

Audit Committee, 24 June 2014

Draft Annual Report and Accounts 2013-14

Executive summary and recommendations

**Introduction**

The draft Annual Report and Accounts for the year ended 31 March 2014 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 8 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 2013-14

**Date of paper**

10 June 2014

## 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 Communications team, the Executive, the HCPC's legal counsel and the NAO. The draft accounts have been reviewed by 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 11 to 19), the NAO's Audit Completion Report (agenda item 8)

In approving the Annual Report and Accounts, the Council are required to consider whether the HCPC is a going concern. The draft Annual Report and Accounts (note 1, accounting policies, sub-heading "going concern", page 33) states that the Council have concluded that the HCPC is a going concern having reviewed the 5 year plan (financial forecast) for the period to 31 March 2019. The 5 year plan will be presented to the Council at the July meeting, coming before approval of the accounts on the agenda. The Audit Committee have not yet seen the 5 year plan, so the Audit Committee's recommendation to the Council in relation to the accounts is subject to the Council's review of the 5 year plan.

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

The text within the Management Commentary, Governance Statement and Remuneration Report has been reordered so as to make it flow more logically.

The key operating and financial statistics now include budgeted/forecast data for 2014-15 as well as actual data for the preceding 4 years.

The remuneration report now includes the salaries of the Executive Management Team, in order to comply with new guidance issued by the Information Commissioner's Office to health sector regulators on Freedom of Information Act compliance.

## Reconciliation to month 12 management accounts

The income and expenditure and balance sheet totals in the draft Annual Report are the same as in the month 12 management accounts, except as follows.

|   | Statutory<br>accounts<br>£000 | Month 12<br>M'gmt<br>accounts<br>£000 | Difference<br>£000 | Reason                                   |
|---|-------------------------------|---------------------------------------|--------------------|--|
| <b>Total operating income</b>             | <b>25,152</b>                 | <b>25,151</b>                         | <b>1</b>           | Rounding                                 |
| Staff costs                               | 8,343                         | 8,349                                 | -6                 | DoH secondment                           |
| Depreciation                              | 720                           | 719                                   | 1                  | Rounding                                 |
| Other expenditure                         | 14,631                        | 14,632                                | -1                 | Rounding                                 |
| <b>Total operating expenditure</b>        | <b>23,694</b>                 | <b>23,700</b>                         | <b>-6</b>          |  |
| DoH secondment                            |                               | 6                                     | -6                 | Netted off staff costs                   |
| Investment income                         | 220                           | 220                                   | 0                  |  |
| Impairment of freehold land and buildings | -699                          | -882                                  | 183                | Fees for 186 KPR planning permission etc |
| Impairment of intangible assets           | -44                           | -44                                   | 0                  |  |
| Corporation tax                           | -27                           | -27                                   | 0                  |  |
| <b>Retained surplus</b>                   | <b>908</b>                    | <b>724</b>                            | <b>184</b>         |  |

In the month 12 management accounts, the £183k fees paid in the year on the 186 Kennington Park Road project were treated as part of the impairment charge on the property. Following discussion with the NAO, we have treated them as “assets under construction” in note 8 of the statutory accounts, not subject to the impairment charge.

The current phase of the 186 KPR project is developing options for the office and hearings accommodation of the HCPC, one of the options being the demolition and rebuilding of 186 Kennington Park Road. Work continues in order to bring the options to the Council for decision by the end of 2014-15, and a further £450k of fees are budgeted as capital expenditure in 2014-15 on the project.

The capital fees in 2014-15 will be added to the asset under construction already on the balance sheet at 31 March 2014, and depending on the option chosen by the Council, will either be written off in the 2014-15 accounts (if the decision is to sell 186 KPR or otherwise not proceed with the demolition and rebuild) or will form part of the capital cost of the construction of the new building.

The effect of the change, compared to the month 12 management accounts, is to reduce the impairment charge and increase the surplus by £184k, and increase non-current assets and reserves by £184k.

**Next steps (summarised from timetable, agenda item 19 of the Committee's 20 March meeting)**

|               |  |
|---------------|--|
| 1/2 July      | Review and anticipated approval of the Annual Report and Accounts by the Council |
| Around 4 July | Comptroller and Auditor General signs the audit report                           |
| 7-8 July      | Privy Council Office approval  |
| 7-11 July     | Preparation and proofing of the published version by TSO (The Stationery Office) |
| By 15 July    | Laying of the Annual Report and Accounts in Parliament                           |
| By 22 August  | Publication on HCPC website  |

The final stages of the timetable are quite compressed and fall in the peak period for public bodies laying their accounts in Parliament before the summer recess. It would be preferable to bring the audit process forward so as to enable earlier completion. We have had initial discussions with the NAO about the timing of their audit visits to enable this; the timing of the Audit Committee and Council meetings would also need to be brought forward.

Health and Care Professions Council  
Annual report and accounts 2013–14

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

The annual report provides us with an opportunity to reflect on the challenges and achievements of the year gone by, and the contribution made by our Council members, partners and employees to public protection. 2013–14 has been another busy year and we continue to be enormously grateful to all those who have ensured that we remain an effective regulator.

As in previous years, we have published a range of reports on aspects of our work, and we have continued to build the evidence base of regulation with colleagues from both within and outside of the regulatory world.

In November 2013 we published the outcomes of the first academic year of visits to social work programmes transitionally approved when the Register opened to social workers in England in August 2012. We visited 72 programmes at 20 education providers to make sure that they were meeting our standards. Towards the end of the year, two reports commissioned by government were published looking at social work education. These reflected continued discussion and debate both in the sector and beyond about the quality, funding and regulation of social work education from entry to the profession and onwards. We are committed to working closely with the sector to uphold and raise standards in the profession and to discuss the reports' recommendations. We are confident that our processes and standards are robust and able to complement both existing and future initiatives to drive up quality in regulated professions.

An important ongoing area of our work is ensuring that developments to our standards and processes are underpinned by evidence. In the coming year we will be convening a working group to help us in review our standards of conduct, performance and ethics. This work will be informed by a programme of activities we have undertaken over the last two years with a range of stakeholders to gather their feedback about the standards and how we can improve them. In particular, we are enormously grateful to the many service users of our registrants, and their carers, who have helped us with the review to date. Their engagement is vital in making sure our standards reflect what the public expect of their health and care professionals.

In January 2014 legislative reforms saw the Council reconstituted and we now have a smaller Council. The early signs are that these new arrangements are working very well. We would like to take this opportunity to thank those members who stood down from the Council for their unwavering commitment to our work.

At the end of the year the three UK Law Commissions published the outcomes of their review looking at reforms of the legislation of the nine regulators of health and care professionals. We are supportive of the Law Commissions' work in this area which we consider will help ensure that we have increased flexibility in delivering our role in the most effective way, whilst maintaining effective scrutiny and oversight of what we do.

**Anna van der Gaag**  
Chair

**Marc Seale**  
Chief Executive and Registrar

## **Management commentary**

### **Legislative and regulatory background to the Health and Care Professions Council**

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

As of 31 March 2014 we regulated approximately 322,000 individuals, known as registrants from the 16 professions 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 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”. Our principal functions are to establish standards of education and training, conduct and performance for members of the relevant professions and to ensure the maintenance of those standards. The Council ensures that arrangements are in place to enable it to implement its responsibilities effectively.

### **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 the Houses of Parliament. It follows the requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury. The Management Commentary section includes the matters to be dealt with in a Strategic Report and a Directors' Report as set out in the Companies Act 2006, as interpreted for the public sector context. The performance of the HCPC in our Education and Training and Fitness to Practice functions is set out in detail in separate reports which are published annually and are available from our website.



## Key operating statistics and financial commentary

The table below shows the key operating statistics for the five years to 31 March 2015.

|   | Actual<br>2010–11 | Actual<br>2011–12 | Actual<br>2012–13 | Actual<br>2013–14 | Budget/<br>forecast<br>2014-15 |
|---|-------------------|-------------------|-------------------|-------------------|--------------------------------|
| Total operating income £000s              | 16,928            | 17,419            | 20,152            | 25,152            | 26,013                         |
| Total operating expenditure £000s         | 16,257            | 17,322            | 20,049            | 23,694            | 25,359                         |
| Net operating surplus/(deficit) £000s     | 671               | 97                | 103               | 1,458             | 654                            |
| Retained surplus/(deficit) £000s          | 620               | (63)              | 7                 | 708               | (95)                           |
| Working capital £000s                     | 7,225             | 7,422             | 14,060            | 14,351            | 15,379                         |
| Total assets £000s                        | 13,098            | 14,199            | 20,701            | 21,591            | 24,625                         |
| Capital purchases £000s                   | 948               | 1,685             | 609               | 1,835             | 2,919                          |
| Average number of FTE permanent employees | 138               | 147               | 166               | 194               | 230                            |
| Number of registrants at year end         | 215,095           | 219,212           | *310,942          | 322,021           | 330,623                        |
| Average number of registrants             | 210,498           | 218,246           | *280,927          | 317,316           | 326,322                        |
| Fitness to practise allegations           | 759               | 925               | 1,653             | 2,069             | 2,150                          |
| Fitness to practise hearings**            | 673               | 732               | 565               | 694               | 1,100                          |

\* This includes 88,474 social workers in England who were transferred from the GSCC on 1 August 2012.

\*\* Excludes cases that were transferred from the GSCC

A list of the professions we regulate is available in note 2 of the financial statements.

Over the past four years, the number of professionals we regulate has grown by 57 per cent, including the transfer of 88,474 social workers in England from the GSCC to the HCPC on 1 August 2012, and the addition to our Register of practitioner psychologists in July 2009 and hearing aid dispensers in April 2010. 2013–14 was the first full year in which our Register included social workers in England. No new professions were added to the Register in 2013–14, but the numbers of professionals on the Register continued to grow, by just over 3.5 per cent overall.

The number of fitness to practise allegations is one of the main drivers of our costs, and the number received has grown more sharply over the past three years, from an average of 0.35 per cent of the Register in 2010–11 to 0.64 per cent of the Register in 2013–14. More information is available in the Fitness to practise annual report which can be found on the HCPC website.

Over the five year period our employee numbers, systems and budget have also grown to manage our increased workload. We are investing in our systems for our main functions – registration, fitness to practise case management and approval of education and training courses – in order to provide a high quality and efficient service to registrants and other stakeholders. Our online renewal system was launched in 2010 and is now used by 89 per cent of registrants to renew their registration.

These system improvements and economies of scale have enabled us to contain the growth in our costs and the fees charged to registrants, despite the significant increase in the number of fitness to practice allegations. The renewal fee has been £76 per year

since April 2009 and increases to £80 per year for professions renewing after 1 April 2014. We requested the increase (together with similar scale increases to our other fees) which was approved by the Privy Council following a consultation running from July to October 2013, to which we received 521 responses.

Many respondents to the consultation felt that an increase was unfair at a time when registrants had not seen their wages rise. We are sensitive to this and make every effort to manage our costs as efficiently as possible. However, the increase in fees is necessary in order to allow us to continue to work effectively, and to make the necessary investment in our systems. The £4 rise in the renewal fee is a 5.3 per cent increase, while over the five years since April 2009 the Consumer Prices Index has increased by nearly 16 per cent.

## **Financial review**

In 2013–14 income and operating expenditure have both increased relative to 2012–13, by 25 per cent and 19 per cent respectively. The increase in income from £20.2m to £25.2m reflects the full year effect of social workers in England joining our Register, together with an 11,079 net growth in underlying registrant numbers.

The increase in operating expenditure from £20m to £23.7m included a £1.1m increase in staff costs. The average number of full time equivalent employees grew from 166 in 2012–13 to 194. The additional staff were mainly taken on in the Registration and Fitness to Practise departments to handle the increased volume of work following from the transfer of social workers in England onto our Register. Within other expenditure, shown in note 6 to the accounts, the increases in professional services and partners are primarily the result of the increased caseload of Fitness to Practise cases.

With the increased fee rates and an expected further 3 per cent growth in registrant numbers, we have budgeted for income and expenditure of £26 million in 2014–15. The planned extra expenditure is mainly in staff costs. We plan to add a further 36 posts, again mainly in the Registration and Fitness to Practise departments. We have budgeted for capital expenditure of up to £2.9m, including investment in our registration, education and human resources systems.

The statement of financial position as at 31 March 2014 showed property, plant and equipment totalling £3.7m (2013, £3.3m) of which £3.2m 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 £1.3m (2013, £1.2m).

Cash at bank and on deposit was £16m (2013, £15.6m). The renewal fee is payable in advance, and our professions renew on a staggered basis through the year, so we normally hold a significant cash balance. This is balanced by deferred income in the statement of financial position and each month there is a draw down from deferred income into actual income.

## **Future developments**

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

- continuing the review of standards of proficiency which began in 2013–14, and beginning a review of the standards of conduct, performance and ethics;
- a review of our Fitness to Practise adjudication processes to ensure independence while also identifying potential efficiencies from the use of technology such as video conferencing;
- a review of our office and hearings accommodation in Kennington, London SE11, including options to redevelop 186 Kennington Park Road, which was purchased in April 2013;
- beginning a review of Registration Department processes and systems, including improvements we can make in the online renewal service available to Registrants; and
- completing the build and installation of a new system for managing the workload of the Education Department.

The government intends to bring a bill to Parliament to implement the recommendations of the Law Commissions' review of the legislation of the nine regulators of health and care professionals. The content and timing of the legislation is not yet known, but we will continue to work closely with the Department of Health and other stakeholders to manage any changes to our responsibilities effectively.

## **Principal risks and uncertainties**

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

- legislative changes affecting the scope of our work, for example a requirement to regulate a new profession;
- 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;
- business continuity risks, for example interruption to the electricity supply to our offices; or a postal strike; and
- financial risks such as budgetary overspends or errors leading to a shortage of funding, or the financial failure of a key supplier.

The HCPC's risk management processes are described in the Governance Statement on pages [15 to 16]. 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 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 our 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 specific policy 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. The minimum cash balance based on our 2014–15 budget is £6.3m. Each subsequent year's budget setting process will include and be informed by a recalculation of the minimum cash balance.

### **Investment policy**

Our investment policy was 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 Poors and Moody's.

### **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, continue 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 2013–14 was 1,227 (2012–13, 1,140). The average number of sick days per full time equivalent employee in 2013–14 was 6.32 days (2012–13, 6.87 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.

In 2013–14 activities relating to corporate and social responsibility have included:

- internal fundraising events to raise money for national charities;
- an internal campaign to collect donations for a local homeless charity;
- an internal campaign to collect suits for charities responsible for helping young people to find work experience;
- commencing volunteering work with a local garden farm;
- changing the supplier for our Christmas trees to a local employment charity that helps disadvantaged adults and young people find work;
- promoting breast health internally during breast cancer awareness month through news items on our intranet and an information stand in our communal area; and
- promoting national walk to work week.

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

### **Payment of suppliers**

86 per cent by value of purchase invoices were paid within 30 days (2012–13, 74 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2012–13 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.

The total number of Council members and employees, split by gender, as at 31 March 2014 is:

|                             | <b>Female</b> | <b>Male</b> |
|-----------------------------|---------------|-------------|
| Council members             | 7             | 5           |
| Executive Management Team   | 5             | 5           |
| All employees including EMT | 127           | 81          |

## **Cross Departmental Group**

The Cross Departmental Group (CDT) is made up of a manager representative from each department at the HCPC. The Group meets once a month and its main purpose is to share information across the organisation. This is then fed back to each department. The group also receives regular updates from the Corporate Social Responsibility 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 (ICE) regulations 2004, we 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 employees. The Group is made up of three management representatives (Chief Executive, Director of Human Resources and a member of the Cross Department Group) and seven employee representatives. The employee representatives and CDT representative are elected every two years.

During 2013–14 four meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about:

- pensions auto enrolment;
- updates on major projects and office accommodation;
- employee policies, including the new Information Technology policy; and
- equality and diversity, including provision of a prayer / meditation room.

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## **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, takes 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 HM Treasury Corporate Governance Code of Good Practice 2011 to the extent that it is practical and appropriate.

### **The Council**

The Council provides leadership and oversight for the HCPC. The Council operates collectively, concentrating on advising 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 Team on the activities of the HCPC at each meeting, including information on its operations, finances and human resources issues. This information is adequate to inform Council and to enable the members to discuss the issues arising.

The Health and Care Professions Council (Constitution) Order 2009 was amended with effect from 1 January 2014 to reduce the size of the Council from twenty to 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 was carried out by the HCPC on behalf of the Privy Council (which makes the appointments), with the oversight of the Professional Standards Authority for Health and Social Care. The members as at 31 March 2014 and at the date of this report were as follows:

#### **Registrant members**

Anna van der Gaag (Chair)  
Elaine Brookes  
John Donaghy  
Sonya Lam  
Robert Templeton  
Graham Towl

#### **Lay members**

Mary Clark-Glass  
Sheila Drayton  
Richard Kennett  
Keith Ross  
Joy Tweed  
Nicola Wood

The Council was appointed from 1 January 2014. This includes the Chair who continues in post until the end of her term of appointment in July 2015. Members' attendance at Council meetings during 2013–14 is shown in the table on pages [\[20 to 22\]](#).

### **Council performance and effectiveness**

The performance review system for individual Council members was agreed by the Council in 2010. 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 collective performance is carried out annually as part of the Council's strategy workshops. Committee members and Committee chairs are invited to provide 180-degree feedback. This gives Council the opportunity to reflect on collective performance at a strategic level and against the objectives set out in the Council's strategic intent document. The Chair then presents a report to Council, outlining the conclusions from the 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 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. No Council members sit on these Panels.

The Council has also established non-statutory committees, which are currently made up of Council members only. During the year, the non-statutory committees were:

- the Audit Committee;
- the Finance and Resources Committee
- the Remuneration Committee; and
- the Fitness to Practise Committee.

With effect from 1 January 2014, the Finance and Resources Committee and the Fitness to Practise Committee were disbanded and their functions were absorbed by the Council, leaving the Audit Committee and the Remuneration Committee.

## **Education and Training Committee**

The Education and Training Committee advises the Council on matters relating to education, training and registration. Prior to 1 January 2014, the Council has appointed non-Council members to the Education and Training Committee so that it included one member from each profession regulated by the HCPC. These members were appointed in accordance with the principles set out by the Office of the Commissioner for Public Appointments.



To reflect the change in the constitution of the Council, the Rules governing the Committee's constitution were revised from 1 January 2014. The Committee consists of six members, three lay members and three registrant members, drawn from the Council. Although this will now mean that the Committee does not have a member from each of the professions, it will continue to make sure that there is good professional input into its work. This includes its arrangements for approval visits to education providers; public consultation on standards; and meetings with stakeholders.

The Committee met four times in 2013–14. The matters considered by the Committee included the following:

- criteria for approval of Approved Mental Health Professional (AMHP) programmes;
- standards of proficiency for biomedical scientists, clinical scientists, chiropractors / podiatrists, hearing aid dispensers, operating department practitioners, paramedics, prosthetists and orthotists, and speech and language therapists;
- guidance for registrants on the forthcoming statutory requirement which will make professional indemnity a condition of registration;
- a new standard of education and training which will require all approved programmes to involve service users and carers by the 2015–16 academic year. The Committee also agreed to introduce lay visitors on every visit panel to provide a service user and carer perspective into the approval process; and
- reviews of visits to practitioner psychology programmes, and of the first year of visits to social work programmes. These programmes were transitionally approved by the Committee when the Register first opened to these professions.

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

The HCPC Audit Committee is responsible for ensuring confidence in the integrity of HCPC's processes and procedures. The Audit Committee provides assurance to the Council and the Accounting Officer by reviewing financial reporting, advising on the appointment of the internal and external auditors and providing oversight of their work, and providing oversight of the Executive's risk management process.

In 2013 the Audit Committee comprised four members appointed by and from the Council, these were; Jeff Lucas (Chair), Julia Drown, Morag MacKellar and Joy Tweed. As discussed above, the revised structure of the Council came into effect on 1 January 2014. As a result of this change the composition of the Audit Committee was reviewed.

In 2014, the Committee consists of two members of Council, appointed from and by the Council: Richard Kennett (Chair) and Keith Ross. A third independent member is currently being recruited. The Chair of the Committee has recent, significant and relevant financial experience, and this experience will be required of the independent member.

The Committee's terms of reference were reviewed in September 2013 as part of a wider Code of Corporate Governance review in preparation for the restructure of the Council. The Audit Committee is responsible for:

- 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 Committee met four times in the period 1 April 2013 to 31 March 2014. Attendance at these meetings is detailed in the table on pages [20 to 22] of this report. The Chief Executive, members of the Executive Team, other staff members, the Internal Auditors (Mazars 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 results of the Annual Business Continuity test;
- reviewing the draft Annual Report and Accounts for the HCPC along with the National Audit Office Audit Completion Report;
- considering the Tax and National Insurance status of office holders;
- reviewing the HCPC's Corporate and Project Risk Registers; and
- monitoring HCPC's progress on internal audit action points.

Following a tender process, the HCPC's current internal auditors, Mazars LLP, were appointed in 1 April 2011 for a period of four years. Internal audit emphasis is focused towards providing assurance on the integrity of our internal control, governance and risk management processes. Mazars undertake an approved programme of internal audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate. All of the scheduled internal audit reviews were completed.

During 2013–14 the Committee considered internal audit reports on:

- the Bribery Act;
- HCPC's core financial processes;
- business continuity;
- partners' expenses;
- stakeholder communications;
- project management;
- health and safety; and
- HR recruitment.

All internal audit reports have provided substantial assurance. Six priority two (significant) and twenty priority three (housekeeping) recommendations were made. No priority one (fundamental) recommendations were made.

### **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 the Executive Management Team meetings. He is also the designated senior officer 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 to each Council meeting 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 normally 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 the 2013–14 financial year, the following changes to the Risk Register were made.

- In the governance area, the risk of being unable to recruit Council members with the required skills was updated. The transition to a smaller Council following changes to HCPC's legislation was highlighted as a potential risk. However, to date no specific issues have been observed related to this risk.
- The Bribery Act 2010 was added as a discrete risk, as opposed to being included in the general risk of "Improper financial incentives offered to Council members or employees".
- In the Education based risks, the likelihood of being unable to carry out approval visits was lowered following good progress in this area;
- The High level risk group "Data Security" was changed to "Information Security" to specifically include more than just electronic information as potential areas of risk to the organisation.
- A risk around employees not adhering to standard operating procedures was added, to ensure compliance with low level processes or instructions, outside the scope of the Quality Management System.

## Information security

The HCPC holds a range of information including sensitive personal data. We have an Information Security Policy (ISP) and related procedures in place to safeguard the data rights of the public. During 2013–14 no major information security events were noted. We continue to work toward ISO27001:2013 certification, having migrated our existing Information Security Risk Assessment to the new standard early in 2014.

## Personal data-related incidents

Table 1: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office in 2013–14

| Category | Nature of incident   | Total |
|----------|--|-------|
| I        | Loss of inadequately protected electronic equipment, devices or paper documents from secured HCPC premises         | Nil   |
| II       | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured HCPC premises | Nil   |
| III      | Insecure disposal of inadequately protected electronic equipment, devices or paper documents                       | Nil   |
| IV       | Unauthorised disclosure  | 1     |
| V        | Other  | Nil   |

The incident in category IV of the above table is detailed below.

1. This incident occurred following a complaint raised by a member of the public about social worker B. The complainant provided the incorrect registration number of social worker B when submitting their complaint. The registration number supplied was, in fact, that of social worker A. Unfortunately, as social worker A and B have the same first and last name this mistake went unnoticed when the case was logged on our system, and correspondence on the case was sent to the wrong social worker.

Table 2: Summary of other protected personal data-related incidents in 2013–14

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

| Category | Nature of incident   | Total |
|----------|--|-------|
| I        | Loss of inadequately protected electronic equipment, devices or paper documents from secured HCPC premises         | Nil   |
| II       | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured HCPC premises | Nil   |
| III      | Insecure disposal of inadequately protected electronic equipment, devices or paper documents                       | Nil   |
| IV       | Unauthorised disclosure  | 4     |
| V        | Other  | Nil   |

The 4 incidents in category IV of the above table are as follows.

1. Registrant A was due to receive a bundle of documentation from the HCPC’s instructed solicitors, in respect of a fitness to practise hearing of which he is the subject. As registrant A was out of the country, the bundle was to be sent to him by email. Unfortunately, our instructed solicitors uploaded the wrong bundle to registrant A’s case on their case management system. The incorrect bundle was then emailed to registrant A. The documentation was recovered from the registrant. The nature of the documentation was not sensitive as it pertained to a conviction which is on public record.
2. A letter was sent to a complainant containing her name, registration details, limited details of hospital visit and nature of her complaint. The letter was sent in error to the wrong number house on the same street (the property was empty). This was not reported as breach only concerned very limited personal details and there was no significant risk of harm or distress.
3. A legal assistant from our instructed solicitors left the office with an exhibit file for a case. The documentation was stored in a locked bag as per policy. The bag was subsequently left on a train. The bag was quickly returned with the contents still secure. The documentation included some identifiable information relating to registrants. The incident was not reported as the bag was returned and was secure at all times.
4. Documentation requesting the observations of a registrant for an Investigating Committee Panel was sent to the wrong registrant in error. Registrant A received papers concerning registrant B. Registrant A informed the HCPC. The incident was not reported as the data was disclosed to a registered health and care professional who immediately reported the breach and returned the data to the HCPC. There is no reason to believe that the registrant who received the data would use it improperly.

## **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 is Mazars LLP, who were appointed from April 2011, 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 2013–14, reported to the June 2014 Audit Committee meeting, stated that they consider that the HCPC's governance, risk management and internal control arrangements are generally adequate and effective.

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

## **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 the executive 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 2014 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.

By order of the Council

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## Remuneration report

### Council 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 Chair also receives fees for additional work of up to 60 days per annum including liaison with the Chief Executive, approval of key decisions and preparation for meetings. The daily fee rate for Council members is £310 and this has remained unchanged since 1 April 2008. No benefits in kind were provided to the Chair, Council or Committee members during the year. Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

Council and Committee member fees totalling £185,380 (2012–13, £202,280) were paid and accrued to 33 members (2012–13, 35 members). This includes nine non-Council Committee Members.

The fees for the period 1 April 2013 to 31 March 2014 for Council members paid and accrued directly to, or via their employer, were as follows:

| Council member                       | Council and Committee attendance |     | 2013–14        |            | 2012–13        |            |
|--------------------------------------|----------------------------------|-----|----------------|------------|----------------|------------|
|                                      |                                  |     | Number of days | Fees £'000 | Number of days | Fees £'000 |
| Anna van der Gaag                    | Council (Chair)                  | 9/9 | 204            | 60–65      | 185            | 55–60      |
| Pradeep Agrawal (to December 2013)   | Council                          | 5/5 | 15             | 0–5        | 26             | 5–10       |
|                                      | Finance and Resources            | 4/4 |                |            |                |            |
|                                      | Fitness to Practise              | 2/2 |                |            |                |            |
| Jennifer Beaumont (to December 2013) | Council                          | 5/5 | 15             | 0–5        | 22             | 5–10       |
|                                      | Finance and Resources            | 4/4 |                |            |                |            |
|                                      | Fitness to Practise              | 2/2 |                |            |                |            |
| Elaine Brookes (from 1 January 2014) | Council                          | 6/6 | 7              | 0–5        | –              | –          |
| Frank Burdett (to December 2013)     | Council                          | 5/5 | 15             | 0–5        | 26             | 5–10       |
|                                      | Finance and Resources            | 4/4 |                |            |                |            |
| Mary Clark-Glass                     | Council                          | 9/9 | 25             | 5–10       | 29             | 5–10       |
|                                      | Education and Training           | 4/4 |                |            |                |            |
|                                      | Finance and Resources            | 3/4 |                |            |                |            |
| Malcolm Cross (to August 2013)       |                                  | –   | –              | –          | 2              | 0–5        |
| John Donaghy                         | Council                          | 8/9 | 32             | 5–10       | 26             | 5–10       |
|                                      | Education and Training           | 3/4 |                |            |                |            |
|                                      | Fitness to Practise              | 2/2 |                |            |                |            |



| Council member                     | Council and Committee attendance               | 2013–14        |            | 2012–13          |            |                  |
|------------------------------------|--|----------------|------------|------------------|------------|------------------|
|                                    |  | Number of days | Fees £'000 | Number of days   | Fees £'000 |                  |
| Sheila Drayton                     | Council  | 9/9            | 26         | 5–10             | 23         | 5–10             |
|                                    | Education and Training                         | 4/4            |            |                  |            |                  |
|                                    | Finance and Resources                          | 3/4            |            |                  |            |                  |
| Julia Drown (to December 2013)     | Council  | 5/5            | 16         | 0–5              | 26         | 5–10             |
|                                    | Audit  | 3/3            |            |                  |            |                  |
|                                    | Fitness to Practise                            | 2/2            |            |                  |            |                  |
| John Harper (to July 2012)         |  | –              | –          | –                | 2          | 0–5              |
| Richard Kennett                    | Council  | 9/9            | 30         | 5–10             | 26         | 5–10             |
|                                    | Finance and Resources (Chair)                  | 4/4            |            |                  |            |                  |
|                                    | Fitness to Practise                            | 1/2            |            |                  |            |                  |
|                                    | Audit (Observer 2013, Chair from January 2014) | 4/4            |            |                  |            |                  |
|                                    |  |                |            |                  |            |                  |
| Sonya Lam                          | Council  | 5/6            | 6          | 0–5              | –          | –                |
| Jeff Lucas (to December 2013)      | Council  | 5/5            | 19         | 5-10             | 25         | 5-10             |
|                                    | Education and Training                         | 3/3            |            |                  |            |                  |
|                                    | Audit (Chair to December 2013)                 | 3/3            |            |                  |            |                  |
| Morag MacKellar (to December 2013) | Council  | 5/5            | 6          | 0–5              | 25         | 5–10             |
|                                    | Audit  | 3/3            |            |                  |            |                  |
|                                    | Communications                                 | 2/2            |            |                  |            |                  |
|                                    | Fitness to Practise                            |                |            |                  |            |                  |
| Arun Midha (to December 2013)      | Council  | 4/5            | 18         | 5–10             | 33         | 10–15            |
|                                    | Education and Training                         | 3/3            |            |                  |            |                  |
|                                    | Finance and Resources                          | 4/4            |            |                  |            |                  |
| Penny Renwick (to December 2013)   | Council  | 5/5            | 19         | 5–10             | 24         | 5–10             |
|                                    | Education and Training                         | 2/3            |            |                  |            |                  |
|                                    | Finance and Resources                          | 4/4            |            |                  |            |                  |
|                                    | Fitness to Practise                            | 2/2            |            |                  |            |                  |
| Keith Ross                         | Council  | 8/9            | 27         | 5–10             | 16         | 0–5              |
|                                    | Finance and Resources                          | 2/4            |            |                  |            |                  |
|                                    | Fitness to Practise (Chair)                    | 2/2            |            |                  |            |                  |
|                                    | Audit  | 1/1            |            |                  |            |                  |
| Deep Sagar (to June 2012)          |  | –              |            | –                | 3          | 0–5              |
| Robert Templeton                   | Council  | 8/9            | 18         | 5-10             | 24         | 5–10             |
|                                    | Fitness to Practise                            | 2/2            |            |                  |            |                  |
| Eileen Thornton (to December 2013) | Council  | 3/5            | –          | Nil <sup>1</sup> | –          | Nil <sup>1</sup> |
|                                    | Education and Training (Chair)                 | 3/3            |            |                  |            |                  |

| Council member                  | Council and Committee attendance                                  | 2013–14                  |            | 2012–13        |            |      |
|---------------------------------|---|--------------------------|------------|----------------|------------|------|
|                                 |   | Number of days           | Fees £'000 | Number of days | Fees £'000 |      |
| Graham Towl (from January 2014) | Council<br>Education and Training                                 | 6/6<br>3/3               | 7          | 0-5            | –          | –    |
| Annie Turner (to June 2012)     |   | –                        |            | –              | 10         | 0–5  |
| Joy Tweed                       | Council<br>Audit<br>Education and Training<br>Fitness to Practise | 9/9<br>3/3<br>4/4<br>2/2 | 31         | 5-10           | 29         | 5–10 |
| Diane Waller (to December 2013) | Council<br>Education and Training                                 | 4/5<br>3/3               | 10         | 0–5            | 15         | 0–5  |
| Nicola Wood (from January 2014) | Council   | 6/6                      | 7          | 0–5            | –          | –    |

1. Eileen Thornton waived her fees in both 2013-14 and 2012-13.

### Key

The third column indicates the number of meetings attended out of the total number of meetings that took place in 2013–14 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 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 2013 comprised Richard Kennett (Chair), Pradeep Agrawal, Jennifer Beaumont, Frank Burdett, Mary Clark-Glass, Sheila Drayton, Arun Midha, Penny Renwick and Keith Ross. In March 2014, the Committee comprised Anna van der Gaag (Chair), Shelia Drayton 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. After passing the six-month probationary period, employees can elect to join the contributory pension scheme. The employer contribution levels are 16.5 per cent of salary for employee contracts pre-dating May 2007 and 7 per cent of salary for employee contracts dated May 2007 onwards. The employee contribution rate is set at a minimum of 3 per cent of basic 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 three 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

|                                  | 2013–14  | 2012–13  |
|----------------------------------|----------|----------|
| Salary                           | £175,197 | £166,854 |
| Taxable benefits                 | £2,468   | £2,074   |
| Total remuneration               | £177,665 | £168,928 |
| Employer's pension contributions | £28,907  | £27,531  |

The Chief Executive is a member of the Friends Life pension scheme, which is a stakeholder, defined contribution scheme to which the HCPC contributes. The Chief Executive and Registrar was 60 as at 31 March 2014.

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

|   | 2013–14   | 2012–13   |
|---|-----------|-----------|
| Remuneration band of highest paid executive (£'000) | £175–£180 | £165–£170 |
| Median total  | £29,800   | £28,500   |
| Remuneration ratio                                  | 6.0       | 5.9       |

### EMT remuneration

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

| Name   | Position                                   | 2013–14         |  | 2012–13         |  |
|--|--|-----------------|--|-----------------|--|
|  |  | Salary<br>£'000 | Employer's<br>pension<br>contribution<br>£'000 | Salary<br>£'000 | Employer's<br>pension<br>contribution<br>£'000 |
| Jacqueline Ladds                               | Director of Communications                 | 75–80           | 5–10   | 70–75           | 5–10   |
| Louise Hart                                    | Director of Council and Committee Services | 65–70           | 5–10   | 60–65           | 0–5  |
| Abigail Gorringe <sup>1</sup>                  | Director of Education                      | 55–60           | 5–10   | 80–85           | 10–15  |
| Brendon Edmonds <sup>1</sup>                   | Acting Director of Education               | 50–55           | 0–5  | 0–5             | 0–5  |
| Tim Moore (April to August 2013) <sup>2</sup>  | Director of Finance                        | 30–35           | –  | –               | –  |
| Andy Gillies (from February 2014) <sup>2</sup> | Director of Finance                        | 10–15           | –  | –               | –  |
| Kelly Holder                                   | Director of Fitness to Practise            | 100–105         | 15–20  | 95–100          | 15–20  |
| Teresa Haskins                                 | Director of Human Resources                | 80–85           | 10–15  | 75–80           | 5–10   |

| Name              | Position                           | 2013-14         |  | 2012-13         |  |
|-------------------|------------------------------------|-----------------|--|-----------------|--|
|                   |                                    | Salary<br>£'000 | Employer's<br>pension<br>contribution<br>£'000 | Salary<br>£'000 | Employer's<br>pension<br>contribution<br>£'000 |
| Guy Gaskins       | Director of Information Technology | 80-85           | 10-15  | 80-85           | 5-10   |
| Greg Ross-Sampson | Director of Operations             | 85-90           | 10-15  | 80-85           | 5-10   |
| Michael Guthrie   | Director of Policy and Standards   | 70-75           | 10-15  | 70-75           | 10-15  |

1. Abigail Gorringe was on maternity leave from March 2013 until March 2014 and during that time Brendon Edmonds was Acting Director of Education.

2. The post of Director of Finance was filled by Tim Moore on an interim basis as a contractor from an agency during all of 2012-13 and into April 2013. The amounts paid including commission and VAT by the HCPC to the agency for Tim Moore's services were £105-£110k in 2012-13 and £0-£5k in 2013-14. Tim Moore was then engaged as an employee for the period April to August 2013 and was paid £30-£35k as shown in the table. Following Tim Moore's departure, the post of Director of Finance was filled by Alan Carr on an interim basis as a contractor from an agency between August 2013 and February 2014. The HCPC paid £60-£65k including commission and VAT to the agency for Alan Carr's services.

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.

By order of the Council

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## **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 comply with the 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.

## **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 2014 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 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 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 2014 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 part of the Remuneration Report to be audited has 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 Management Commentary 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 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.

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

**Date**

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 2014

|   | Note | 2014<br>£'000 | 2013<br>£'000 |
|---|------|---------------|---------------|
| <b>Income</b>   |      |               |               |
| Fee income  | 2    | 25,141        | 20,152        |
| Other income  |      | 11            | –             |
| <b>Total operating income</b>                                       |      | 25,152        | 20,152        |
| Staff costs   | 4    | 8,343         | 7,167         |
| Depreciation and amortisation                                       |      | 720           | 855           |
| Other expenditure   | 6    | 14,631        | 12,027        |
| <b>Total operating expenditure</b>                                  |      | 23,694        | 20,049        |
| <b>Surplus for the year after operational costs</b>                 |      | 1,458         | 103           |
| Grant income received   |      | –             | 1,405         |
| Costs relating to transfer of General Social Care Council functions |      | –             | (1,422)       |
| Costs relating to regulation of herbal medicine practitioners       |      | –             | (6)           |
| Costs relating to the change in name from HPC to HCPC               |      | –             | (109)         |
| Investment income   | 3    | 220           | 141           |
| Impairment of freehold land and buildings                           |      | (699)         | (125)         |
| Impairment of intangible assets                                     |      | (44)          | –             |
| Income related to the CPSM pension                                  |      | –             | 46            |
| <b>Surplus on ordinary activity before taxation</b>                 |      | 935           | 33            |
| Taxation  | 7    | (27)          | (26)          |
| <b>Retained surplus for the year</b>                                |      | 908           | 7             |
| <b>Other comprehensive net expenditure</b>                          |      |               |               |
| <b>Total comprehensive net expenditure</b>                          |      | 908           | 7             |

The notes on pages 32 to 45 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 2014

|                                   | Note | 2014<br>£'000 | 2013<br>£'000 |
|-----------------------------------|------|---------------|---------------|
| <b>Non-current assets</b>         |      |               |               |
| Property, plant and equipment     | 8    | 3,673         | 3,338         |
| Intangible assets                 | 9    | 1,255         | 1,218         |
| <b>Total non-current assets</b>   |      | 4,928         | 4,556         |
| <b>Current assets</b>             |      |               |               |
| Trade and other receivables       | 10   | 625           | 561           |
| Cash and cash equivalents         | 11   | 16,038        | 15,584        |
| <b>Total current assets</b>       |      | 16,663        | 16,145        |
| <b>Total assets</b>               |      | 21,591        | 20,701        |
| <b>Current liabilities</b>        |      |               |               |
| Trade and other payables          | 12   | (2,312)       | (2,085)       |
| Deferred income                   | 13   | (15,815)      | (16,138)      |
| <b>Total current liabilities</b>  |      | (18,127)      | (18,223)      |
| Liabilities greater than one year | 14   | (266)         | (314)         |
| <b>Assets less liabilities</b>    |      | 3,198         | 2,164         |
| <b>Reserves</b>                   |      |               |               |
| General reserve                   |      | 3,198         | 2,164         |
|                                   |      | 3,198         | 2,164         |

The notes on pages 32 to 45 form part of these financial statements.

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

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## Cash flow statement for year ended 31 March 2014

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| <b>Cash flows from operating activities</b>   |               |               |
| Surplus from operating activities   | 1,458         | 103           |
| Costs relating to the transfer of regulatory functions from the General Social Care Council | –             | (1,422)       |
| Costs relating to regulation of herbal medicine practitioners                               | –             | (6)           |
| Costs relating to the change in name  | –             | (109)         |
| Income relating to the CPSM pension scheme  | –             | 46            |
| Depreciation and amortisation   | 720           | 855           |
| Change in capitalisation threshold  | –             | 43            |
| (Increase) in trade and other receivables   | 10 (64)       | (41)          |
| Increase in trade payables  | 12 227        | 264           |
| (Decrease) / increase in deferred income  | 13 (323)      | 5,665         |
| (Decrease) / increase in liabilities greater than one year                                  | 14 (48)       | 314           |
| <b>Net cash inflow from operating activities</b>  | 1,970         | 5,712         |
| <b>Cash flows from investing activities</b>   |               |               |
| Purchase of property, plant and equipment   | 8 (1,160)     | (365)         |
| Purchase of intangible assets   | 9 (675)       | (244)         |
| Investment income   | 3 220         | 141           |
| <b>Net cash flows from investing activities</b>   | (1,615)       | (468)         |
| <b>Taxation</b>   | 7 (27)        | (12)          |
| <b>Cash flows from financing activities</b>   |               |               |
| Income from the Department of Health  | 16 126        | 1,643         |
|   | 126           | 1,643         |
| <b>Net increase in cash and cash equivalents in the period</b>                              | 454           | 6,875         |
| <b>Cash and cash equivalents at the beginning of the period</b>                             | 11 15,584     | 8,709         |
| <b>Cash and cash equivalents at the end of the period</b>                                   | 16,038        | 15,584        |

The notes on pages 32 to 45 form part of these financial statements.

## Statement of reserves for year ended 31 March 2014

|   | <b>Note</b> | <b>Total<br/>£'000</b> |
|---|-------------|------------------------|
| <b>Balance at 1 April 2012</b>                          |             | 1,919                  |
| Surplus for the year                                    |             | 7                      |
| Income received from the Department of Health           |             | 238                    |
| <b>Balance at 31 March 2013</b>                         |             | 2,164                  |
| Surplus for the year                                    |             | 908                    |
| Income received from the Department of Health           |             | 126                    |
| <b>Total recognised income and expense for the year</b> |             | 1,034                  |
|   |             |                        |
| <b>Balance at 31 March 2014</b>                         |             | 3,198                  |

# Notes to the financial statements for the year ended 31 March 2014

## 1 Accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the 2013–14 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.

### Early adoption of IFRS, amendments and interpretations

The HCPC has not adopted any IFRS, amendments or interpretations early.

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

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

- IFRS 13 Fair Value Measurement applies when other IFRS require or permit fair value measurements. The new requirements are effective for accounting periods beginning on or after 1 January 2013 but are subject to further review by HM Treasury following the consultation in 2013.
- IFRS 10 Presentation of Financial Statements, IFRS 11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities, IAS 27 Separate Finance Statements and IAS 28 Investments in Associates and Joint Ventures, is an amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 January 2014.

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

## **Going concern**

The Council has reviewed the budget and workplans for the year ending 31 March 2015, and a five year financial forecast for the period to 31 March 2019. 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 – Accounting note 9 shows the HCPC's intangible assets. Recognition and measurement of Intangible Assets is in line with IAS38.
- IAS36 Impairments – The Council make judgements on whether there are any indications of impairments to the carrying amounts of the HCPC's assets.

## **Property, plant and equipment**

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses in respect of both land and buildings recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a 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 2014. Property capital costs incurred between valuations are capitalised at cost.

A revaluation deficit is recognised in the Statement of comprehensive net expenditure.

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 relatively 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 £1,000 or more are capitalised and subsequently depreciated.

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 2014 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 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 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 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.

**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. If the effect is material, provisions are determined by discounting the expected future cash flows at the HM Treasury discount rate of 1.9 per cent for short term cash flows between 0–five years, 0.65 per cent for medium cash flows between five to ten years and 2.2 per cent for long term cash flows over ten years.

## 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 other 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.

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

## Income received from the Department of Health

Income received in a financial year relating to costs incurred in that year is offset against the related cost. Income received after the financial year end relating to costs incurred in the previous year is taken to reserves.

## 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.

## 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

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable. The tax currently payable is based on the investment income for the year. The HCPC's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

| <b>2 Fee income by profession</b>  | <b>2014</b>   | <b>2013</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£'000</b>  | <b>£'000</b>  |
| Arts therapists                    | 253           | 237           |
| Biomedical scientists              | 1,766         | 1,749         |
| Chiropodists / podiatrists         | 985           | 986           |
| Clinical scientists                | 389           | 373           |
| Dietitians                         | 661           | 628           |
| Hearing aid dispensers             | 152           | 142           |
| Occupational therapists            | 2,693         | 2,607         |
| Operating department practitioners | 862           | 838           |
| Orthoptists                        | 102           | 101           |
| Paramedics                         | 1,450         | 1,394         |
| Physiotherapists                   | 3,950         | 3,789         |
| Prosthetists / orthotists          | 73            | 73            |
| Practitioner psychologists         | 1,520         | 1,619         |
| Radiographers                      | 2,287         | 2,171         |
| Social workers in England          | 6,873         | 2,352         |
| Speech and language therapists     | 1,125         | 1,093         |
|                                    | <u>25,141</u> | <u>20,152</u> |

Regulatory responsibility for social workers in England transferred to the HCPC from the General Social Care Council on 1 August 2012. Their two-year registration period started on 1 December 2012 and only four months' income is recognised in the figures for year ending 31 March 2013. A full year's income has been recognised for year ending 31 March 2014.

| <b>3 Investment income</b> | <b>2014</b>  | <b>2013</b>  |
|----------------------------|--------------|--------------|
|                            | <b>£'000</b> | <b>£'000</b> |
| Bank deposit interest      | 220          | 141          |
|                            | <u>220</u>   | <u>141</u>   |



| 4 Staff costs   | Permanent    | Others     | 2014         | 2013         |
|---|--------------|------------|--------------|--------------|
|   | staff        |            | Total        | Total        |
|   | £'000        | £'000      | £'000        | £'000        |
| Wages and salaries  | 6,375        | 200        | 6,575        | 5,686        |
| Social Security costs   | 683          | 19         | 702          | 607          |
| Pension costs   | 393          | –          | 393          | 369          |
| Other payroll expense including recruitment and temporary staff | 185          | 488        | 673          | 505          |
|   | <u>7,453</u> | <u>890</u> | <u>8,343</u> | <u>7,167</u> |

The average number of full time equivalent (FTE) permanent employees during the year was 194 (2012–13, 166). The average number of fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was 16 (2012–13, 29).

## 5 Pension funding arrangements

### The Friends Provident Scheme

This is a designated stakeholder, defined contribution scheme. At 31 March 2014, there were 89 active members in the pension scheme (2013, 75 active members). During the financial year to 31 March 2014, the HCPC contributed £393K to the pension scheme.

| 6 Other operating expenditure  | 2014          | 2013          |
|--------------------------------|---------------|---------------|
|                                | £'000         | £'000         |
| Professional services          | 5,553         | 4,779         |
| Partners (agents)              | 3,753         | 2,648         |
| Office services                | 1,645         | 1,389         |
| Computer services              | 842           | 840           |
| Communications                 | 564           | 518           |
| Other departmental costs       | 678           | 589           |
| Property services              | 788           | 463           |
| Council and Committee expenses | 276           | 289           |
| Projects                       | 287           | 305           |
| Travel and subsistence         | 245           | 207           |
|                                | <u>14,631</u> | <u>12,027</u> |

### Operating expenditure includes:

|  | 2014  | 2013  |
|--|-------|-------|
|  | £'000 | £'000 |
| Auditors' remuneration:                  |       |       |
| • External audit – National Audit Office | 39    | 39    |
| • Internal audit – Mazars LLP            | 24    | 27    |

| <b>7 Taxation</b>   | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Current tax:  |              |              |
| UK corporation tax on taxable income of the year  | 27           | 26           |
| Factors affecting tax charge / (credit) for year:   |              |              |
| Investment income per Statement of comprehensive net expenditure  | 220          | 141          |
| Add: tax deducted at source   | 35           | 3            |
| Grossed up investment income  | 255          | 144          |
| Investment income multiplied by standard rate of corporation tax in the UK – 20 per cent (2012–13, 20 per cent) | 51           | 29           |
| Less: tax deducted at source on interest received net   | (24)         | (3)          |
| Current tax charge for the period   | 27           | 26           |

## 8 Property, plant and equipment 2013–14

|                         | Freehold land<br>£'000 | Freehold properties<br>£'000 | Assets under construction<br>£'000 | Leasehold improvement<br>£'000 | Office furniture and equipment<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|-------------------------|------------------------|------------------------------|------------------------------------|--------------------------------|---|-----------------------------|----------------|
| Cost or valuation:      |                        |                              |                                    |                                |   |                             |                |
| At 1 April 2013         | 700                    | 1,392                        | 1,105                              | –                              | 246                                     | 322                         | 3,765          |
| Additions               | –                      | 3                            | 895                                | 77                             | 40                                      | 145                         | 1,160          |
| Disposals               | –                      | –                            | –                                  | –                              | (5)                                     | (1)                         | (6)            |
| Reclassification        | 909                    | 909                          | (1,818)                            | –                              | –                                       | –                           | –              |
| Impairment              | (16)                   | (711)                        | –                                  | –                              | –                                       | –                           | (727)          |
| 31 March 2014           | 1,593                  | 1,593                        | 182                                | 77                             | 281                                     | 466                         | 4,192          |
| Depreciation:           |                        |                              |                                    |                                |   |                             |                |
| At 1 April 2013         | –                      | –                            | –                                  | –                              | 180                                     | 247                         | 427            |
| Charge for the year     | –                      | 28                           | –                                  | 15                             | 42                                      | 41                          | 126            |
| Disposals               | –                      | –                            | –                                  | –                              | (5)                                     | (1)                         | (6)            |
| Reversal on revaluation | –                      | (28)                         | –                                  | –                              | –                                       | –                           | (28)           |
| 31 March 2014           | –                      | –                            | –                                  | 15                             | 217                                     | 287                         | 519            |
| Net book value:         |                        |                              |                                    |                                |   |                             |                |
| At 31 March 2014        | 1,593                  | 1,593                        | 182                                | 62                             | 64                                      | 179                         | 3,673          |
| At 31 March 2013        | 700                    | 1,392                        | 1,105                              | –                              | 66                                      | 75                          | 3,338          |

The HCPC's offices in London are Park House, comprising the land and buildings of 184 Kennington Park Road, London SE11 4BU and the adjoining land and buildings of 20–26 Stannary Street; 186 Kennington Park Road; and 33 Stannary Street. Park House and 186 Kennington Park Road are freehold, and are included in note 8 at valuation, as described below. 33 Stannary Street is held on short leases so the value is not included in note 8, except in relation to leasehold improvements made by the HCPC.

### Freehold properties

The valuations of the freehold land and buildings were made on 31 March 2014 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 £1,950,000. The historic cost of the Park House property is £1,767,450 (2013, £1,764,094).

### 186 Kennington Park Road

186 Kennington Park Road was valued at £1,235,000. On 8 April 2013, the HCPC completed the purchase of 186 Kennington Park Road and paid the balance of £725,000. The total purchase price of the property was £1,725,000, a deposit of £1,000,000 having been paid in 2012–13. The historic cost, including fees, was £1,817,510 (2013 – nil).

### 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 2012–13

|                                    | Freehold<br>land<br>£'000 | Freehold<br>properties<br>£'000 | Assets under<br>construction<br>£'000 | Office furniture<br>and equipment<br>£'000 | Computer<br>equipment<br>£'000 | Total<br>£'000 |
|------------------------------------|---------------------------|---------------------------------|---------------------------------------|--|--------------------------------|----------------|
| Cost or valuation:                 |                           |                                 |                                       |  |                                |                |
| At 1 April 2012                    | 700                       | 1,450                           | 1,022                                 | 445  | 655                            | 4,272          |
| Additions                          | –                         | 97                              | 83                                    | 47   | 138                            | 365            |
| Disposals                          | –                         | –                               | –                                     | (102)                                      | (314)                          | (416)          |
| Impairment                         | –                         | (155)                           | –                                     | –  | –                              | (155)          |
| Change in capitalisation threshold | –                         | –                               | –                                     | (144)                                      | (157)                          | (301)          |
| 31 March 2013                      | 700                       | 1,392                           | 1,105                                 | 246  | 322                            | 3,765          |
| Depreciation:                      |                           |                                 |                                       |  |                                |                |
| At 1 April 2012                    | –                         | –                               | –                                     | 389  | 608                            | 997            |
| Charge for the year                | –                         | 30                              | –                                     | 37   | 67                             | 134            |
| Disposals                          | –                         | –                               | –                                     | (102)                                      | (314)                          | (416)          |
| Reversal on revaluation            | –                         | (30)                            | –                                     | –  | –                              | (30)           |
| Change in capitalisation threshold | –                         | –                               | –                                     | (144)                                      | (114)                          | (258)          |
| 31 March 2013                      | –                         | –                               | –                                     | 180  | 247                            | 427            |
| Net book value:                    |                           |                                 |                                       |  |                                |                |
| At 31 March 2013                   | 700                       | 1,392                           | 1,105                                 | 66   | 75                             | 3,338          |

At 31 March 2012

700

1,450

1,022

56

47

3,275

**9 Intangible assets  
2013–14**

|                     | <b>Software<br/>licences</b> | <b>Finance<br/>system</b> | <b>HR and<br/>partners<br/>system</b> | <b>Education<br/>system</b> | <b>Fitness to<br/>practise case<br/>management<br/>system</b> | <b>Registration<br/>system</b> | <b>Total</b> |
|---------------------|------------------------------|---------------------------|---------------------------------------|-----------------------------|---|--------------------------------|--------------|
|                     | <b>£'000</b>                 | <b>£'000</b>              | <b>£'000</b>                          | <b>£'000</b>                | <b>£'000</b>  | <b>£'000</b>                   | <b>£'000</b> |
| Cost or valuation:  |                              |                           |                                       |                             |   |                                |              |
| At 1 April 2013     | 219                          | 64                        | 18                                    | 88                          | 1,048   | 3,296                          | 4,733        |
| Additions           | 150                          | –                         | 51                                    | 270                         | –   | 204                            | 675          |
| Impairment          | –                            | –                         | –                                     | –                           | –   | (44)                           | (44)         |
| 31 March 2014       | 369                          | 64                        | 69                                    | 358                         | 1,048   | 3,456                          | 5,364        |
| Amortisation:       |                              |                           |                                       |                             |   |                                |              |
| At 1 April 2013     | 89                           | 64                        | –                                     | –                           | 350   | 3,012                          | 3,515        |
| Charge for the year | 90                           | –                         | –                                     | –                           | 349   | 155                            | 594          |
| 31 March 2014       | 179                          | 64                        | –                                     | –                           | 699   | 3,167                          | 4,109        |
| Net book value:     |                              |                           |                                       |                             |   |                                |              |
| At 31 March 2014    | 190                          | –                         | 69                                    | 358                         | 349   | 289                            | 1,255        |
| At 31 March 2013    | 130                          | –                         | 18                                    | 88                          | 698   | 284                            | 1,218        |

**Intangible assets  
2012–13**

|                     | <b>Software<br/>licences</b> | <b>Finance<br/>system</b> | <b>HR and<br/>partners<br/>system</b> | <b>Education<br/>system</b> | <b>Fitness to<br/>practise case<br/>management<br/>system</b> | <b>Registration<br/>system</b> | <b>Total</b> |
|---------------------|------------------------------|---------------------------|---------------------------------------|-----------------------------|---|--------------------------------|--------------|
|                     | <b>£'000</b>                 | <b>£'000</b>              | <b>£'000</b>                          | <b>£'000</b>                | <b>£'000</b>  | <b>£'000</b>                   | <b>£'000</b> |
| Cost or valuation:  |                              |                           |                                       |                             |   |                                |              |
| At 1 April 2012     | 106                          | 64                        | –                                     | 56                          | 1,066   | 3,197                          | 4,489        |
| Additions           | 113                          | –                         | 18                                    | 32                          | (18)  | 99                             | 244          |
| 31 March 2013       | 219                          | 64                        | 18                                    | 88                          | 1,048   | 3,296                          | 4,733        |
| Amortisation:       |                              |                           |                                       |                             |   |                                |              |
| At 1 April 2012     | 33                           | 64                        | –                                     | –                           | –   | 2,697                          | 2,794        |
| Charge for the year | 56                           | –                         | –                                     | –                           | 350   | 315                            | 721          |
| 31 March 2013       | 89                           | 64                        | –                                     | –                           | 350   | 3,012                          | 3,515        |
| Net book value:     |                              |                           |                                       |                             |   |                                |              |
| At 31 March 2013    | 130                          | –                         | 18                                    | 88                          | 698   | 284                            | 1,218        |

At 31 March 2012

|    |   |   |    |       |     |       |
|----|---|---|----|-------|-----|-------|
| 73 | – | – | 56 | 1,066 | 500 | 1,695 |
|----|---|---|----|-------|-----|-------|

| <b>10 Trade receivables</b> | <b>2014</b>  | <b>2013</b>  |
|-----------------------------|--------------|--------------|
|                             | <b>£'000</b> | <b>£'000</b> |
| Prepayments                 | 542          | 481          |
| Other receivables           | 83           | 80           |
|                             | <u>625</u>   | <u>561</u>   |

All debtors are current and there are no amounts which are past due date. 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>2014</b>   | <b>2013</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>£'000</b>  | <b>£'000</b>  |
| Balance at 1 April                  | 15,584        | 8,709         |
| Net change in cash                  | 454           | 6,875         |
| Balance at 31 March                 | <u>16,038</u> | <u>15,584</u> |

The following balances at 31 March were held at:

|   | <b>2014</b>   | <b>2013</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| Current and instant access accounts with commercial banks | 7,538         | 7,584         |
| Fixed term deposits with commercial banks                 | 8,500         | 8,000         |
| Balance at 31 March                                       | <u>16,038</u> | <u>15,584</u> |

| <b>12 Trade payables and other current liabilities</b> | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Corporation tax  | 27           | 26           |
| Other taxation and social security                     | 205          | –            |
| Other payables   | 812          | 976          |
| Accruals   | 1,268        | 1,083        |
|  | <u>2,312</u> | <u>2,085</u> |

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

| <b>13 Deferred income</b>    | <b>2014</b>   | <b>2013</b>   |
|------------------------------|---------------|---------------|
|                              | <b>£'000</b>  | <b>£'000</b>  |
| Registration fees in advance | 411           | 340           |
| Renewal fees in advance      | 15,404        | 15,798        |
|                              | <u>15,815</u> | <u>16,138</u> |

| <b>14 Liabilities greater than one year</b> | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Pension accruals                            | 94           | 142          |
| Pension provision                           | 172          | 172          |
|   | <u>266</u>   | <u>314</u>   |



## The Capita Federated FlexiPlan Scheme

The Capita Federated FlexiPlan Scheme (“the Plan”) is a defined benefit pension scheme which was one of HCPC’s main pension schemes until 2007. Because of the non-associated multi-employer nature of the Plan, the HCPC is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis.

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.

The actuarial valuation at 31 March 2012 indicated that the overall deficit at that date was £18.2 million. In line with the approach used for the 2009 valuation, the basis used to calculate the deficit was chosen to produce a level for the liabilities which was anticipated to be broadly in line with the cost of securing the Plan benefits with an insurer.

Following the outcome of a Court case in 2013, the Trustee of the Plan proposed to adjust each employer’s liability in the new Recovery Plan to reflect the extent to which each employer had either underpaid or overpaid contributions during the course of the existing Recovery Plan. In a letter from the Trustees dated 30 July 2013 it was estimated that the HCPC will be required to pay £47K per annum for the three years from 1 April 2014 and £57K per annum for the three years from 1 April 2017 as its share of the deficit.

The next formal triennial actuarial valuation, which is due at 31 March 2015, may result in a revised Recovery Plan which in turn may change the amount the HCPC is required to contribute for its share of the deficit.

## 15 Operating leases

The HCPC holds operating leases for the rental of office space at units 1, 3, 7 and 8, 33 Stannary Street. The leases are due to expire in July 2016 and May 2017. £94K was paid in respect of these leases during 2013–14

The total future annual commitments for the operating leases are:

|                            | 2014          |               | 2013          |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | £'000         | £'000         | £'000         | £'000         |
|                            | Units 7 and 8 | Units 1 and 3 | Units 7 and 8 | Units 1 and 3 |
| Less than one year         | 41            | 58            | 41            | 58            |
| Between two and five years | 53            | 121           | 94            | 179           |
| Greater than five years    | –             | –             | –             | –             |
|                            | <u>94</u>     | <u>179</u>    | <u>135</u>    | <u>237</u>    |

## 16 Capital commitments

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

|   | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Education system build project                        | 235          | -            |
| Balance of purchase price of 186 Kennington Park Road | -            | 725          |
|   | <u>235</u>   | <u>725</u>   |

## 17 Related-party transactions

The HCPC's sponsor is the Privy Council Office, with whom no financial transactions took place. The HCPC received income from the Department of Health for 2013–14 of £126K (2013, £1,643K) in relation to the regulation of social workers in England and a change of organisational name for costs incurred from the 2013–14 financial year.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £185,380 (2012–13, £202,280) were accrued and paid to 33 members, including nine non-Council Committee members (2012–13, 35 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 **1 July 2014**. There are no other items to note.

## 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, the 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 maintain a reserve level that is a minimum of three months' 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.