

Audit Committee, 15 June 2016

Draft Annual Report and Accounts 2015-16

Executive summary and recommendations

**Introduction**

The draft Annual Report and Accounts for the year ended 31 March 2016 is attached. The National Audit Office have substantially completed their audit and expect to give an unqualified audit report. Their report to the Audit Committee is item 11 on the agenda.

**Decision**

The Committee is requested to review and recommend the document to Council for approval.

**Background information**

See appendix 1

**Resource implications**

None

**Financial implications**

None

**Appendices**

Appendix 1, background information  
Appendix 2, draft Annual Report and Accounts 2015-16

**Date of paper**

06 June 2016

## Appendix 1: background information

### **Process and Audit Committee's role**

Formal approval of the Annual Report and Accounts is the joint responsibility of the Council (collectively) and the Accounting Officer.

The draft annual report section has been reviewed by the Executive, Jonathan Bracken and the NAO. The draft accounts have been reviewed by Head of Financial Accounting and the Finance Director and audited by the NAO. The NAO's audit is not formally complete but they expect to give an unqualified audit report.

The Audit Committee's role is to review the draft Annual Report and Accounts and make recommendations to the Council and the Registrar (as Accounting Officer) as appropriate. In particular, the Committee recommends whether or not the Annual Report and Accounts should be approved.

In reaching their conclusion on whether or not to recommend approval, the Audit Committee can take assurance from the Executive's prior review, the internal control framework as described in the Governance Statement (pages 14 to 21<sup>1</sup>), and the NAO's Audit Completion Report (agenda item 11).

### **Creation of new regulator for social workers in England and going concern review**

The annual report includes a section describing the position on the creation of a new regulator for social workers in England. The annual report is required to include relevant information that becomes known up to the date of its approval by Council on 6 July. The Children and Social Work bill is due to be debated in the House of Lords on 14 June, and we may need to amend the annual report if our assessment of the position changes significantly after that debate.

The creation of a new regulator for social workers is also referred to in the section on going concern. In approving the Annual Report and Accounts, the Council will be required to consider whether the HCPC is a going concern. The draft Annual Report and Accounts<sup>2</sup> states that the Council have concluded that the HCPC is a going concern having reviewed the 5 year plan for the period to 31 March 2021.

The 5 year plan will be presented to Council at the July meeting. The 5 year plan is not yet complete for the Audit Committee to review, but it is expected to show that HCPC is indeed a going concern throughout the 5 year period, despite the expected loss of social workers. Also, the minimum period that the Council's going concern review is required to consider is one year from the date of approval of the accounts, ie until July 2017, and we do not expect the transfer of social workers to take effect before October 2019.

So, although it is appropriate to refer in the annual report to the creation of the new regulator for social workers, and that will have a significant impact on HCPC in the long

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<sup>1</sup> The internal auditors' annual report, agenda item 9, supports the description of the system of internal control within the governance statement

<sup>2</sup> See page 9 of the annual report and in note 1 on page 38

term, the Audit Committee and Council can still be assured that HCPC is a going concern.

### **Changes in the structure or content of the document from last year**

In order to comply with the 2015-16 Treasury Financial Reporting Manual, the first section of the annual report has been split into two main reports, the “Performance Report” and the “Accountability Report”. The “Strategic” and “Management” reports from prior year accounts have been changed to “performance analysis” and “directors’ report” and grouped under the two main reports.

The table under equality and diversity section on page 14 includes new information on the age and ethnic background of Council members, EMT, middle management and all employees. This goes beyond the minimum requirement to disclose a breakdown by gender, and is being provided voluntarily as a matter of good practice.

To comply with the Treasury Financial Reporting Manual, benefits in kind for Council members have been presented to the nearest £100, instead of in £5k bands.

## Reconciliation to month 12 management accounts

The income and expenditure and balance sheet totals in the draft statutory accounts are the same as in the month 12 management accounts which were presented to the May 2016 meeting of Council. The only differences are roundings and the way in which expenditure is sub-totalled.

	Statutory accounts £000	Month 12 M'gmt accounts £000	Diff'ce £000	Reason
<b>Total operating income</b>	<b>28,310</b>	<b>28,309</b>	<b>1</b>	Rounding
Staff costs	(10,539)	(10,538)	1	Rounding
Depreciation	(822)	(822)	-	
Non-payroll costs PSA levy Regulation of PH specialists		(16,296) (589) (41)		PSA levy and regulation of public health specialists shown as separate line items in management accounts; combined into "Other expenditure" in statutory accounts
Other expenditure	(16,926)	(16,926)	-	
Investment income	163	163	-	
Revaluation – I&E movement	267	267	-	
Impairment of intangible assets	(11)	(11)	-	
Corporation tax	(28)	(28)	-	
<b>Retained surplus</b>	<b>414</b>	<b>414</b>	-	

## Next steps (summarised from timetable, agenda item 13 of the Committee's 16 March meeting)

6 July	Review and anticipated approval of the Annual Report and Accounts by the Council
Around 11 July	Comptroller and Auditor General signs the audit report
12 July	Privy Council Office approval
12-15 July	Preparation and proofing of the published version by TSO (The Stationery Office)
By 22 July	Laying of the Annual Report and Accounts in Parliament
By 1 August	Publication on HCPC website

Health and Care Professions Council  
Annual report and accounts 2015–16

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## **Performance report: overview**

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

2015-2016 has been yet another busy year. In putting this foreword together each year, we are conscious that inevitably it can only be a partial summary of our many achievements. We would like to thank our Council members, employees, partners and stakeholders for all their contribution to our work over the last year. We have highlighted but a few of our achievements below.

Reviewing and updating our standards to make sure that they are fit for purpose is an ongoing task. In January, we published revised standards of conduct, performance and ethics. This was the culmination of many months of hard work and we would like to thank all those who gave their time so willingly to help us. The standards play a crucial role, helping us to make decisions which protect the public. But they do more than that. They are a clear and visible commitment to members of the public of what they can expect from health and care professionals and of our registrants' commitment to strive to achieve those expectations in everything they do.

The review of our standards of education and training has progressed well over the course of the year, with new standards and guidance on course to be published in 2017. We have also begun to review our standards of proficiency for social workers in England. We commenced the review having completed a three year programme of approval visits to pre-registration education and training programmes approved by the previous regulator. We published a report this year reviewing our progress. Over three years, we visited over 80 education providers and approximately 250 social work programmes. We required changes to 96% of programmes to ensure that they complied with our standards. In some cases this involved fine tuning elements of the programme; for others the change required was more far reaching. We are confident that the process we follow is robust across all the professions we regulate, ensuring that approved programmes produce registrants who are fit to practise. But this does not mean we are complacent – we are always looking for ways in which we can work with our stakeholders to improve our standards and processes across the organisation.

The environment in which we operate does not stand still and towards the end of the year the UK Government announced, as part of reforms to improve children's social work, that it intended in time to create a body which would become the regulator for social workers in England. We will be working constructively with all our stakeholders to ensure a smooth transition to the new arrangements once they are put in place.

A ministerial statement also restated the UK Government's commitment to reform regulation in order to make it more effective and efficient. We are supportive of these reforms and will be working with the four country Governments and with our regulatory colleagues to help make sure we continue to be able to deliver public protection.

**Elaine Buckley**  
**Chair**

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

## Scope of this report

The Annual Report and Accounts covers the finances of the HCPC, together with the governance arrangements and the remuneration of the Council and senior employees, and is audited by the Comptroller and Auditor General who reports to Parliament. It follows the requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury. Section 5.2 of the FReM requires us to prepare a “Performance report” which approximates to a Strategic report prepared under the Companies Act 2006. Section 5.3 of the FReM requires us to prepare an “Accountability report” which approximates to a Directors’ report prepared under the Companies Act. The performance of the HCPC in our Education and Training and Fitness to Practise functions is set out in detail in separate reports which are published annually and are available from our website.

## Purpose and activities of the Health and Care Professions Council

The Health and Care Professions Council (HCPC) is a body corporate set up on 1 April 2002 by the Health and Social Work Professions Order 2001, replacing the Council for Professions Supplementary to Medicine. We are one of nine UK statutory regulators of health and care professionals.

As of 31 March 2016 we regulated 341,745 individuals, known as registrants, from the 16 professions<sup>1</sup> we regulate. We are an independent, self-funding organisation and are regarded as a public body, but are not part of the Department of Health or the NHS. All our operational financial costs are funded by fees from registrants. The fees are set out in the Health and Care Professions Council (Registrations and Fees) Rules 2003 and any fee increase is subject to a consultation and must be approved by the Privy Council. From time to time, grants are received from the Department of Health in relation to specific projects, for example the transfer of the Register of social workers in England from the General Social Care Council (GSCC) to the HCPC in 2012-13.

## HCPC objectives

Our main objective is set out in the Health and Social Work Professions Order 2001. The objective is “to safeguard the health and well-being of persons using or needing the services of registrants”. To fulfil this public protection role, we:

- set standards for the education and training, professional skills, conduct, performance and ethics of registrants;
- keep a register of professionals who meet those standards;
- approve programmes which professionals must complete before they can register with us; and
- take action when professionals on our Register do not meet our standards.

The Council ensures that arrangements are in place to enable it to implement its responsibilities effectively.

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<sup>1</sup> The 16 professions are: arts therapists, biomedical scientists, chiropodists / podiatrists, clinical scientists, dietitians, hearing aid dispensers, occupational therapists, operating department practitioners, orthoptists, paramedics, physiotherapists, practitioner psychologists, prosthetists / orthotists, radiographers, social workers in England, and speech and language therapists.



# Performance report: performance analysis

## Key operating statistics and financial commentary

The table below shows the key operating statistics for the five years to 31 March 2016. These statistics amongst others are captured on a monthly basis by HCPC's management information systems and reported to Council in the departmental updates presented at each Council meeting. Council meeting papers are available from the HCPC website <http://www.hcpc-uk.org/aboutus/council/councilmeetings/>.

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Financial statistics</b>					
Total operating income £'000	17,419	20,152	25,152	26,303	28,310
Total operating expenditure £'000	17,322	20,049	23,876	26,137	28,287
Net operating surplus/(deficit) £'000	97	103	1,276	166	23
Retained surplus/(deficit) £'000	(63)	7	726	441	414
Working capital £'000	7,422	14,060	14,351	15,849	16,881
Total assets £'000	14,199	20,701	21,409	24,011	25,667
Capital purchases £'000	1,685	609	1,653	1,040	1,330
<b>HCPC employee numbers</b>					
Average number of FTE permanent employees	147	166	194	215	228
<b>Registration statistics</b>					
Number of new UK registrants in year	10,675	14,872	17,366	16,682	16,468
Number of new international registrants in year	1,389	1,758	1,994	2,790	2,871
Number of registrants at year end	219,212	310,942 <sup>2</sup>	322,021	330,887	341,745
<b>Fitness to practise statistics</b>					
Fitness to practise allegations	925	1,653	2,069	2,170	2,127
Percentage of registrants subject to allegation	0.42%	0.53%	0.64%	0.66%	0.62%
Case to answer percentage	51%	58%	53%	55%	63%
Fitness to practise hearings <sup>3</sup>	732	585	808	871	865
Total days of final hearings <sup>3</sup>	783	932	1,265	1,230	1,216
<b>Education statistics</b>					
Number of approved education providers at year end	128	150	151	143	150
Number of approved programmes at year end	644	909	968	967	1,055
Number of approval visits in year	59	56	66	69	58

Over the past five years, the number of professionals we regulate has grown by 56 per cent, including the transfer of 88,474 social workers in England from the General Social Care Council to the HCPC on 1 August 2012. No new professions were added to the Register in 2014-15 or 2015-16, but the numbers of professionals on the Register continued to grow, by 3 per cent a year over those two years.

The growth in registrant numbers, together with the fee increases applied on 1 April 2014 and 1 August 2015, saw our income grow from £17.4m in 2011-12 to £28.3m in 2015-16.

Our expenditure has grown at a similar pace overall. By applying standard processes across all our professions, we enable economies of scale, which has kept the costs of some of our functions relatively flat. But other areas are "demand led", and in some

<sup>2</sup> This includes 88,474 social workers in England who were transferred from the General Social Care Council (GSCC) on 1 August 2012

<sup>3</sup> Numbers and days of hearings from 2012-13 onwards include cases transferred from the GSCC

## **Performance report: performance analysis**

cases as discussed below, our costs have increased as fast as or faster than the growth in registrant numbers.

In response to increasing cost pressures, in particular the Government's decision to require the regulators to fund the Professional Standards Authority, and following a consultation, we increased our fees by 12.5% with effect from 1 August 2015. The fee increase applies to existing registrants only at the point at which their profession begins a new two year cycle; therefore it will be October 2017 before all our registrants are paying the new fees, and the fee increase had a relatively small impact on our 2015-16 income, adding £0.2m, less than 1%.

### **Fitness to practise costs**

The main drivers of fitness to practise costs are the size of the Register, the percentage of registrants subject to an allegation, the percentage of allegations that are referred for hearing by a panel (the "case to answer rate"), and the average length of time of the hearing. Those factors have all tended to increase over recent years, pushing our fitness to practise costs upwards. We continue to look at mechanisms to manage and control our fitness to practise costs while at the same time ensuring we balance public protection with the rights of the registrant. In 2015 we moved our hearings to a dedicated building so as to improve the service that is provided to those involved in fitness to practise hearings.

We also continue to look at mechanisms to resolve cases in an expeditious and fair manner and in 2015 made changes to our Standard of Acceptance for Allegations. The Standard of Acceptance sets out the Council's policy in relation to the threshold for fitness to practise allegations and amendments were made in 2015 to provide more information about the types of cases that HCPC can deal with.

More information about the types and numbers of cases we deal with is available in the Fitness to Practise annual report which can be found on the HCPC website.

### **Information technology costs**

There have been a number of changes to the IT infrastructure that have improved the effectiveness of the HCPC business processes but have introduced additional costs, with further similar changes ongoing into 2016-17.

The Education system build project this year delivered the core functionality of the new Education system. The new system is designed to manage the department's workload of approval and monitoring of further education courses providing a route to entry to the HCPC register. The benefits of the system to the organisation are already being realised including; greatly improved system functionality, automation of administrative tasks, increased data entry efficiency, improved data accuracy and reporting.

The Registrations process and systems review project concluded in August 2015 with the appointment of the software development supplier for the first phase of the Registrations transformation and improvement project, which commenced in August.

The Registrations transformation and improvement project will deliver a programme of change that will introduce fundamentally revised business processes, a single highly

## Performance report: performance analysis

automated system and an online service that will offer registrants the ability to easily interact with HCPC.

The transformation project will be delivered in three phases spanning five financial years and is projected to cost just under £4m. The benefits to the organisation will be fundamental. The creation of online channels will improve both customer service and improve the efficiency of the Registrations department by reducing avoidable calls and emails. By creating a digital by default service the cumulative saving to the organisation in printing and stationery is projected to exceed £1m by December 2020. The consolidation of data into a single system will improve data quality, reduce the potential for errors and allow Registrations Advisors to focus on the cases that require greater scrutiny.

To ensure the project achieves its objectives in a controlled manner, the project will be managed using the HCPC-tailored PRINCE 2 methodology. Progress on the project and Stage reviews will be reported to the Executive Management Team (EMT) on a regular basis. Gateway reviews have been planned at the end of each phase and no phase will commence without prior EMT approval. Enhanced reporting will be provided to Council to ensure that progress is fully understood and a corporate risk register covering the risks of this project to the organisation will be maintained and reported against.

Other significant IT changes during 2015-16 were as follows:

- there was a significant move from on premise email services to cloud delivered services through Microsoft Office 365;
- further increases in the internet bandwidth required by the HCPC, following the introduction of the 405 Kennington Road office incorporating dedicated video conferencing suites, and the move to cloud based services;
- continued growth in our data storage requirement, in line with the growth in registrant numbers and fitness to practise cases;
- work continued on the project to replace the HR and Partners systems, and the new systems are due to go live during 2016-17; and
- the desktop environment also received a technology refresh, providing dual screens, headsets and some PC replacements.

These changes all improve our effectiveness and the quality of service we provide to registrants and the public, and enable us to manage increasing workloads without proportionate increases in staffing, but they all also increase costs both in the development of new systems and in the ongoing licencing and support costs. As a result the costs of our IT department have increased from £1.2m in 2011-12 to £1.8m in 2015-16, and are budgeted to increase to £2.0m in 2016-17.

### Premises costs

Our new hearings rooms at 405 Kennington Road are held on a 12 year lease running from December 2015. The 405 Kennington Road hearings rooms added £0.3m to our costs in 2015-16 and are budgeted to add £1m in 2016-17. We have also renewed leases on previously held offices in Stannary Street, adjacent to our main building. Both leases have break clauses, giving us flexibility to withdraw from the leases should the space prove to be more than we need or can afford. Capital expenditure in 2015-16 includes £0.8m on the fitting out of 405 Kennington Road, which will be depreciated over the six years to the break clause. The relocation of hearings to 405 Kennington Road

## Performance report: performance analysis

enables us to review our office layout and address the shortage of meeting rooms, and refurbish parts of 186 Kennington Park Road, the adjoining building bought in 2013, which has since remained in a relatively poor state of decoration. We expect to spend up to £0.8m during 2016-17 on the repairs and refurbishment. The outcome, as with 405 Kennington Road, should be good quality office space that promotes effective team and cross team working.

### Professional Standards Authority fees

The Professional Standards Authority for Health and Social Care (PSA) oversees the nine UK statutory regulators of health and care professionals. Its role includes reporting on our performance annually; scrutinising our process for appointment of members of the Council; auditing initial stage fitness to practise decisions; and referring final fitness to practise decisions to the High Court where they consider the panel has been too lenient.

From August 2015, the PSA has been funded by the regulators it oversees, pro-rata to registrant numbers. We are the second largest regulator by registrant numbers, with 22% of the total registrants across all nine regulators overseen by the PSA, so we contribute 22% of the PSA's funding requirement. Our contribution was £0.59m for the eight months from August 2015 to March 2016 and will be £0.86m for the full year 2016-17.

### Creation of new regulator for social workers in England

In January 2016, the Secretary of State for Education, Nicky Morgan MP, announced the Government's intention to create a new body that would, in time, replace the HCPC as the regulator of social workers in England.<sup>4</sup>

The government's legislative programme for the 2016-17 session of Parliament, set out in the Queen's Speech on 18 May 2016, includes a Children and Social Work Bill which would establish the new body. The timescale and detailed plans for the transfer of functions from the HCPC to the new regulator of social workers in England are uncertain at the time of writing. Our current assumption is that the transfer will not be completed before [September 2019].

This change will have a significant impact on the HCPC's operations, income and expenditure. Social workers in England represent over a quarter of our total registrants; income from social workers was £7.5m in 2015-16 and is budgeted to be £8m in 2016-17.

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal advice. However there would likely be a gap between the loss of income and the reduction in direct costs and this may require a further increase in our fees. We anticipate that the costs of the transfer of functions will be funded by a grant from the government, as it would be unfair for those costs to be borne by our remaining professions.

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<sup>4</sup> <http://www.hcpc-uk.org/mediaandevents/news/index.asp?id=739>

### Statement of financial position (balance sheet) and cash flow

As a result of the requirement for registrants to pay their fees in advance (currently, either for the full two year renewal cycle, or by six monthly direct debit), the HCPC holds relatively large cash balances. Cash at bank and on deposit was £17.6m at 31 March 2016 (2015, £18.0m). These are not surpluses or profits: the element of fees received in advance is reflected in the deferred income balance of £18.8m (2015, £17.3m), and fee income is recognised evenly through the renewal cycle.

HCPC's total accumulated reserves - the net total of all surpluses, deficits and property revaluation gains of HCPC and its predecessor organisations – are £4.5m at 31 March 2016. This represents approximately £13 per registrant and less than two months' operating costs. The requirement for registrants to pay in advance has meant that we have not needed large reserves to fund our working capital.

The statement of financial position shows property, plant and equipment totalling £5.1m (2015, £3.7m) of which £4.1m is our freehold offices in Kennington, London. Details of the annual revaluation of the properties are set out in note 8 to the financial statements.

The statement of financial position also includes computer software, shown as intangible assets, at net book value totalling £1.4m (2015, £1.5m). In 2015-16, we spent a total of £0.4m (2014-15, £0.9m) on purchasing or developing new IT systems, and our budget for 2016-17 includes £1.7m for new systems. Investment in new systems is capitalised as the project proceeds and, once the systems are brought into use, is depreciated over three years.

### Going concern

The Council's going concern review is based on the budget for 2016-17 and the five year plan. The budget for 2016-17 was approved by Council at the March 2016 meeting. The five year plan is an annually updated longer term financial forecast, based on forecast registrant numbers and assumptions about key cost drivers including the rate of fitness to practise allegations and inflation. The current five year plan covers the period to 31 March 2021 and it was reviewed by Council at the July 2016 meeting, prior to Council's review and approval of this Annual Report and Accounts.

As noted above, the government's legislative programme for 2016-17 includes the creation of a new body that will replace the HCPC as the regulator for social workers in England. The budget for 2016-17 assumes that social workers in England remain on the HCPC register throughout 2016-17, and we continue to regard this as an appropriate assumption given the time that the transfer of functions to the new regulator is likely to take. Over the longer term, the creation of the new regulator for social workers in England will have a significant impact on the HCPC's operations, income and expenditure. The five year plan assumes that social workers in England transfer to the new regulator with effect from 1 October 2019. The five year plan models **four** possible scenarios where the loss of income from social workers is partially replaced by the transfer in to the HCPC of other registers, and/or increases in the rate of applications to join the HCPC register, and/or an increase in HCPC fees.

The budget for 2016-17 shows a deficit of £0.3m, and all of the scenarios in the five year plan show an operating surplus of **£???** for 2017-18. The expected result for the following

## Performance report: performance analysis

three years to 31 March 2021 under the [four] scenarios modelled ranges from a net cumulative [deficit/surplus] of £???. to a net cumulative [deficit/surplus] of £???.

We expect cash and reserves balances to fall slightly during 2016-17, but in all the scenarios modelled in the five year plan, cash will remain above the reserves policy minimum target level of three months of operating costs (see the section headed reserves policy below) throughout the five year plan period. The Council is therefore satisfied that the HCPC remains a going concern.

## Future developments

In addition to our day to day operations, our plans for future periods include:

- continuing the development of governance and operational arrangements for a HCPC tribunal service to enhance independence in the adjudication of fitness to practise cases;
- continuing the Registration transformation and improvement project, described above. The first phase of the project is due to complete in November 2016 and, subject to a gateway review, the second phase is expected to start in January 2017;
- carrying out a review of the costs and benefits of continuing professional development, which may lead to proposed changes in our standards;
- development of policy guidance on a range of issues including social media, confidentiality, and reporting and escalating concerns;
- public consultations on draft revised standards of proficiency for social workers in England and draft revised standards of education and training; and
- working with the government on their proposals for the regulation of social workers in England.

## Principal risks and uncertainties

The risks and uncertainties which could have an impact on our operations and performance include:

- the risks associated with the transfer of regulation of social workers in England (see above) to a new regulator including the reduction in income leading to pressure on the current level of registration fees;
- other legislative changes affecting the scope of our work;
- the risk of poor operational performance, with associated reputational damage, for example the risk of inability to meet call handling standards in our Registration department; poor decisions in the approval of professional education courses; or mistakes in Fitness to Practise cases;
- the risk of rapid increase in the number of FTP allegations and resulting legal costs;
- the risk of failure in the completion of major projects, for example the delivery of new IT systems;
- business continuity risks, for example interruption to the electricity supply to our offices; or a postal strike; and

## **Performance report: performance analysis**

- financial risks such as budgetary overspends or errors leading to a shortage of funding, the financial failure of a key supplier, or further increases in the fees charged by the PSA.

The HCPC's risk management processes are described in the Governance statement on pages 21 to 22. The full Risk Register is presented to Council twice a year and is available on the HCPC website within the papers for Council meetings.

## **Reserves policy**

Our reserves policy was most recently revised and approved at the Council meeting in May 2014 and will be reviewed at least every three years. Our governing legislation requires us to meet costs out of our income from registrants' fees. Our annual budgeting and five year planning process, and periodic fee reviews, are conducted with the aim of managing our finances on a sustainable basis. We do not set targets for annual budget surpluses or deficits or minimum or maximum levels of reserves. We forecast our cash flow, and from time to time we may aim to build cash levels, for example to fund a large capital project. Like any organisation, we need to maintain an appropriate minimum level of liquidity or cash, to be able to pay our liabilities as they fall due, and to provide a buffer to absorb unexpected costs or risks. Therefore our policy is to hold a minimum level of cash equivalent to three months of operating expenditure. Based on our 2016–17 budget, three months of operating expenditure represents £7.6m, and the minimum cash balance expected during 2016-17 based on our cash flow forecast is £11.4m. Each subsequent year's budget setting process will include and be informed by a recalculation of the minimum level of cash.

## **Investment policy**

Our investment policy was most recently revised and approved at the Council meeting in May 2014 and will be reviewed at least every three years. The policy provides the framework for the management of funds that are surplus to immediate requirements. The objectives of the policy, in order of priority, are to:

- ensure that our funds are held safely;
- ensure that we have sufficient liquidity to fund our operations; and
- achieve a return on surplus funds.

Surplus funds may be invested in sterling bank deposits with terms of up to 24 months in UK registered banks that have "investment grade" long term credit ratings from both Standard and Poor's and Moody's.

**Performance report: performance analysis**

The following matters are covered in the next section headed “Accountability report: directors’ report”:

- Health and safety, including the number of reported incidents and statistics on employee sickness;
- Corporate, social and environmental responsibility;
- Equality and diversity, including statistics on the gender of Council members and employees; and
- Employee involvement.

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

DRAFT



## **Accountability report: directors' report**

### **Key relationships**

We continue to value our relationships with a wide range of stakeholder groups. These groups include the general public, employers, government, education providers, unions, voluntary sector organisations, professional bodies, other regulators and registrants. These key relationships do not directly affect our long-term financial position but they are nevertheless vital to our work.

We have supplier contracts relating to services that are a key part of fulfilling our function as a regulator. These include instructing a legal firm to provide legal services relating to conducting fitness to practise hearings and obtaining ongoing legal advice from an external public law advisor. We also ensure IT-system-support contracts and data back-up procedures are in place.

### **Health and safety**

We are committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that everyone at the HCPC premises, whether employees or visitors, continues to enjoy the benefits of a safe working environment. Five health and safety incidents were reported during the year. The total number of employee sick leave days in 2015–16 was 1,347 (2014–15, 1,576). The average number of sick days per full time equivalent employee in 2015–16 was 6.4 days (2014–15, 7.3 days).

### **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. During 2015-16, a new 'Strategic Intent' document setting out the working group's purpose and objectives was developed and agreed by the Executive Management Team.

In 2015–16 activities relating to corporate and social responsibility have included:

- the selection of a local mental health charity as our charity of the year, and a number of internal fundraising events and other activities to provide support;
- internal fundraising events to raise money for national charities;
- an internal campaign to collect donations for a local homeless charity; and
- promoting national walk to work week.

The working group's approach is flexible and allows new ideas and initiatives to be explored while 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.

### **Payment of suppliers**

83 per cent by value of purchase invoices were paid within 30 days (2014–15, 81 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2014–15 nil).

## Equality and diversity

We are committed to meeting our obligations under the Equality Act 2010 and continuing to ensure that we are an organisation that values diversity and promotes inclusion. This includes ensuring Council members, partners and employees receive regular training in equality and diversity matters, and considering the equality and diversity implications of all our work.

We are an equal opportunities employer and provide employment opportunities and advancement for all suitably qualified persons regardless of age, disability, gender (including gender reassignment), race, marriage or civil partnership status, pregnancy and maternity, religion, belief (or non-belief) or sexual orientation. We are recognised as a positive place to work for disabled people, and hold the Jobcentre Plus 'Two Ticks for Disability' symbol.

Our diversity in relation to gender, age and ethnicity at 31 March 2016 was as follows:

<b>Gender Analysis</b>	<b>Council members</b>	<b>Executive Management Team</b>	<b>Middle Management</b>	<b>All employees</b>
Female	7	5	7	149
Male	5	5	5	86

<b>Age Analysis</b>	<b>Council members</b>	<b>Executive Management Team</b>	<b>Middle Management</b>	<b>All employees</b>
18-30	-	-	1	80
31-40	-	4	7	96
41-50	7	4	3	34
51-60	4	1	1	18
61+	1	1	-	6

<b>Ethnic background analysis</b>	<b>Council members</b>	<b>Executive Management Team</b>	<b>Middle Management</b>	<b>All employees</b>
Not stated	-	-	1	41
Asian	-	-	-	18
Black	-	-	1	43
Chinese	-	-	-	3
Mixed	-	-	3	17
Other	-	-	-	1
White	12	10	7	115

Our diversity in relation to marital status, parental status, religion, sexual orientation and disability is not reported because we do not hold complete data for those characteristics.

## **Cross Departmental Team**

The Cross Departmental Team (CDT) is made up of a manager representative from each department at the HCPC. The CDT meets once a month and its main purpose is to share information across the organisation. This is then fed back to each department. The CDT also receives regular updates from the CSR working group, the Employee Consultation Group, Project Department and updates to the Quality Management System.

## **Employee Consultation Group**

Following on from the Information and Consultation of Employees Regulations 2004 (ICE), the HCPC ran a consultation in 2008 and the Employee Consultation Group was formed in 2009. The main purpose of the Group is to maintain good employee relations and engagement through communication and consultation with elected employee representatives. The Group is made up of three management representatives (Chief Executive, Director of Human Resources and a member of the Cross Department Team) and seven employee representatives. The employee representatives and CDT representative are elected every two years.

During 2015–16 four meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the following subjects:

- Updates on major projects and office accommodation;
- The organisational training and development plan;
- Annual Performance and Development Reviews;
- Equality and diversity matters; and
- Health and wellbeing initiatives.

## **Welsh Language Scheme**

We launched our Welsh Language Scheme (the Scheme) in 2011. Since then we have completed four implementation reports on the Scheme for the Welsh Language Commissioner's attention.

We have adopted the principle that in the conduct of public business and administration of justice in Wales, we will treat the English and Welsh languages on a basis of equality. Our Scheme sets out how we give effect to that principle when providing services to the public in Wales.

During 2015-16, we have continued to implement the provisions of our Scheme. This included:

- amending our 'Equality and Diversity Impact Assessment' form for all major projects to consider the impact on Welsh language speakers;
- developing Welsh language service standards for our Registration Department;
- providing a bilingual version of our newly published revised standards of conduct, performance and ethics to all Welsh registrants;
- publishing bilingual advertisements in Wales for any vacancies on our Council; and
- raising awareness amongst employees of our obligations under the Scheme.

## **Accountability report: directors' report**

We have also prepared an evaluation report focusing on our performance in implementing the Scheme to date. Further information is available on our website: [www.hcpc-uk.org/aboutus/welshlanguagescheme/](http://www.hcpc-uk.org/aboutus/welshlanguagescheme/)

We continue to monitor developments under the Welsh Language (Wales) Measure 2011 including the proposed replacement of our Scheme with Welsh language standards. We look forward to continuing to work with both the Welsh Language Commissioner and the Welsh Government in order to ensure that any new standards will be reasonable and proportionate for a self-financing organisation which operates on a UK-wide basis.

Information on anticipated future developments is set out in the Performance report on page 10.

Details of personal data related incidents are set out in the Governance statement on page 23.

Details of Council and Committee members and the Executive Management Team are set out in the Remuneration and staff report on pages 25 to 29.

Arrangements for managing potential conflicts of interest are set out in the Governance statement on page 17.

Pension arrangements are set out in the Remuneration and staff report (page 27) and note 1 to the accounts on page 39.

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

## Accountability report: governance statement

The Governance statement describes the framework of controls at the HCPC, including the assurances on the operation of the control framework, and the processes for identifying and managing risk. Our Code of Corporate Governance incorporates a series of regulatory documents and policies which govern how we operate, take decisions and the procedures followed to ensure that our actions are fair, efficient, transparent and accountable to our stakeholders. Each Council and Committee meeting includes a declaration of interests which is minuted, and the minutes are available on our website. We adhere to the principles of the HM Treasury Corporate Governance Code of Good Practice 2011, and we adopt the supporting provisions of the Code to the extent that it is practical and appropriate and compatible with our legislation.

### The Council

The Council provides leadership and oversight for the HCPC. The Council operates collectively, concentrating on strategic issues affecting the organisation, as well as financial scrutiny and oversight of policies and performance, with a view to the long-term health and success of the HCPC.

The Council receives information from the Executive Management Team on the activities of the HCPC at each meeting, including information on its operations, information technology, finances and human resources issues. This information is adequate to inform Council and to enable the members to discuss the issues arising; the quality of the information is considered as part of the annual assessment of the Council's performance, described below.

The Council has twelve members (six registrant members and six lay members, including the Chair). The Chair may be either a registrant or a lay member. There must be at least one member (lay or registrant) from each country of the United Kingdom. The recruitment of the Council is carried out by the HCPC which makes recommendations to the Privy Council, which makes the appointments. The Professional Standards Authority for Health and Social Care has oversight of the process and advises the Privy Council as to whether it is satisfied about the process the regulatory body has followed. Council Members hold office for a term of up to four years and they may serve a maximum of eight years in any 20 year period. Whilst re-appointments can be made, subject to a satisfactory performance appraisal and the needs of the HCPC, a degree of change is often sought and there should be no expectation of automatic reappointment.

The members as at 31 March 2016 and at the date of this report were as follows:

#### Registrant members

Elaine Buckley (Chair)  
Maureen Drake  
Sonya Lam  
Robert Templeton  
Graham Towl  
Stephen Wordsworth

#### Term end date

31 December 2018\*  
31 December 2019\*  
31 December 2017\*  
31 December 2017\*  
31 December 2017\*  
31 December 2018\*

## Accountability report: governance statement

<b>Lay members</b>	<b>Term end date</b>
Stephen Cohen	31 December 2016*
Richard Kennett	31 December 2016
Eileen Mullan	31 December 2016*
Joanna Mussen	31 December 2018*
Joy Tweed	31 December 2016
Nicola Wood	31 December 2017*

\* eligible for reappointment for a further term

Members' attendance at Council meetings during 2015–16 is shown in the table on pages 25 to 27.

Elaine Buckley was appointed as Chair of the Council, with effect from 1 July 2015, succeeding Anna van der Gaag, following a recruitment process similar to that adopted for the recruitment of Council members as detailed above.

### **Council performance and effectiveness**

The performance review system for individual Council members was agreed by the Council in 2015. There are a number of elements to it. 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 HCPC 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 which is discussed with the Chair for feedback and identification of any training needs.

Assessment of the Council's performance is carried out annually as part of the Council's strategy workshop. 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. Upon completion of the process, the Chair then presents a summary of key conclusions to Council.

The most recent assessment in relation to the collective performance of Council was conducted at the strategy workshop in October 2015. Council and Committees were found to be operating effectively, with an appropriate balance on the agenda between strategic and operational issues, good quality papers and presentation from the Executive Management Team, and open discussion by Council and Committee members. In relation to individual performance, appraisals were conducted in spring 2016 and the summary report will be considered by Council in July 2016, in line with the normal timetable for this process.

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

## **Accountability report: governance statement**

is then approached in two ways; training undertaken by Council or Committees as a whole and also training undertaken on an individual basis.

### **Committees**

The Council has four statutory committees. These are:

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

The three 'Practice Committees' (the Conduct and Competence Committee, the Health Committee and the Investigating Committee) meet as Panels and are responsible for making decisions about the fitness to practise of registrants. Panels comprise registrant and lay partners.

The Council has also established the Audit Committee and the Remuneration Committee as non-statutory committees.

### **Education and Training Committee**

The Education and Training Committee advises the Council on matters relating to education, training and registration.

The Committee consists of six members, three lay members and three registrant members, drawn from the Council.

The Committee met five times in 2015–16. The matters considered by the Committee included the following:

- threshold level for entry to the Register for paramedics;
- review of the standards of proficiency for social workers in England;
- publishing the revised standards of conduct, performance and ethics;
- continuing Professional Development research;
- review of Social Work Education 2012-2015;
- consultation on renaming the local anaesthetics and prescription only medicine annotations;
- guidance on the appropriate use of social media and networking websites; and
- reviewing guidance on confidentiality.

In 2015-16 a Professional Liaison Group (PLG) reporting to the Education and Training Committee was formed to inform the review of the standards of education. The PLG met four times and its membership included service users and carers, along with other stakeholder groups and Council members. The PLG considered thematic reports and research, and agreed a new draft of the standards for consultation.

## **Audit Committee annual report to the Council and the Accounting Officer**

The Audit Committee provides assurance on HCPC's processes and procedures to the Council and the Accounting Officer by:

- advising the Council and the Accounting Officer on the appointment of the internal and external auditors and reviewing their work;
- reviewing the internal auditors' programme, receiving reports on their work, and considering appropriate actions arising from those reports;
- reviewing the external auditors' management letters and any other relevant reports;
- reviewing the HCPC's Annual Report and Accounts and making recommendations to the Council as appropriate;
- monitoring the Executive's internal control and risk management processes and making recommendations to the Council as appropriate; and
- making recommendations to the Council on the HCPC's accounting policies, anti-fraud policies and 'whistle-blowing' processes.

The Audit Committee is made up of members appointed by and from the Council, plus one independent member. During 2015-16 the number of Council members on the Audit Committee was increased from two to three, bringing the total membership of the Audit Committee to four. The members who served on the Audit Committee during the year were; Richard Kennett (Chair), Julie Parker (independent member), Graham Towl (to 23 September 2015), Stephen Cohen (from 23 September 2015) and Eileen Mullan (from 10 February 2016). The independent member of the Committee has recent, significant and relevant financial experience.

The Committee met four times in the period 1 April 2015 to 31 March 2016. Attendance at these meetings is detailed in the table on pages 25 to 27 of this report. The Chief Executive, members of the Executive Team, other staff members, the internal auditors (Grant Thornton LLP) and the external auditors (National Audit Office) attended Audit Committee meetings, by invitation.

During the year, the Committee provided advice and assurance to the Council by:

- considering internal audit reports and reviewing the Internal Audit Annual Report;
- reviewing the findings of British Standards Institute assessment reports;
- agreeing the internal and external audit planning reports;
- reviewing the draft Annual Report and Accounts for the HCPC along with the National Audit Office Audit Completion Report;
- reviewing the HCPC's Corporate and Project Risk Registers; and
- monitoring HCPC's progress on internal audit action points.

Following a tender process, Grant Thornton LLP were appointed internal auditors for the three years to 31 March 2018, succeeding Mazars LLP. Internal audit emphasis is focused on providing assurance on the integrity of our internal control, governance and risk management processes while also providing forward-looking and value adding advice to the Executive where possible. The internal auditors undertake an approved programme of audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate.



## **Accountability report: governance statement**

During 2015–16 the Committee considered internal audit reports on:

- HCPC’s core financial controls;
- facilities management;
- the Registration project;
- the five year plan; and
- the consultation process.

Twelve priority two (significant) and eleven priority three (housekeeping) recommendations were made. No priority one (fundamental) recommendations were made.

A further internal audit report, on HCPC’s complaints process, had been scheduled for 2015-16. Since the internal audit programme for 2015-16 was agreed, we decided to pursue certification under ISO 10002 (the International Organisation for Standardisation’s standard on complaints handling) and the planned internal audit would have duplicated effort with the ISO certification process.

### **Remuneration Committee**

The Remuneration Committee determines the annual salary review for HCPC employees including the Executive Management Team and the Chief Executive and Registrar. The Committee met in March 2016 for the discussion and approval of the pay review for 2016-17.

### **Accounting Officer**

The Chief Executive and Registrar is Marc Seale who is appointed as the 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 HCPC’s policies, aims and objectives whilst safeguarding the HCPC’s assets for which he is responsible.

The Chief Executive and Registrar, as the Accounting Officer, attends Council meetings and Audit Committee meetings and chairs Executive Management Team meetings. He is also the designated senior employee for employees to approach under the HCPC’s “whistle-blower” policy.

### **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 HCPC. It meets weekly and discusses key matters relating to operational management and resources, subject to the overall direction, reserved powers and control of the Council. Progress is fed back regularly to Council meetings in departmental reports.

## **Risks and internal control**

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 ongoing process designed to:

- identify and prioritise the risks to the achievement of our policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

Current risks are identified and evaluated as to their significance and probability of occurrence by the Executive Management Team. Significant risks are recorded on the Risk Register and assigned a risk owner who is responsible for managing and mitigating the risk.

Risk management and mitigation is an on-going process and is achieved through our normal operational processes and structures. For example:

- regular monitoring of management information identifies exceptions;
- recruitment and training processes help to ensure that employees have the right skills and experience; and
- plans, budgets, management structures and reporting lines ensure that work is focussed on the achievement of our objectives and that managers are accountable for performance.

Where appropriate, additional procedures or controls are put in place to respond to identified risks. For example, as part of our management of business continuity risks, an annual disaster recovery exercise is undertaken to test business continuity processes.

The Council's regular agenda includes review of the Risk Register and consideration of any new risks.

During 2015–16, the main changes to the Risk Register were as follows:

- adding to the Register the government's intention to transfer the regulation of social workers in England to a new regulator. At the date of this report the details and timescale are uncertain;
- following our success in achieving ISO 27001 accreditation at the beginning of the year, the risk of losing the accreditation was added to the Register; and
- the method by which the Professional Standards Authority's fees would be apportioned between the nine UK statutory regulators of health and social care was previously our highest rated risk, since there was a wide variation in the financial impact on HCPC of the various methods that could reasonably be used. The method was decided during 2015-16, so the previous risk crystallised and was replaced on our Register with a lower rated risk of substantial increases in the PSA fee, driven by increases in the PSA's costs.

## **Information security and personal data-related incidents**

The HCPC holds a range of information including sensitive personal data. We have implemented an Information Security Management System and related procedures compliant with ISO27001:2013<sup>5</sup>, to safeguard the data rights of our registrants, stakeholders and the public. In May 2015 we underwent an audit by BSI in relation to ISO27001:2013 and our certification was confirmed in June.

The HCPC has policies in place which require all information security incidents, including any loss of personal data, to be reported and we encourage an open reporting culture. Beginning in 2015, all incidents are assigned a risk score and are reported to the Executive Management Team along with any learning points and possible future mitigations. In 2015-16 the HCPC recorded 119 personal information security incidents (2014-15: 38. This increase is due to the full year effect of the new reporting system being in place. While the number of recorded incidents has increased, no incidents were rated as requiring ICO referral.

## **Assurance on the effectiveness of the system of internal control**

We obtain assurance that the risk management and internal control systems are operating effectively through the internal audit service, the work of the Business Process Improvement department, and quality audits by the British Standards Institute.

Our internal auditors provide an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and internal control systems. We have chosen to outsource the provision of the internal audit service to ensure wholly independent and fully professional analysis and recommendations. Our provider during 2015-16 was Grant Thornton LLP, who were appointed from April 2015, following a competitive tender. The internal auditors use our assessment of risk as documented in the Risk Register as well as their own professional judgment in proposing their programme of work to the Audit Committee. They make recommendations based on the appraisal of each system reviewed.

An annual assurance report is provided to the Accounting Officer and Audit Committee, giving the Internal Auditors' overall opinion on risk management, control and governance and their effectiveness in achieving the HCPC's agreed objectives. Their opinion for 2015-16, reported to the June 2016 Audit Committee meeting, provided substantial assurance in respect of the HCPC's governance, risk management and internal control arrangements.

The Business Process Improvement Department performs a similar role. The Department develops and promotes the HCPC's quality management system, ISO 9001:2008, and undertakes audits of HCPC processes and our external suppliers. They report on "near misses" to the Executive Management Team and the Audit Committee, together with recommendations for improvements in systems where applicable. They manage our

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<sup>5</sup> ISO27001 is an internationally recognised best practice framework for an information security management system. It helps to identify the risks to important information and to put in place the appropriate controls to reduce the risk.

## **Accountability report: governance statement**

external audits by the British Standards Institute, and maintain our ISO 9001:2008 certification.

The Professional Standards Authority for Health and Social Care (PSA) undertakes an annual performance review of the HCPC against its standards of good regulation and reports its findings to Parliament. The PSA's annual performance review for 2014-15 found that the HCPC met all of the PSA's standards. The 2015-16 performance review was ongoing at the time of publication of this report.

## **Responsibility for the system of internal control**

Under the HCPC's Financial Regulations, the Council has ultimate responsibility for the administration of our finances, including the systems of risk management and internal control. The Financial Regulations provide for the Audit Committee to oversee audit and risk management arrangements. The Financial Regulations delegate responsibility for the system of internal control to the Chief Executive. As the Accounting Officer, the Chief Executive has a parallel responsibility to the Privy Council for reviewing the effectiveness of the system of internal control.

The reviews of the effectiveness of the system of internal control by the Council, the Audit Committee and the Accounting Officer are informed by the work of the internal auditors and managers within the organisation, by the quality audits by the British Standards Institute, and by comments made by the external auditors in their management letters and other reports.

Based on these reviews, we are satisfied that the system of internal control that has been in place for the year ending 31 March 2016 and up to the date of approval of the Annual Report and Accounts is appropriate and proportionate to manage the risks to achievement of our objectives, and complies with HM Treasury guidance.

## **Auditor and audit information**

The Health and Social Work Professions Order 2001 requires that the annual accounts are audited. The Council has appointed the Comptroller and Auditor General to audit the accounts. The Comptroller and Auditor General has audited the financial statements and certain sections of the remuneration report. The cost of providing audit services was £39,000. There was no auditor remuneration for non-audit work.

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

## Accountability report: remuneration and staff report

### Council and Committee members' attendance, fees and expenses

Fees are paid to Council members at a daily rate for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC where prior approval has been given. Fees are also paid for attendance at a conference or event which forms part of the member development programme where prior approval has been given and up to a maximum of six days per year. The daily fee rate for Council members from 1 April 2008 to 31 March 2015 was £310. The rate was increased to £320 per day from 1 April 2015. 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.

Elaine Buckley, the Chair of the HCPC since July 2015, is an employee of Sheffield Hallam University. The HCPC has entered a three and a half year secondment agreement with the University whereby Elaine Buckley spends approximately 60% of her working time as Chair of HCPC in exchange for a fee of £58,250 plus VAT per annum payable by HCPC to the University. HCPC accrued fees of £52,425 including VAT to the University during 2015-16 under this agreement.

Council and Committee member fees totalling £160,215 (2014–15, £179,335) were paid and accrued to 14 members (2014–15, 17 members), including Julie Parker who is not also a member of the Council. This includes the fees payable to Sheffield Hallam University for the services of Elaine Buckley as Chair of HCPC. Benefits in kind with a total taxable value of £42,335 (2014-15, £32,253) were paid to Council and Committee members. The only benefits are home to office travel and expenses claimed by Council and Committee members, which are covered by a PAYE Settlement Agreement with HMRC.

The fees for the period 1 April 2015 to 31 March 2016 for Council members paid and accrued were as follows:

Council/Committee member	Council and Committee attendance	2015–16			2014–15			
		Number of days	Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000	
Elaine Buckley <sup>1</sup>	Council (Chair from 1 July 2015)	14/14	N/A	50-55	15.3	36	10–15	0.8
	Education and Training	1/1						
	Remuneration	1/1						
Mary Clark-Glass (to 31 December 2014)			-	-	-	36	10–15	15.3
Stephen Cohen (from 1 January 2015)	Council	14/14	23	5-10	-	6	0–5	-
	Audit	2/2						
John Donaghy (to 31 December 2014)			-	-	-	21	5–10	1.0
Maureen Drake (from 1 January 2016)	Council	4/4	7	0-5	1.9	-	-	-
	Education and Training	0/1						

## Accountability report: remuneration and staff report

Council/Committee member	Council and Committee attendance	2015-16			2014-15			
		Number of days	Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000	
Sheila Drayton (to 31 December 2014)		-	-	-	19	5-10	2.2	
Anna van der Gaag	Council (Chair to 30 June 2015)	4/4	74	20-25	1.2	220	65-70	8.4
Richard Kennett	Council Audit (Chair)	11/14 4/4	27	5-10	1.0	34	10-15	0.4
Sonya Lam <sup>2</sup> (from January 2014)	Council Education and Training PLG <sup>4</sup>	13/14 3/4 4/4	27	5-10	3.2	15	0-5	-
Eileen Mullan (from 1 January 2015)	Council Education and Training Audit	13/14 5/5 0/1	23	5-10	5.3	4	0-5	0.1
Joanna Mussen (from 1 January 2015)	Council Education and Training	14/14 5/5	27	5-10	5.8	9	0-5	0.1
Julie Parker (from October 2014)	Audit	4/4	6	0-5	0.2	6	0-5	0.2
Keith Ross (to 31 December 2014)		-	-	-	44	10-15	1.8	
Robert Templeton	Council Remuneration	12/14 1/1	33	10-15	0.2	32	5-10	0.3
Graham Towl <sup>3</sup> (from January 2014)	Council Education and Training Audit	9/14 0/1 0/1	11	0-5	3.1	17	5-10	0.4
Joy Tweed	Council Education and Training (Chair) Remuneration PLG <sup>4</sup>	14/14 4/5 1/1 4/4	34	10-15	0.3	47	10-15	0.4
Nicola Wood (from January 2014)	Council	13/14	17	5-10	1.2	25	5-10	0.7
Stephen Wordsworth	Council Education and Training PLG <sup>4</sup>	13/14 5/5 4/4	25	5-10	3.7	8 34	0-5 10-15	- -

1. The fees payable for Elaine Buckley's services as Chair of Council are fixed under the secondment agreement with Sheffield Hallam University, not variable according to the number of days actually worked. Under the agreement, Ms Buckley is anticipated to work approximately 3 days per week to fulfil her role as Chair. Ms Buckley's remuneration disclosed in the table includes £52,425 payable under the secondment agreement and fees in the band £0k to £5k paid to her directly before she became Chair. Prior to being appointed as Chair, Ms Buckley has been acting as a registrant member of the Council.
2. Sonya Lam's remuneration is accrued and paid to NHS Education for Scotland.
3. Graham Towl's remuneration in 2014-15 includes payments of £1,240 to Durham University.
4. PLG – Professional Liaison Group, Standards of Education and Training Review.

## Accountability report: remuneration and staff report

### Key

The third column indicates the number of meetings attended out of the total number of meetings that took place in 2015–16 whilst the Council Member was a member of that Committee

Chair: Indicates Chair of that Committee

The remuneration information in this table was subject to audit.

### Remuneration of the Chief Executive and Executive Management Team

The Chief Executive's post is the equivalent of Senior Civil Service (SCS) pay band 3. The nine other Executive Management Team posts are the equivalent of SCS pay band 1. There are no other SCS-equivalent posts outside the Executive Management Team. The salary 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.

The Remuneration Committee in March 2015 comprised Anna van der Gaag (Chair), Robert Templeton and Joy Tweed. In March 2016, the Committee comprised Elaine Buckley (Chair), Robert Templeton and Joy Tweed.

In the HCPC's remuneration package, the most significant item is salary. No performance bonuses are payable to any employee and no EMT members are on fixed-term contracts. The Chief Executive and the EMT are members of the Friends Life pension scheme, which is a stakeholder, defined contribution scheme to which the HCPC contributes. The employer contribution levels are 16.5 per cent of pensionable salary for employee contracts pre-dating May 2007 and 7 per cent of salary for employee contracts dated May 2007 onwards, subject to an employee contribution of at least 3 per cent of salary.

The Chief Executive and Registrar's contract of employment requires a termination notice period of six months by the employee and twelve months by the employer. The remaining EMT members' contracts require a termination notice period of variously three or six months to be given by the employer or the employee after the probationary period. No awards were made in respect of early termination to past EMT members.

### Chief Executive and Registrar's remuneration

The Chief Executive and Registrar is Marc Seale. His remuneration was as follows:

	<b>2015–16</b>	<b>2014–15</b>
Salary	£185,867	£180,453
Taxable benefits	£3,725	£3,798
Total remuneration	£189,592	£184,251
Employer's pension contributions	£30,668	£29,774

## Accountability report: remuneration and staff report

### EMT remuneration

The salaries paid to EMT members other than the Chief Executive were as follows:

Name	Position	2015–16		2014–15	
		Salary £'000	Employer's pension contribution £'000	Salary £'000	Employer's pension contribution (restated) £'000
John Barwick <sup>1</sup>	Acting Director of Fitness to Practise (from January 2015 to December 2015)	65-70	0-5	35-40	0-5
Guy Gaskins	Director of Information Technology	85-90	5-10	85-90	5-10
Andy Gillies	Director of Finance	80-85	5-10	80-85	0-5
Abigail Gorringe <sup>2</sup>	Director of Education	75-80	15-20	70-75	15-20
Michael Guthrie	Director of Policy and Standards	80-85	10-15	80-85	10-15
Teresa Haskins	Director of Human Resources	85-90	5-10	80-85	5-10
Kelly Holder <sup>1</sup>	Director of Fitness to Practise	65-70	15-20	105-110	15-20
Jacqueline Ladds	Director of Communications	80-85	5-10	75-80	5-10
Louise Lake <sup>3</sup>	Director of Council and Committee Services	60-65	0-5	50-55	0-5
Greg Ross-Sampson	Director of Operations	95-100	5-10	90-95	5-10

1. Kelly Holder was on leave from January 2015 until December 2015 and during this time John Barwick was Acting Director of Fitness to Practise. His acting up allowance commenced in November 2014. Kelly Holder's FTE salary for 2015-16 was in the band of £105k-£110k.

2. Abigail Gorringe's FTE salary for 2015-16 was in the band of £95k-£100k (2014-15: £95k-£100k).

3. Louise Lake's FTE salary for 2015-16 was in the band of £70k-£75k (2014-15: £70k-£75k).

No benefits-in-kind were paid to EMT members during the year, except for the Chief Executive. The EMT employer's pension contributions are paid into the Friends Life pension scheme.

The information in the above tables was subject to audit.



## Accountability report: remuneration and staff report

### Fair pay disclosures

The Chief Executive and Registrar is the highest paid executive and employee. The ratio of his remuneration to the median salaries, and the range of employee remuneration, is as follows:

	2015–16	2014–15
Remuneration band of highest paid executive (£'000)	£185-£190	£180-£185
Median total	£30,900	£27,200
Remuneration ratio	6.1	6.8
Range of remuneration: difference between highest and lowest paid employee (full time equivalent, excluding apprentices, £'000)	£165-£170	£160-£165

### Employee numbers and costs

Employee numbers and costs are shown in note 4 to the financial statements on page 41, together with the cost of agency and contract workers. Sickness absence data is shown in the Directors' report section of the Accountability report, under the heading Health and safety on page 13. An analysis of Council members and employees by gender and a description of our policies in relation to the employment of disabled persons are given in the Directors' report section of the Accountability report, under the heading Equality and diversity, on page 14.

## **Accountability report: statement of responsibilities of the Accounting Officer**

Under the Health and Social Work Professions Order 2001, the Privy Council has directed the Health and Care Professions Council to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of the Health and Care Professions Council and of its net expenditure, application of resources, changes in reserves and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to take into consideration the accounting principles and disclosure requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Privy Council including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Privy Council has appointed the Chief Executive as Accounting Officer of the Health and Care Professions Council. The responsibilities of the Accounting Officer for keeping proper records and for safeguarding the Health and Care Professions Council's assets, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, are set out in Managing Public Money published by HM Treasury.

**Elaine Buckley**  
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 and Care Professions Council for the year ended 31 March 2016 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 and staff report that is described in that report as having been audited.

### **Respective responsibilities of the Council, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Accounting Officer are 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, certify and report on the financial statements in accordance with the Article 46(5) of the Health and Social Work Professions Order 2001. 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 and Care Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Care Professions Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 recorded in the financial statements 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 and Care Professions Council's affairs as at 31 March 2016 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the Privy Council directions issued thereunder.

### Opinion on other matters

In my opinion:

- the parts of the Remuneration and staff report to be audited have been properly prepared in accordance with the Privy Council directions made under the Health and Social Work Professions Order 2001; and
- the information given in the Performance report and Accountability 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and staff report to be audited are not in agreement with the accounting records and 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.

**Sir Amyas C E Morse**                      **Date**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Income</b>			
Fee income	2	28,310	26,302
Other income		-	1
<b>Total operating income</b>		<b>28,310</b>	<b>26,303</b>
Staff costs	4	10,539	9,636
Depreciation and amortisation		822	762
Other expenditure	6	16,926	15,739
<b>Total operating expenditure</b>		<b>28,287</b>	<b>26,137</b>
<b>Surplus for the year after operational costs</b>		<b>23</b>	<b>166</b>
Income received from the Department of Health		-	186
Costs relating to revalidation research		-	(44)
Costs relating to regulation of Public Health Specialists		-	(64)
Investment income	3	163	132
Reversal of previous impairments on land and buildings	8	267	80
Impairment of intangible assets	9	(11)	-
<b>Surplus on ordinary activity before taxation</b>		<b>442</b>	<b>456</b>
Taxation	7	(28)	(15)
<b>Retained surplus for the year</b>		<b>414</b>	<b>441</b>
<b>Other comprehensive net income</b>			
Revaluation gain on freehold property	8	486	104
<b>Total comprehensive net income</b>		<b>900</b>	<b>545</b>

The notes on pages 37 to 47 form part of these financial statements.

The operating surplus for the year arises from the HCPC's continuing operations.

**Statement of financial position as at 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	5,091	3,698
Intangible assets	9	1,363	1,507
<b>Total non-current assets</b>		<b>6,454</b>	<b>5,205</b>
<b>Current assets</b>			
Trade and other receivables	10	1,598	758
Short term deposits		9,520	8,520
Cash and cash equivalents	11	8,095	9,528
<b>Total current assets</b>		<b>19,213</b>	<b>18,806</b>
<b>Total assets</b>		<b>25,667</b>	<b>24,011</b>
<b>Current liabilities</b>			
Trade and other payables	12	(2,332)	(2,957)
Deferred income	13	(18,800)	(17,332)
<b>Total current liabilities</b>		<b>(21,132)</b>	<b>(20,289)</b>
Liabilities greater than one year	14	(74)	(161)
<b>Assets less liabilities</b>		<b>4,461</b>	<b>3,561</b>
<b>Reserves</b>			
General reserve		3,871	3,457
Revaluation reserve		590	104
		<b>4,461</b>	<b>3,561</b>

The notes on pages 37 to 47 form part of these financial statements.

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

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

**Cash flow statement for the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Surplus from operating activities		23	166
Regulation of Public Health Specialists		-	(64)
Costs relating to revalidation research		-	(44)
Depreciation and amortisation	8 and 9	822	762
(Increase) in trade and other receivables	10	(840)	(133)
(Decrease)/increase in trade payables	12	(631)	650
Increase in deferred income	13	1,468	1,517
(Decrease) in liabilities greater than one year	14	(87)	(105)
<b>Net cash inflow from operating activities</b>		<b>755</b>	<b>2,749</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(931)	(165)
Purchase of intangible assets	9	(398)	(875)
Acquisition of short term deposits		(1,000)	(20)
Investment income	3	163	132
<b>Net cash flows from investing activities</b>		<b>(2,166)</b>	<b>(928)</b>
<b>Taxation</b>	7 and 12	<b>(22)</b>	<b>(17)</b>
<b>Cash flows from financing activities</b>			
Income from the Department of Health	17	-	186
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>186</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>(1,433)</b>	<b>1,990</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>9,528</b>	<b>7,538</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>8,095</b>	<b>9,528</b>

The notes on pages 37 to 47 form part of these financial statements.

## Statement of reserves for year ended 31 March 2016

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
<b>Balance at 1 April 2014</b>		-	3,016	3,016
Surplus for the year		-	441	441
Gain on revaluation of the property		104	-	104
<b>Balance at 31 March 2015</b>		<b>104</b>	<b>3,457</b>	<b>3,561</b>
Surplus for the year		-	414	414
Gain on revaluation of the property	8	486	-	486
<b>Total recognised income and expense for the year</b>		<b>486</b>	<b>414</b>	<b>900</b>
<b>Balance at 31 March 2016</b>		<b>590</b>	<b>3,871</b>	<b>4,461</b>

The notes on pages 37 to 47 form part of these financial statements.



## Notes to the financial statements for the year ended 31 March 2016

### 1 Accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with the 2015–16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial 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 HCPC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HCPC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of land and buildings.

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

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure in respect of new IFRS, amendments and interpretations that are, or will be applicable after the accounting period. Standards, amendments and interpretations issued by the International Accounting Standards Board but not yet effective that have not been early adopted, and which are relevant to HCPC are:

- IFRS 16 – Leases was issued in January 2016. Subject to the FReM, HCPC will first be required to apply it in the 2019-20 financial statements, although earlier adoption may be permitted. IFRS 16 will require the recognition of all leases on balance sheet, including leases for rented office space. A lease liability and the related right of use asset will be recognised at the present value of the lease payments payable over the lease term. This will be a change of accounting treatment with a material impact on HCPC's financial statements when it is adopted in due course.

#### Going concern

The Council has reviewed the budget and work plans for the year ending 31 March 2017, and the 5 year plan for the period ending 31 March 2021. The Council considers that it is appropriate to prepare the Statement of financial position on a going concern basis.

#### Accounting judgement and estimation

Estimates and the underlying assumptions are reviewed on a regular basis by the Council. Areas of significant judgement made by management are:

- IAS37 – Provisions: judgement is made on the best estimate that can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.
- IAS38 - Intangible Assets: note 9 shows the HCPC's intangible assets. Recognition and measurement of Intangible Assets is in line with IAS38.
- IAS36 – Impairments: the Council makes judgements on whether there are any indications of impairments to the carrying amounts of the HCPC's assets.
- IAS16 – Property, Plant and Equipment: judgement is made on fixed asset lives, revaluation of land and buildings and the capitalisation threshold as discussed below.

#### 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.

## Financial statements

Valuations are performed frequently enough to ensure that the fair value of a revalued 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. This is done 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. It is done with a minimum interval of five years, and more frequently if open market values are considered to be volatile. The latest valuation was as at 31 March 2016. 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 revalued amount of the buildings.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. The HCPC's plant and equipment assets are relatively low value items with short useful lives. 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. Individual assets costing £5,000 or more are capitalised and subsequently depreciated. During 2015-16 the capitalisation threshold was increased from £1,000 to £5,000. The effect of the change was to increase operating expenditure by £50,328 compared to the amount that would have been recorded using the previous capitalisation threshold of £1,000. Assets purchased in previous years which had a cost below the £5k threshold were written off. This resulted in an additional £69,437 charge in 2015-16, which has gone through the accounts as accelerated depreciation.

Property, plant and equipment assets 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 2016 is as follows.

- Freehold buildings – over 50 years.
- Office furniture and equipment – over four years.
- Computer equipment – over three years.
- Leasehold improvements – over the shorter of the remaining term of the lease or the expected useful life

The carrying value of non-current assets is assessed annually and any impairment is charged to the Statement of comprehensive net expenditure. 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 registration system, finance software, fitness to practise case-management system, education system, email system and human resources systems 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 statements

### Financial instruments: Financial assets

The HCPC 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 instruments: Financial liabilities:

The HCPC 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.

**Currency, liquidity and interest rate risk.** Refer to note 19 of the financial statements.

**Provisions.** A provision is recognised in the Statement of financial position when the HCPC 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.

### Pensions

The HCPC contributes to a defined contribution pension scheme on behalf of its employees. HCPC contributions are expensed to the Statement of comprehensive net expenditure on an accruals basis. There are no unfunded employee benefit arrangements.

### Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the HCPC 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 pre-registration 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 16 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 six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the balance sheet date. However, under HCPC's fees and refunds policies, refunds are only payable for complete unused years, so any refunds in relation to the deferred income balance will only be paid within the next 12 months. Therefore HCPC does not split its deferred income balance between current and non-current liabilities.

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

### Value Added Tax

The HCPC is not registered for VAT so no input VAT on purchases is recoverable and expenditure is stated including input VAT where applicable.

## Financial statements

### Leases

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

### Foreign currency

The presentational and functional currency of the HCPC is pounds sterling. There are no material transactions or balances denominated in foreign currency.

### Taxation

Corporation tax is payable on HCPC's investment income only.

<b>2 Fee income by profession</b>		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Arts therapists		286	273
Biomedical scientists		1,923	1,797
Chiropodists / podiatrists		1,057	1,028
Clinical scientists		430	413
Dietitians		776	709
Hearing aid dispensers		197	170
Occupational therapists		3,099	2,785
Operating department practitioners		992	926
Orthoptists		108	104
Paramedics		1,907	1,608
Physiotherapists		4,349	4,093
Prosthetists / orthotists		82	78
Practitioner psychologists		1,761	1,620
Radiographers		2,630	2,410
Social workers in England		7,456	7,106
Speech and language therapists		1,257	1,182
		<b>28,310</b>	<b>26,302</b>
<b>3 Investment income</b>		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Bank deposit interest		163	132
<b>4 Staff costs</b>		<b>2016</b>	<b>2015</b>
		<b>Total</b>	<b>Total</b>
	<b>Permanent staff</b>	<b>Others</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,872	272	8,144
Social Security costs	850	24	874
Pension costs	539	5	544
Temporary staff costs	-	782	782
Other payroll expense including recruitment costs	28	167	195
	<b>9,289</b>	<b>1,250</b>	<b>10,539</b>
			<b>9,636</b>

## Financial statements

The average number of full time equivalent (FTE) permanent employees during the year was 228 (2014–15, 215). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 27 (2014–15, 23).

### 5 Pension funding arrangements

The Friends Provident Scheme is a designated stakeholder, defined contribution scheme and HCPC's auto-enrolment staging date was 1 April 2014. At 31 March 2016, there were 208 active members in the pension scheme (2015, 196 active members). During the financial year to 31 March 2016, the HCPC contributed £544k to the pension scheme (2015, £486k).

<b>6 Other operating expenditure</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Professional services	5,657	5,621
Partners	4,303	4,288
Office services	1,791	1,720
Computer services	1,137	955
Communications	703	497
Other departmental costs	839	740
Property services	1,009	818
Projects	471	626
Council and Committee expenses	221	252
Travel and subsistence	206	222
PSA levy	589	-
	<u>16,926</u>	<u>15,739</u>

Partners are HCPC registrants, members of the public and legal professionals who contribute their expertise to the HCPC and play important roles in the regulatory process. There are a number of partner roles including CPD assessors, Legal assessors, Panel chairs, Panel members, Registration assessors and Visitors.

Because HCPC is not registered for VAT, other operating expenditure includes irrecoverable VAT of approximately £1.9m in 2015-16 and £1.7m in 2014-15.

<b>Operating expenditure includes:</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	39	39
• Internal audit – Grant Thornton LLP in 2015-16; Mazars LLP in 2014-15	24	23
• Other non-audit services – Grant Thornton	36	-
Operating lease rentals:		
• Land and buildings	345	118
	<u>345</u>	<u>118</u>

<b>7 Taxation on investment income</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on taxable income for the year	28	26
Adjustment for prior year over accrual	-	(11)
Tax charge for the year :	<u>28</u>	<u>15</u>

## Financial statements

8 Property, plant and equipment 2015–16	Freehold land	Freehold properties	Leasehold improvement	Office furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2015	1,700	1,700	77	253	561	4,291
Additions	-	22	789	3	118	932
Disposals	-	-	-	-	(1)	(1)
Adjustment on change of capitalisation threshold	-	-	-	(129)	(216)	(345)
Revaluation <sup>1</sup>	370	348	-	-	-	718
At 31 March 2016	2,070	2,070	866	127	462	5,595
Depreciation:						
At 1 April 2015	-	-	34	211	348	593
Charge for the year	-	34	64	37	156	291
Disposals	-	-	-	-	(1)	(1)
Adjustment on change of capitalisation threshold	-	-	-	(129)	(216)	(345)
Reversal on revaluation <sup>1</sup>	-	(34)	-	-	-	(34)
At 31 March 2016	-	-	98	119	287	504
Net book value:						
At 31 March 2016	2,070	2,070	768	8	175	5,091
At 31 March 2015	1,700	1,700	43	42	213	3,698

1. Net revaluation gains for 2015-16 amounts to £684k, of which £267k related to gains on revaluation of 186 Kennington Park Road and the reversal of depreciation charges; and £486k related to revaluation of 184 Kennington Park Road and 20-26 Stannary Street.

HCPC's offices in London are Park House, comprising the land and buildings of 184 Kennington Park Road; the adjoining land and buildings of 20–26 Stannary Street; 186 Kennington Park Road; 33 Stannary Street; and our fitness to practise tribunal hearings rooms at 405 Kennington Road. Park House and 186 Kennington Park Road are freehold, and are included in note 8 at valuation, as described below. 33 Stannary Street and 405 Kennington Road are held on short leases so the values are not included in note 8, except in relation to leasehold improvements made by the HCPC.

## Financial statements

### Freehold properties

The valuations of the freehold land and buildings were made on 31 March 2016 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 Sixth Edition. Stiles Harold Williams did not believe that there was a material difference between existing use value and the market value of the properties.

#### Park House including 20-26 Stannary Street

Park House was valued at £2.57m. The historic cost of the Park House property is £1,797,624 (2015, £1,797,624).

#### 186 Kennington Park Road

186 Kennington Park Road was valued at £1.57m. The historic cost, including fees, was £1,839,380 (2015 – £1,817,510).

### Historic documents and papers

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

Property, plant and equipment 2014–15	Freehold land	Freehold properties	Leasehold improvement	Office furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2014	1,593	1,593	77	281	466	4,010
Additions	–	30	–	8	127	165
Disposals	–	–	–	(36)	(32)	(68)
Revaluation	107	77	–	–	–	184
At 31 March 2015	1,700	1,700	77	253	561	4,291
Depreciation:						
At 1 April 2014	–	–	15	217	287	519
Charge for the year	10	20	19	27	93	169
Disposals	–	–	–	(33)	(32)	(65)
Reversal on revaluation	(10)	(20)	–	–	–	(30)
At 31 March 2015	–	–	34	211	348	593
Net book value:						
At 31 March 2015	1,700	1,700	43	42	213	3,698
At 31 March 2014	1,593	1,593	62	64	179	3,491

## Financial statements

### 9 Intangible assets

	Software licences	*Other systems	Education system	Fitness to practise case management system	Registration system	Total
<b>2015–16</b>						
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2015	426	287	817	1,048	3,597	6,175
Additions	39	90	128	-	141	398
Impairment	-	-	-	-	(11)	(11)
At 31 March 2016	465	377	945	1,048	3,727	6,562
Amortisation:						
At 1 April 2015	288	2	23	1,048	3,307	4,668
Charge for the year	91	45	297	-	98	531
At 31 March 2016	379	47	320	1,048	3,405	5,199
Net book value:						
At 31 March 2016	86	330	625	-	322	1,363
At 31 March 2015	138	285	794	-	290	1,507
<b>2014–15</b>						
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2014	369	133	358	1,048	3,456	5,364
Additions	57	218	459	-	141	875
Disposals	-	(64)	-	-	-	(64)
At 31 March 2015	426	287	817	1,048	3,597	6,175
Amortisation:						
At 1 April 2014	179	64	-	699	3,167	4,109
Charge for the year	109	2	23	349	140	623
Disposals	-	(64)	-	-	-	(64)
At 31 March 2015	288	2	23	1,048	3,307	4,668
Net book value:						
At 31 March 2015	138	285	794	-	290	1,507
At 31 March 2014	190	69	358	349	289	1,255

\*Other systems include HR and Partners, Finance and Electronic mail systems.



## Financial statements

<b>10 Trade and other receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	1,529	644
Other receivables	69	114
	<u>1,598</u>	<u>758</u>

All debtors are current and there are no amounts which are past due date. Prepayments have increased relative to 2015 because the PSA levy for 2016-17 was paid in March 2016. The main element of the other receivables relates to employee season-ticket loans. There are no impaired financial assets.

<b>11 Cash and cash equivalents</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	9,528	7,538
Net change in cash	(1,433)	1,990
Balance at 31 March	<u>8,095</u>	<u>9,528</u>

<b>12 Trade payables and other current liabilities</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	28	22
Other taxation and social security	248	289
Trade and other payables	507	965
Accruals	1,549	1,681
	<u>2,332</u>	<u>2,957</u>

<b>13 Deferred income</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Renewal fees in advance	<u>18,800</u>	<u>17,332</u>

Registrants are required to pay the renewal fee in advance and, as described in note 1 above, have the choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the balance sheet date. At 31 March 2016, approximately £1.2m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2017, which will be recognised as income in the financial year 2017-18.

<b>14 Liabilities greater than one year</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Federated Flexiplan pension scheme liability	<u>74</u>	<u>161</u>

The Federated Flexiplan No.1 ("the Plan") is a defined benefit pension scheme which was one of the HCPC's main pension schemes until 2007. There have been no active HCPC employees contributing to the Plan since 2009, and the Plan closed to further accrual of benefits in January 2010, but the Plan still pays pensions to a number of retired former HCPC employees.

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The Plan is in deficit and the Trustee of the Plan has implemented recovery plans to recover the deficit from the participating employers. The HCPC has provided fully for its contributions payable under previous recovery plans, and is paying its share in annual instalments, so the Plan will now only have an effect on HCPC's Statement of comprehensive net expenditure if the future instalments payable by the HCPC are changed, for example in response to new actuarial valuations of the Plan.

The latest actuarial valuation of the Plan was at 31 March 2015. At the valuation date, the value of the assets of the Plan was £83.9 million and the value of the Plan's liabilities was £88.8 million indicating a deficit of £4.9 million.

The HCPC paid contributions of £47k during 2015-16. Following the latest actuarial valuation, an updated recovery plan was put into place. Under this recovery plan, the HCPC's contributions are now £47k for 2016-17 and £38k per annum for the two years 2017-18 and 2018-19. No other contributions are due from HCPC. The new recovery plan represents a reduction in the total contributions payable by the HCPC, relative to the previous recovery plan, and £40k has been released from the liability to the Statement of comprehensive net expenditure during 2015-16.

The next formal triennial actuarial valuation is due at 31 March 2018. The contribution rate will be reviewed as part of each valuation.

### 15 Operating leases

The HCPC holds operating leases for the rental of office space at 33 Stannary Street and hearings rooms and office space at 405 Kennington Road. The leases on 33 Stannary Street were renewed for a twelve year term from February 2016 to February 2028, with an option for the HCPC to determine the leases in August 2017. The lease on 405 Kennington Road began in December 2015 and runs for twelve years to December 2027, with an option for the HCPC to determine the lease in December 2021. The total future minimum lease payments under the leases are:

			2016		2015
	£'000	£'000	£'000	£'000	£'000
Payments due:	Kennington Road	Stannary Street	Total	Stannary Street	Total
In less than one year	748	136	884	99	99
In the second to fifth years	2,990	52	3,042	75	75
After more than five years	498	-	498	-	-
	<u>4,236</u>	<u>188</u>	<u>4,424</u>	<u>174</u>	<u>174</u>

### 16 Capital commitments

The HCPC had the following authorised and contracted capital commitments at the year end:

	2016	2015
	£'000	£'000
Education system build project	15	54
HR and Partners system build project	304	62
Registration transformation and improvement project	653	-
	<u>972</u>	<u>116</u>

## Financial statements

In addition, capital commitments authorised by the Council but not contracted as at the year end were as follows:

	2016 £'000	2015 £'000
405 Kennington Road fit out	-	834
HR and Partners system build project	-	320
Registration transformation and improvement project	197	482
Refurbishment of 186 Kennington Park Road	573	-
Other projects	696	693
IT and office equipment	84	151
	1,550	2,480

### 17 Related-party transactions

The HCPC's sponsor is the Privy Council Office, with which no financial transactions took place. The HCPC periodically receives grants or fees from the Department of Health. None were received during 2015-16; in 2014-15, the HCPC received grants and fees from the Department of Health of £186k related to the regulation of public health specialists and applications from Australian paramedics.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £160,215 (2014-15, £179,335) were accrued and paid to 14 members, including one non-Council Committee member (2014-15, 17 members).

### 18 Post statement of financial position events

The financial statements were authorised for issue by the Accounting Officer and by the Chair on behalf of the Council on 6 July 2016.

### 19 Financial instruments

The details of the various categories of financial assets are outlined in note 10 (Trade receivables). The details of the various categories of financial liability are outlined in note 12 (Trade payables and other current liabilities).

The HCPC 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 HCPC currently has no borrowings and relies primarily on fees for its cash requirements. Based on its reserves policy, HCPC 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 HCPC complied with its reserves policy at all times during the year. The policy is to hold a minimum level of cash equivalent to three months of operating expenditure. The reserves policy was reviewed and approved by Council on 15 May 2014. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC 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

The HCPC currently has no borrowings. Registrants pay fees in advance for up to two years. Surplus funds are held in accordance with the investment policy in order to obtain interest income, but HCPC does not rely on interest income to fund its operations, so interest rate risk is not significant.

## Accounts determination



### **The Accounts Determination given by the Privy Council under section 46 of the Health Professions Order 2001**

Their Lordships make the following determination in exercise of powers conferred by section 46 of the Health Professions Order 2001.

This determination has effect from 27<sup>th</sup> August 2015:

#### **Interpretation**

In this determination-

- “the accounts” means the statement of accounts which it is the Council’s duty to prepare under section 46(1) of the Health Professions Order 2001;
- “the Council” means the Health and Care Professions Council;
- “the FReM” means the edition of the Government Financial Reporting Manual issued by H M Treasury which is in force for the relevant calendar year.

#### **Determination**

The Council must prepare accounts for each calendar year. In preparing its accounts the HCPC should take into consideration the accounting principles and disclosure requirements of the FReM.

The accounts must be prepared so as to:

- Give a true and fair view of the state of affairs as at year end and of the income and expenditure, total recognised gains and losses, and cash flows of the HCPC for the calendar year then ended; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

This determination is to be reproduced as an appendix to the published accounts.

The accounts direction issued 21<sup>st</sup> May 2003 is hereby revoked.

Signed by the authority of the Privy Council

Signed: Ceri King

Dated: 27 August 2015