**

Registrants pay fees in advance for up to two years. Surplus funds are held as follows to maximise returns.

**Business reserve** – all unused funds are transferred from the Council's current account to a business reserve account each night to maximise interest earned.

**Deposit** – surplus funds are held in various short-term deposit accounts. Competitive rates are sought and the deposit account earns a preferential interest rate compared to the instant access interest rate.

**Instant saver** – some surplus funds are held in instant savings accounts with one account offering a bonus on the interest rate.

The Finance and Resources Committee is routinely provided with information outlining the prevailing interest rates for money-market and special interest-bearing account investments. The interest rate risk is not considered to be significant in terms of the Health Professions Council relying on interest income to a sizeable extent to fund its operations.