

Audit Committee, 17 June 2015

Draft Annual Report and Accounts 2014-15

Executive summary and recommendations

**Introduction**

The draft Annual Report and Accounts for the year ended 31 March 2015 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 2014-15

**Date of paper**

10 June 2015

## 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, Jonathan Bracken 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 14 to 21<sup>1</sup>), and 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<sup>2</sup> states that the Council have concluded that the HCPC is a going concern having reviewed the 5 year plan for the period to 31 March 2020.

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

In order to comply with the 2014-15 Treasury Financial Reporting Manual, the first section of the annual report has been split into two sections, the "strategic report" and the "management report".

The table of operating and financial statistics on page 5 includes extra non-financial information, and the commentary in the "strategic report" section includes more discussion about activity levels and their relationship to costs, drawing on our consultation document for the proposed fee increases.

The governance statement includes new detail on the appointment process and the terms Council members can serve (bottom of page 14). The description of the Council's performance assessment process has been expanded (page 15).

The remuneration disclosures for Council members now include benefits in kind. This is travel to meetings at Park House, which counts as a taxable benefit as a result of Council members' status as office holders, whose fees are taxable as employment income.

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<sup>1</sup> The internal auditors' annual report, agenda item 6, supports the description of the system of internal control within the governance statement

<sup>2</sup> See page 8 of the annual report and in note 1 on pages 34-35

The fit out and lease of 405 Kennington Road is disclosed on page 9 under future developments and in notes 15 and 16 on pages 45 and 46.

### Reconciliation to month 12 management accounts

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

	Statutory accounts £000	Month 12 M'gmt accounts £000	Diff'ce £000	Reason
<b>Total operating income</b>	<b>26,303</b>	<b>26,303</b>	-	
Staff costs	9,636	9,641	5	Reclassification to non-payroll
Depreciation	762	792	30	Reversal of depreciation on revaluation of buildings
Other expenditure	15,739	15,735	(4)	Reclassification from payroll
<b>Total operating expenditure</b>	<b>26,137</b>	<b>26,168</b>	<b>31</b>	
Interest, net of tax	117	116	1	
Grant from DH	186	186	-	
Grant funded costs	(108)	(106)	(2)	
Revaluation – I&E movement	80	385	(305)	Reval'n in mgmt accounts based on indexation, all taken through I&E. Confirmed reval'n £184k uplift overall. £80k through I&E (reversal of previous reval losses on 186 KPR), £104k direct to reval reserve (reval gains in year on Park House)
<b>Retained surplus</b>	<b>441</b>	<b>716</b>	<b>(275)</b>	

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

29/30 June	Review and anticipated approval of the Annual Report and Accounts by the Council
Around 3 July	Comptroller and Auditor General signs the audit report
7-8 July	Privy Council Office approval
7-10 July	Preparation and proofing of the published version by TSO (The Stationery Office)
By 16 July	Laying of the Annual Report and Accounts in Parliament
By 21 August	Publication on HCPC website

Health and Care Professions Council  
Annual report and accounts 2014–15

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

We are pleased to present this annual report from the Health and Care Professions Council (HCPC), which, once again, reflects the success of the organisation in meeting its objectives. The values of the HCPC - transparency, collaboration, responsiveness, value for money and high quality services, continue to motivate us to provide protection for the public across health and social care.

High quality services require regular improvement. This year, we launched a new IT system for our Education Department, the culmination of three years' work. The new system will make our approval and monitoring of education more efficient. We have also started work to redesign and replace our existing registration system. Once in place, it will ensure that we can manage increasing volumes of registration work efficiently without needing significant additional resources.

In addition to improving our processes, we have continued to review our standards to ensure they are fit for purpose. We have reviewed and re-published 14 of the 16 professions' standards of proficiency. In 2014 we worked with service users and professionals on revisions to our standards of conduct, performance and ethics, building upon an extensive programme of research with registrants, employers and service users and their carers. We have also started to review our standards of education and training, and will use the same methods in our review before publishing these revised standards in 2016.

Building the evidence base of regulation continues to be one of our strategic objectives. This year we published the outcomes of a study looking at engagement and disengagement and its implications for our understanding of the competence of health and care professionals. The research provides useful insights into what causes registrants to become disengaged with their work and how this might lead to fitness to practise problems. It highlights the importance of local support and supervision in maintaining engagement. This work has been well received and we are using it with registrants, employers and others to discuss how we might collectively prevent small problems from becoming big problems later on. This work illustrates our commitment to proactive as well as reactive regulation.

During the year, the UK Government published its initial response to the three UK Law Commissions' review looking at reforms to legislation. We have been working with the Health Departments across the UK and with the other regulators as plans for new legislation continue to be worked through.

The health of an organisation depends upon good processes and relationships. We could not achieve our objectives without effective collaboration with all our stakeholders, and good working relationships amongst those who work at HCPC. Once again, we would like to thank everyone, our employees, Council members and partners, for the commitment they have shown over the past year to the challenging work of professional regulation and its contribution to protecting the public.

**Anna van der Gaag**  
Chair

**Marc Seale**  
Chief Executive and Registrar

## Strategic report

### 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 2015 we regulated 330,887 individuals, known as registrants, from the 16 professions<sup>1</sup> we regulate. We are an independent, self-funding organisation and are regarded as a public body, but are not part of the Department of Health or the NHS. All our operational financial costs are funded by fees from registrants. The fees are set out in the Health and Care Professions Council (Registrations and Fees) Rules 2003 and any fee increase is subject to a consultation and must be approved by the Privy Council. From time to time, grants are received from the Department of Health in relation to specific projects, for example the transfer of the Register from the General Social Care Council (GSCC) to the HCPC in 2012-13.

### HCPC objectives

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

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

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

### 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. Section 5.2 of the FReM requires us to meet the reporting requirements of the Companies Act 2006. To meet these requirements the section headed “Management Report” may be considered as a proxy for the Directors’ Report. 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.

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

## Key operating statistics and financial commentary

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

	Actual 2010–11	Actual 2011–12	Actual 2012–13	Actual 2013–14	Actual 2014–15
<b>Financial statistics</b>					
Total operating income £000s	16,928	17,419	20,152	25,152	26,302
Total operating expenditure £000s	16,257	17,322	20,049	23,876	26,137
Net operating surplus/(deficit) £000s	671	97	103	1,276	166
Retained surplus/(deficit) £000s	620	(63)	7	726	441
Working capital £000s	7,225	7,422	14,060	14,351	15,849
Total assets £000s	13,098	14,199	20,701	21,409	24,011
Capital purchases £000s	948	1,685	609	1,653	1,040
<b>HCPC employee numbers</b>					
Average number of FTE permanent employees	138	147	166	194	215
<b>Registration statistics</b>					
Number of new UK registrants in year	11,122	10,675	14,872	17,366	16,682
Number of new international registrants in year	1,701	1,389	1,758	1,994	2,790
Number of registrants at year end	215,095	219,212	310,942 <sup>2</sup>	322,021	330,887
<b>Fitness to practise statistics</b>					
Fitness to practise allegations	759	925	1,653	2,069	2,170
Percentage of registrants subject to allegation	0.35%	0.42%	0.53%	0.64%	0.66%
Case to answer percentage	57%	51%	58%	53%	55%
Fitness to practise hearings <sup>3</sup>	673	732	585	808	871
Total days of hearings <sup>3</sup>	TBC	783	932	1,265	1,230
<b>Education statistics</b>					
Number of approved education providers at year end	125	128	150	151	143
Number of approved programmes at year end	623	644	909	968	967
Number of approval visits in year	58	59	56	66	69

Over the past five years, the number of professionals we regulate has grown by 53 per cent, including the transfer of 88,474 social workers in England from the General Social Care Council to the HCPC on 1 August 2012. No new professions were added to the Register in 2013–14 or 2014–15, but the numbers of professionals on the Register continued to grow, by just over 3 per cent a year over those two years.

The growth in registrant numbers, together with the fee increase applied on 1 April 2014, has seen our income grow from £17.4m in 2011–12 to £26.3m in 2014–15, and £27.2m (budgeted) in 2015–16.

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

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



Our expenditure has grown at a similar pace overall. By applying standard processes across all our professions, we enable economies of scale, which has kept the costs of some of our functions relatively flat. But other areas are “demand led”, and in some cases our costs have increased as fast as or faster than the growth in registrant numbers.

In 2014-15, we recorded a small operating surplus, £0.2m. However, increasing cost pressures, outlined below, mean that we have a budget deficit of £1.5m in 2015-16, and we have proposed an increase in our fees to take effect from August 2015.

### **Fitness to practise costs**

In common with other UK regulators of health and care professionals, we have seen the costs of our fitness to practise function increasing in recent years. The main drivers of fitness to practise costs are the size of the Register, the percentage of registrants subject to an allegation, the percentage of allegations that require a tribunal panel hearing (the “case to answer rate”), and the average length of time of the hearing. Since 2012, there have been increases in the percentage of registrants subject to an allegation and the case to answer rate. There has also been an increase in the complexity of the cases we handle, which has meant that the average length of a hearing has increased. The result is that the total days of hearings has increased from **TBC** in 2010-11 to 1,230 in 2014-15.

In 2015-16, we plan to introduce dedicated facilities for our fitness to practise hearings. Our current office space was not purpose built for holding public fitness to practise hearings, which affects our ability to run a high quality and modern adjudication service. The current hearings rooms are shared with other HCPC departments which limits the number of hearings that can be held on any one day, and we do not have a dedicated witness waiting area or meeting rooms for registrants and their representatives. Introducing dedicated space has an impact on our costs but it will increase our capacity to hold hearings; provide a more flexible space in which to hold them; will improve the quality of our service for those who come into contact with our fitness to practise process; and will be consistent with the modern adjudication facilities provided by other regulators.

We continue to do all we can to keep our fitness to practise costs as low as possible without adversely impacting on the quality of our services and our objective of public protection. For example, we proactively use our process to conclude cases with the consent of the registrant involved wherever appropriate. This avoids the need to have a contested hearing, with all the costs this involves.

More information is available in the Fitness to Practise annual report which can be found on the HCPC website.

### **Information technology costs**

We introduced an on line renewal system in 2010, and a mobile app in 2011, and have continuously invested in developing and updating our IT systems, all as part of our long term commitment to provide high quality, efficient services to registrants and the public. Expectations of the quality and reliability of public services and the scope of our work are all steadily increasing. Investments in IT are necessary to keep pace with rising expectations and standards. They do not normally reduce total costs, but they minimise increases in staffing, which would be the more expensive alternative.

In 2014-15, we introduced a new IT system to manage the work of our Education Department, which will make this area of our work more efficient by replacing a number of other systems and by driving time and resource savings. We also started a major

project looking at redesigning our registration processes and replacing our existing registration IT system, which will continue through 2015-16. We anticipate that once complete, this work will have improved the level of service we are able to provide to applicants and registrants, by allowing applicants and registrants to carry out many more tasks on line. It will also ensure that we can manage increasing volumes of registration work efficiently without needing significant additional resources.

### **Professional Standards Authority fees**

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

From August 2015, the PSA will be funded by the regulators it oversees, and the method of allocating the cost between the regulators will be pro-rata to registrant numbers. We were disappointed with the chosen method. We are the second largest regulator by registrant numbers, but have the lowest registration fee of the all the UK regulators of health and care professionals overseen by the PSA. This means that the PSA fee has a disproportionate impact on our registrants and the fees they pay. In the future we will be paying a greater percentage of our income to the PSA than any of the other eight regulators, including those whose total income is considerably higher than ours.

We anticipate that the PSA fee will initially amount to approximately £1m per annum based on current registration numbers. The first charging period will be from 1 August 2015 to 31 March 2016 for which a pro-rata fee will be payable. A new fee would then become payable from 1 April 2016, with fee levels set on an ongoing basis by the Privy Council.

### **Proposed increase in HCPC fees**

Our forecasts show that without an increase to our fees, the PSA fee and other cost pressures described above would push us to deficits of nearly £2m in both 2015-16 and 2016-17, which would be unsustainable. We also need to consider the lead time before any increase in the fee we charge to registrants is fully reflected in our income. When we increase our fees, professions only pay the new fee with effect from their next two yearly renewal after the date of the increase, so it take two years before the full effect of the increase feeds through to our income. Therefore we have been compelled to propose an increase in our fees, earlier and by more than we had previously anticipated.

Subject to parliamentary approval of the required change in our Rules, our renewal fee will increase by 12.5 per cent from £80 a year to £90 a year with effect from 1 August 2015, and the majority of our other fees will also increase by 12.5 per cent. After the proposed increase, our renewal fee will still be the lowest of all the nine health regulators in the UK. In response to feedback received through the consultation and other channels, we are reviewing the option of enabling registrants to pay via more frequent, smaller value direct debit payments. Currently, registrants can pay either two years in advance or 6 monthly in advance, but many have suggested monthly or quarterly direct debits as a means of spreading the cost. Any change in payment frequency is not likely to take effect before 2016-17.

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

As a result of the requirement for registrants to pay their fees in advance (currently, either for the full two year renewal cycle, or by six monthly direct debit), the HCPC holds relatively large cash balances. Cash at bank and on deposit was £18.0m at 31 March 2015 (2014, £16.0m). These are not surpluses or profits: the element received in advance is reflected in the deferred income balance of £17.3m (2014, £15.8m), and fee income is recognised evenly through the renewal cycle.

HCPC's total accumulated reserves - the net total of all surpluses and deficits of HCPC and its predecessor organisations – are only £3.6m at 31 March 2015, or approximately £11 per registrant. The requirement for registrants to pay in advance has meant that we have not needed large reserves to fund our working capital.

If we proceed with offering monthly or quarterly direct debit as a means of payment, our cash balances (other things being equal) will fall. We may therefore need to build up cash balances in advance of any such change.

The statement of financial position also shows property, plant and equipment totalling £3.7m (2014, £3.5m) of which £3.4m 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.

During the year we obtained planning permission for the redevelopment of the 186 Kennington Park Road buildings, which we purchased in 2012-13, in a poor state of repair and decoration. Since purchasing 186 Kennington Park Road, we have made a number of repairs to bring the buildings up to an acceptable condition. The planning permission, which is valid until 2020, enables more substantial redevelopment of the site in order to realise its potential, including integrating it with the Park House buildings. We intend to take that forward in 2016-17, but we do not anticipate any major works in 2015-16.

The statement of financial position also includes computer software, shown as intangible assets, at net book value totalling £1.5m (2014, £1.3m). We spent a total of £0.9m (2014, £0.7m) on purchasing or developing new IT systems, and our budget for 2015-16 includes £1.6m on new systems. Investment in new systems is capitalised as the project proceeds and, once the systems are brought into use, is depreciated over three years.

## **Going concern**

The Council approved the budget for 2015-16 within the context of our five year plan. The five year plan is an annually updated longer term financial forecast, based on forecast registrant numbers and assumptions about key cost drivers including the rate of fitness to practise allegations and inflation. The current five year plan covers the period to 31 March 2020 and it and the budget are available together with all Council meeting papers on our website.

Including the proposed fee increase, we have a budgeted deficit of £1.5m in 2015-16, followed by a further forecast deficit in 2016-17, before we return to surplus in 2017-18, as the full effect of the fee increase comes through. We expect cash and reserves balances to fall during 2015-16 and 2016-17, but cash will remain above the reserves policy minimum target level of three months of operating costs (see the section headed reserves policy below) throughout the five year plan period. The Council was therefore able to approve the budget, and is satisfied that the HCPC remains a going concern.

## **Future developments**

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

- Continuing the development of governance and operational arrangements for the HCPC tribunal service to enhance independence in our fitness to practise adjudication;
- Establishing the HCPC tribunal service in separate, dedicated accommodation. Following Council's approval in March of the Executive's proposals, in May we entered an agreement for the fit out and lease of new premises nearby, in Kennington Road. We expect to bring the new premises into use by the end of 2015. As described above we expect this step will improve the quality of our service for all those who come into contact with our fitness to practise process;
- Introducing a new quality control team in the Education Department, in line with quality control teams already established in Fitness to Practise and Registrations, and continuing to develop our ISO 27001:2013 processes;
- Subject to the priorities of the new government, working with the Department of Health to take forward the implementation of the Law Commissions' proposals for the reform of the legislation of the nine UK regulators of health and care professionals, and the legislation to bring Public Health Practitioners into statutory regulation through the HCPC;
- Completing the review of Registration Department processes and systems (referred to above) and, subject to an acceptable business case, starting the next stage of the project, which is building the redesigned processes and systems;
- Completing the reviews of standards of proficiency and standards of conduct, performance and ethics; and
- Revising the HCPC strategic intent to cover the period 2016-2020.

## **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, the financial failure of a key supplier, or further increases in the fees charged by the PSA.

The HCPC's risk management processes are described in the Governance Statement on pages 18 to 19. 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 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 2015–16 budget is £6.7m. 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 Poor's and Moody's.

The following matters are covered in the next section headed "Management Report":

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

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## **Management Report**

### **Key relationships**

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

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

### **Health and safety**

We are committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that everyone at the HCPC premises, whether employees or visitors, continue to enjoy the benefits of a safe working environment. No health and safety incidents were reported during the year. The total number of employee sick leave days in 2014–15 was 1,576 (2013–14, 1,227). The average number of sick days per full time equivalent employee in 2014–15 was 7.3 days (2013–14, 6.3 days).

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

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

In 2014–15 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 donations for a local dogs and cats home; 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**

81 per cent by value of purchase invoices were paid within 30 days (2013–14, 86 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2013–14 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 2015 is:

	<b>Female</b>	<b>Male</b>
Council members	7	5
Executive Management Team	5	5
All employees including EMT	137	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, the HCPC ran a consultation in 2008 and the Employee Consultation Group was formed in 2009. The main purpose of the Group is to maintain good employee relations and engagement through communication and consultation with elected employee representatives. The Group is made up of three management representatives (Chief Executive, Director of Human Resources and a member of the Cross Department Team) and seven employee representatives. The employee representatives and CDT representative are elected every two years.

During 2014–15 three meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the following subjects.

- Updates on major projects and office accommodation;
- The organisational training and development plan;
- Annual Performance and Development Reviews;
- Introduction of a new prayer and meditation room;
- An employee health and wellbeing campaign; and
- The organisational dress code.

Information on anticipated future developments is set out in the Strategic Report on page 9.

Details of personal data related incidents are set out in the Governance Statement on page 19.

Details of Council and Committee members and the Executive Management Team are set out in the Remuneration report on pages 22 to 26.

Arrangements for managing potential conflicts of interest are set out in the Governance Statement on page 14.

Pension arrangements are set out in the Remuneration Report (page 24) and note 1 to the accounts on page 37.

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.

**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 principles of the HM Treasury Corporate Governance Code of Good Practice 2011, and we adopt the supporting provisions of the Code to the extent that it is practical and appropriate and compatible with our legislation.

### The Council

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

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

The 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 is carried out by the HCPC which makes recommendations to the Privy Council, which makes the appointments. The Professional Standards Authority for Health and Social Care has oversight of the process and advises the Privy Council as to whether it is satisfied about the process the regulatory body has followed. Council Members will hold office for a maximum of two terms of up to four years per term and they may serve a maximum of eight years in any 20 year period. Whilst re-appointments can be made at the end of the first period of office for a further maximum period of four years, subject to a satisfactory performance appraisal and the needs of the HCPC, a degree of change is often sought and there should be no expectation of automatic reappointment.

The members as at 31 March 2015 and at the date of this report were as follows:

<b>Registrant members</b>	<b>Term end date</b>
Anna van der Gaag (Chair)	30 June 2015
Elaine Buckley	31 December 2017*
Sonya Lam	31 December 2017*
Robert Templeton	31 December 2017*
Graham Towl	31 December 2017*
Stephen Wordsworth	31 December 2018*

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

\* eligible for reappointment for a further term

Members' attendance at Council meetings during 2014–15 is shown in the table on pages 22 to 24.

Anna van der Gaag's term as Chair and a member of Council ends on 30 June 2015. [Name] has been appointed as the new Chair of the Council, with effect from 1 July 2015. This follows a recruitment process similar to that adopted for the recruitment of Council members as detailed above.

### **Council performance and effectiveness**

The performance review system for individual Council members was agreed by the Council in 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 workshop. This gives Council the opportunity to reflect on collective performance at a strategic level and against the objectives set out in the Council's strategic intent document. Upon completion of the process, the Chair then presents a summary of key conclusions to Council.

The most recent assessment in relation to the collective performance of Council was conducted at the strategy workshop in October 2014. Council and Committees were found to be operating effectively, with an appropriate balance on the agenda between strategic and operational issues, good quality papers and presentation from the Executive Management Team, and open discussion by Council and Committee members. In relation to individual performance, appraisals were conducted (with the exception of the four new Council members who joined the Council in January 2015) in early 2015 and the summary report will be considered by Council in July 2015, in line with the normal timetable for this process.

The Council sets standards of education and training for Council and Committee members, not simply to meet its statutory obligations but also in order to ensure, amongst other things, that members are given the opportunity to gain the skills and knowledge necessary to perform their functions effectively. As part of the annual self-appraisal, members are asked to identify any training and development needs. Training

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 the Audit Committee and the Remuneration Committee as non-statutory committees

## **Education and Training Committee**

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

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

The Committee met four times in 2014–15. The matters considered by the Committee included the following:

- Continuing Professional Development Audit report 2011-2013;
- Interprofessional education research;
- Guidance for disabled people wanting to become health and care professionals;
- Annotation of the Register of Podiatrists practising podiatric surgery;
- Review of the standards of education and training;
- Preparation for practice research;
- Professional Indemnity Rules Consultation;
- Consultation on revised standards of conduct, performance and ethics; and
- Extension of prescribing rights and use of exemptions from medicines legislation

In 2014 a Professional Liaison Group (PLG) reporting to the Education and Training Committee was formed to inform the review of the standards of conduct, performance and ethics. The PLG met six times and its membership included service users and carers, along with other stakeholder groups and Council members. The PLG considered thematic reports and research, and agreed a new draft of the standards for consultation.

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

The 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.

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.

In 2014 a 'mapping exercise' was undertaken, in which a comparison of the model terms of reference for an Audit and Risk Assurance Committee as set out in the Treasury's *Audit and Risk Assurance Committee Handbook* (April 2013) and the HCPC's terms of reference for the Audit Committee was undertaken and presented to the Committee. The HCPC's Audit Committee terms of reference met the majority of the Handbook's requirements; some changes were implemented where difference was found.

In 2014-15 the Audit Committee comprised three members, two being appointed by and from the Council, these were; Richard Kennett (Chair), Keith Ross (to 31 December 2014) and Graham Towl (from 1 January 2015). The independent member of the Audit Committee role was taken up on 9 October 2014 by Julie Parker, following a recruitment process approved by the Council and overseen by a panel comprising the Chair of the Council, the Chair of the Audit Committee and an independent member. All current members of the Committee have recent, significant and relevant financial experience.

The Committee met four times in the period 1 April 2014 to 31 March 2015. Attendance at these meetings is detailed in the table on pages 22 to 24 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 draft Annual Report and Accounts for the HCPC along with the National Audit Office Audit Completion Report;
- recommending the appointment of the Internal Auditor, following a tendering exercise;
- reviewing the HCPC's Corporate and Project Risk Registers; and
- monitoring HCPC's progress on internal audit action points.

Mazars LLP were appointed as the HCPC's internal auditors in 1 April 2011 for the four years to 31 March 2015. Following a tender process, Grant Thornton LLP were appointed internal auditors for the three years to 31 March 2018. Internal audit emphasis is focused towards providing assurance on the integrity of our internal control, governance and risk management processes. The internal auditors undertake an approved programme of

audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate.

During 2014–15 the Committee considered internal audit reports on:

- corporate governance and risk management
- HCPC’s core financial controls;
- management of partners;
- project management;
- HR performance management; and
- ICT disaster recovery.

All of the scheduled internal audit reviews were completed. Six internal audit reports provided substantial assurance and one report provided adequate assurance. Two priority two (significant) and thirteen 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 Executive Management Team meetings. He is also the designated senior employee for employees to approach under the HCPC’s “whistle-blower” policy.

### **Executive Management Team**

The Executive Management Team comprises the departmental directors. Its role is to assist the Chief Executive in the day-to-day running of the HCPC. It meets weekly and discusses key matters relating to operational management and resources, subject to the overall direction, reserved powers and control of the Council. Progress is fed back regularly to Council meetings in departmental reports.

### **Risks and internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

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

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

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

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

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

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

During 2014–15, the main changes to the Risk Register were as follows:

- the scale of financial impacts and the associated risk scores were revised upwards to reflect the increase in the HCPC's budget since the scale was first set;
- the risk relating to the transition to the smaller Council in January 2014 was removed, since the new Council has proved to be effective;
- risks relating to successfully completed projects were removed, and a new risk was added in relation to the major project to review Registrations processes and systems;
- risks relating to financial control were revised including the removal of some remote risks and the addition of the risk of over commitment of funds due to budgeting error;
- as part of our adoption of the ISO27001:2013 information security standard (see below), information security risks were revised, including the addition of two new risks, in order to reflect the standard more fully; and
- the potential impact of the PSA levy on our finances had been recorded on our risk register since 2012. Following the government's decision on the method of determining the levy, the likelihood and impact ratings for this risk were uplifted.

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

The HCPC holds a range of information including sensitive personal data. We have implemented an Information Security Management System and related procedures compatible with ISO27001:2013, to safeguard the data rights of our registrants, stakeholders and the public. During 2014–15 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. In May 2015 we underwent an audit by BSI in relation to ISO27001:2013 and were recommended for certification.

The HCPC has policies in place which require all information security incidents, including any loss of personal data, to be reported and we encourage an open reporting culture. Beginning in 2015, all incidents are assigned a risk score and are reported to the Executive Management Team along with any learning points and possible future mitigations. In 2014-15 the HCPC recorded 38 personal information security incidents (2013-14: 5). Two incidents were self-reported to the ICO (2013-14: one); these incidents

involved the inappropriate disclosure of employee data and the disclosure of a service user's data through improper redaction. The increase in the number of incidents reported is due to our enhanced internal reporting and a healthy reporting culture. We see this change as a positive step as it enables us to analyse what went wrong and to make systematic changes to further secure our data.

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

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

Our internal auditors provide an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and internal control systems. We have chosen to outsource the provision of the internal audit service to ensure wholly independent and fully professional analysis and recommendations. Our provider during 2014-15 was 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 2014-15, reported to the June 2015 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.

The Professional Standards Authority for Health and Social Care (PSA) undertakes an annual performance review of the HCPC against its standards of good regulation and reports its findings to Parliament. The PSA's annual reviews for 2013-14 and 2014-15 found that the HCPC met all of the PSA's standards.

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

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

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

Based on these reviews, we are satisfied that the system of internal control that has been in place for the year ending 31 March 2015 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 and Committee members' attendance, fees and expenses

Fees are paid to Council members at a daily rate for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC where prior approval has been given. Fees are also paid for attendance at a conference or event which forms part of the member development programme where prior approval has been given and up to a maximum of six days per year. The Chair also receives fees for additional work including liaison with the Chief Executive, approval of key decisions and preparation for meetings. The daily fee rate for Council members from 1 April 2008 to 31 March 2015 was £310. The rate was increased to £320 per day from 1 April 2015. Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

Council and Committee member fees totalling £179,335 (2013–14, £185,380) were paid and accrued to 17 members (2013–14, 33 members). The reduction in Council members is due to the Council restructure which reduced the number of Council members from 20 to 12, in January 2014. This includes one non-Council Committee Member. Benefits in kind totalling £20,240 (2013-14-£15,711) were paid to Council and Committee members. The only benefits are home to office travel expenses claimed by Council and Committee members, which are covered by a PAYE Settlement Agreement with HMRC.

The fees for the period 1 April 2014 to 31 March 2015 for Council members paid and accrued, were as follows:

Council/Committee member	Council and Committee attendance	Number of days	2014–15			2013–14		
			Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000	
Anna van der Gaag	Council (Chair) Remuneration	15/15 1/1	220	65–70	5-10	204	60–65	5-10
Pradeep Agrawal (to December 2013)		-	-	-	-	15	0–5	-
Jennifer Beaumont (to December 2013)		-	-	-	-	15	0–5	-
Elaine Buckley	Council Education and Training	15//1 5 4/4	36	10–15	0-5	7	0–5	0-5
Frank Burdett (to December 2013)		-	-	-	-	15	0–5	0-5
Mary Clark-Glass (to 31 December 2014)	Council Education and Training	10/10 3/3	36	10–15	5-10	25	5–10	5-10
Stephen Cohen (from 1 January 2015)	Council	5/5	6	0–5	0-5	-	-	-

Council/Committee member	Council and Committee attendance	2014-15			2013-14			
		Number of days	Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000	
John Donaghy (to 31 December 2014)	Council Education and Training	10/10 3/3	21	5-10	0-5	32	5-10	0-5
Sheila Drayton (to 31 December 2014)	Council Education and Training	6/10 3/3	19	5-10	0-5	26	5-10	0-5
Julia Drown (to December 2013)		-	-	-	-	16	0-5	0-5
Richard Kennett	Council Audit (Chair)	12/15 4/4	34	10-15	0-5	30	5-10	0-5
Sonya Lam <sup>2</sup> (from January 2014)	Council	14/15	15	0-5	0-5	7	0-5	-
Jeff Lucas (to 31 December 2013)		-	-	-	-	19	5-10	0-5
Morag MacKellar (to December 2013)		-	-	-	-	6	0-5	-
Arun Midha (to December 2013)		-	-	-	-	18	5-10	-
Eileen Mullan (from 1 January 2015)	Council Education and Training	4/5 0/1	4	0-5	0-5	-	-	-
Joanna Mussen (from 1 January 2015)	Council Education and Training	5/5 1/1	9	0-5	0-5	-	-	-
Penny Renwick (to December 2013)		-	-	-	-	19	5-10	0-5
Keith Ross (to 31 December 2014)	Council Audit	8/10 3/3	44	10-15	0-5	27	5-10	0-5
Robert Templeton	Council Remuneration	14/15 1/1	32	5-10	0-5	18	5-10	0-5
Eileen Thornton <sup>1</sup> (to December 2013)		-	-	-	-	-	Nil <sup>1</sup>	0-5
Graham Towl <sup>3</sup> (from January 2014)	Council Education and Training Audit	12/15 2/4 1/1	17	5-10	0-5	7	0-5	0-5
Joy Tweed	Council Education and Training (Chair) Remuneration	15/15 2/4 1/1	47	10-15	0-5	31	5-10	0-5
Diane Waller (to December 2013)		-	-	-	-	10	0-5	0-5
Nicola Wood (from January 2014)	Council	14/15	25	5-10	0-5	7	0-5	0-5
Stephen Wordsworth	Council Education and Training	5/5 1/1	8	0-5	0-5	-	-	-

1. Eileen Thornton waived her fees in 2013-14.
2. Sonia Lam's remuneration is accrued and paid to NHS Education for Scotland and the figure has been restated for 2013-14
3. Graham Towl's remuneration includes payments of £1,240(2013-14 £2,170) to Durham University.

### Key

The third column indicates the number of meetings attended out of the total number of meetings that took place in 2014–15 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 2014 comprised Anna van der Gaag (Chair), Shelia Drayton and Joy Tweed. In March 2015, the Committee comprised Anna van der Gaag (Chair), Robert Templeton and Joy Tweed.

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

The Chief Executive and Registrar's contract of employment requires a termination notice period of six months by the employee and twelve months by the employer. The remaining EMT members' contracts require a termination notice period of 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

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

	<b>2014–15</b>	<b>2013–14</b>
Salary	£180,453	£175,197
Taxable benefits	£3,798	£2,468
Total remuneration	£184,251	£177,665
Employer's pension contributions	£29,774	£28,907

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

	2014–15	2013–14
Remuneration band of highest paid executive (£'000)	£180-£185	£175-£180
Median total	£27,210	£29,800
Remuneration ratio	6.8	6.0

## EMT remuneration

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

Name	Position	2014–15		2013–14	
		Salary £'000	Employer's pension contribution £'000	Salary £'000	Employer's pension contribution £'000
John Barwick <sup>1</sup>	Acting Director of Fitness to Practise	35–40	0-5	–	–
Brendon Edmonds <sup>2</sup>	Acting Director of Education	–	–	50–55	0–5
Guy Gaskins	Director of Information Technology	85–90	5–10	80–85	5-10
Andy Gillies (from February 2014) <sup>3</sup>	Director of Finance	80–85	0–5	10–15	–
Abigail Gorringe <sup>2</sup>	Director of Education	70–75	15–20	55–60	15-20
Michael Guthrie <sup>4</sup>	Director of Policy and Standards	80–85	10–15	70–75	10–15
Teresa Haskins	Director of Human Resources	80–85	5–10	80–85	5-10
Kelly Holder <sup>1</sup>	Director of Fitness to Practise	105–110	15–20	100–105	15–20
Jacqueline Ladds	Director of Communications	75–80	5–10	75–80	5–10
Louise Lake <sup>4</sup> (formerly Louise Hart)	Director of Council and Committee Services	50–55	0–5	65–70	0-5
Tim Moore (April to August 2013) <sup>3</sup>	Director of Finance	–	–	30-35	–
Greg Ross-Sampson	Director of Operations	90–95	5–10	85–90	5-10

1. Kelly Holder is on maternity leave from January 2015 until December 2015 and during this time John Barwick is Acting Director of Fitness to Practise. His acting up allowance commenced in November 2014.

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

3. The post of Director of Finance was filled by Tim Moore on an interim basis as a contractor from an agency until April 2013. The amounts paid including commission and VAT by the HCPC to the agency for Tim Moore's services were £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.

4. Louise Lake was on maternity leave from September 2013 until September 2014 and during that time Michael Guthrie was Acting Director of Council and Committee Services in addition to his permanent role as Director of Policy and Standards.

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 2015 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 the Article 46(5) of the Health and Social Work Professions Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health and Care Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Care Professions Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2015 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 Strategic Report and Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**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 2015

	Note	2015 £'000	2014 £'000
<b>Income</b>			
Fee income	2	26,302	25,141
Other income		1	11
<b>Total operating income</b>		26,303	25,152
Staff costs	4	9,636	8,343
Depreciation and amortisation		762	720
Other expenditure	6	15,739	14,813
<b>Total operating expenditure</b>		26,137	23,876
<b>Surplus for the year after operational costs</b>		166	1,276
Income received from the Department of Health		186	–
Costs relating to revalidation research		(44)	–
Costs relating to regulation of Public Health Specialists		(64)	–
Investment income	3	132	220
Gain /(Impairment) of freehold land and buildings	8	80	(699)
Impairment of intangible assets		–	(44)
<b>Surplus on ordinary activity before taxation</b>		456	753
Taxation	7	(15)	(27)
<b>Retained surplus for the year</b>		441	726
<b>Other comprehensive net income</b>			
Revaluation gain on freehold property	8	104	–
<b>Total comprehensive net income</b>		545	726

The notes on pages 34 to 47 form part of these financial statements.

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

## Statement of financial position as at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	3,698	3,491
Intangible assets	9	1,507	1,255
<b>Total non-current assets</b>		5,205	4,746
<b>Current assets</b>			
Trade and other receivables	10	758	625
Cash and cash equivalents	11	18,048	16,038
<b>Total current assets</b>		18,806	16,663
<b>Total assets</b>		24,011	21,409
<b>Current liabilities</b>			
Trade and other payables	12	(2,957)	(2,312)
Deferred income	13	(17,332)	(15,815)
<b>Total current liabilities</b>		(20,289)	(18,127)
Liabilities greater than one year	14	(161)	(266)
<b>Assets less liabilities</b>		3,561	3,016
<b>Reserves</b>			
General reserve		3,457	3,016
Revaluation reserve		104	-
		3,561	3,016

The notes on pages 34 to 47 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

Signature

Date

**Marc Seale**

Chief Executive and Registrar  
Accounting Officer

Signature

Date

## Cash flow statement for year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Surplus from operating activities		166	1,276
Regulation of Public Health Specialists		(64)	–
Costs relating to revalidation research		(44)	–
Depreciation and amortisation	<b>8 and 9</b>	762	720
(Increase) in trade and other receivables	<b>10</b>	(133)	(64)
Increase in trade payables	<b>12</b>	650	227
Increase in deferred income	<b>13</b>	1,517	(323)
(Decrease) in liabilities greater than one year	<b>14</b>	(105)	(48)
<b>Net cash inflow from operating activities</b>		<b>2,749</b>	<b>1,788</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>8</b>	(165)	(978)
Purchase of intangible assets	<b>9</b>	(875)	(675)
Investment income	<b>3</b>	132	220
<b>Net cash flows from investing activities</b>		<b>(908)</b>	<b>(1,433)</b>
<b>Taxation</b>			
	<b>7</b>	(17)	(27)
<b>Cash flows from financing activities</b>			
Income from the Department of Health	<b>17</b>	186	126
		186	126
<b>Net increase in cash and cash equivalents in the period</b>			
		<b>2,010</b>	<b>454</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
	<b>11</b>	16,038	15,584
<b>Cash and cash equivalents at the end of the period</b>			
		<b>18,048</b>	<b>16,038</b>

The notes on pages 34 to 47 form part of these financial statements.

## Statement of reserves for year ended 31 March 2015

	Note	Revaluation Reserve £'000	General Reserve £'000	Total £'000
<b>Balance at 1 April 2013</b>		-	2,164	2,164
Surplus for the year		-	726	726
Income received from the Department of Health	<b>13</b>	-	126	126
<b>Balance at 31 March 2014</b>		-	3,016	3,016
Surplus for the year		-	441	441
Gain on revaluation of the property	<b>8</b>	104	-	104
<b>Total recognised income and expense for the year</b>		104	441	545
<b>Balance at 31 March 2015</b>		104	3,457	3,561

The notes on pages 34 to 47 form part of these financial statements.

# Notes to the financial statements for the year ended 31 March 2015

## 1 Accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the 2014–15 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. IAS 16 and IAS 36 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13. This is applied in the FReM for 2015-16.
- IAS36 Impairment of assets on recoverable amount disclosures is an amendment to a current standard and will be considered by HM Treasury with the expectation that it will be applied when IFRS13 is introduced in the FReM.

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

2016, and the 5 year plan for the period ending 31 March 2020. 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 makes 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 2015. Property capital costs incurred between valuations are capitalised at cost.

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the buildings and the net amount is restated to the revalued amount of the buildings.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. The HCPC's plant and equipment assets are relatively low value items with 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 2015 is as follows.

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

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

### **Intangible assets**

Intangible assets are stated at historic cost of acquisition less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Amortisation is not provided for until the asset is fully developed and in use.

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

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

### **Financial 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 -1.5 per cent for short term cash flows between 0–five years, -1.05 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 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>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Arts therapists	273	253
Biomedical scientists	1,797	1,766
Chiropodists / podiatrists	1,028	985
Clinical scientists	413	389
Dietitians	709	661
Hearing aid dispensers	170	152
Occupational therapists	2,785	2,693
Operating department practitioners	926	862
Orthoptists	104	102
Paramedics	1,608	1,450
Physiotherapists	4,093	3,950
Prosthetists / orthotists	78	73
Practitioner psychologists	1,620	1,520
Radiographers	2,410	2,287
Social workers in England	7,106	6,873
Speech and language therapists	1,182	1,125
	<u>26,302</u>	<u>25,141</u>
<b>3 Investment income</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposit interest	132	220
	<u>132</u>	<u>220</u>

<b>4 Staff costs</b>	<b>Permanent staff £'000</b>	<b>Others £'000</b>	<b>2015 Total £'000</b>	<b>2014 Total £'000</b>
Wages and salaries	7,279	239	7,518	6,575
Social Security costs	782	26	808	702
Pension costs	482	4	486	393
Other payroll expense including recruitment and temporary staff	124	700	824	673
	<b>8,667</b>	<b>969</b>	<b>9,636</b>	<b>8,343</b>

The average number of full time equivalent (FTE) permanent employees during the year was 215 (2013–14, 194). The average number of fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was 23 (2013–14, 16).

## **5 Pension funding arrangements**

### **The Friends Provident Scheme**

This is a designated stakeholder, defined contribution scheme and HCPC's auto-enrolment staging date was 1 April 2015. At 31 March 2015, there were 196 active members in the pension scheme (2014, 89 active members). During the financial year to 31 March 2015, the HCPC contributed £486K to the pension scheme.

<b>6 Other operating expenditure</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Professional services	5,621	5,553
Partners (agents)	4,288	3,753
Office services	1,720	1,645
Computer services	955	842
Communications	497	564
Other departmental costs	740	678
Property services	818	970
Projects	626	287
Council and Committee expenses	252	276
Travel and subsistence	222	245
	<b>15,739</b>	<b>14,813</b>

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

Because HCPC is not registered for VAT, other operating expenditure includes irrecoverable VAT of approximately £1.7m in 2014-15 and £1.6m in 2013-14.

<b>Operating expenditure includes:</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	39	39
• Internal audit – Mazars LLP	23	24

**7 Taxation on Investment Income**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on taxable income for the year	26	27
Adjustment for prior year over accrual	(11)	–
Tax charge for the year :	<u>15</u>	<u>27</u>

## 8 Property, plant and equipment 2014–15

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

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 2015 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards Sixth Edition. Stiles Harold Williams did not believe that there was a material difference between existing use value and the market value of the properties.

### Park House including 20-26 Stannary Street

Park House was valued at £2,085,000. The historic cost of the Park House property is £1,797,624 (2014, £1,767,450)

### 186 Kennington Park Road

186 Kennington Park Road was valued at £1,315,000. The historic cost, including fees, was £1,817,510 (2014 – £1,817,510).

### Historic documents and papers

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

### Property, plant and equipment 2013–14

	Freehold land	Freehold properties	Assets under construction	Leasehold improvement	Office furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
At 1 April 2013	700	1,392	1,105	–	246	322	3,765
Additions	–	3	713	77	40	145	978
Disposals	–	–	–	–	(5)	(1)	(6)
Reclassification	909	909	(1,818)	–	–	–	–
Impairment	(16)	(711)	–	–	–	–	(727)
31 March 2014	1,593	1,593	–	77	281	466	4,010
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	–	62	64	179	3,491
At 31 March 2013	700	1,392	1,105	–	66	75	3,338

**9 Intangible assets  
2014–15**

	<b>Software licences</b>	<b>*Other systems</b>	<b>Education system</b>	<b>Fitness to practise case management system</b>	<b>Registration system</b>	<b>Total</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 2014	369	133	358	1,048	3,456	5,364
Additions	57	218	459	–	141	875
Disposals	–	(64)	–	–	–	(64)
31 March 2015	426	287	817	1,048	3,597	6,175
Amortisation:						
At 1 April 2014	179	64	–	699	3,167	4,109
Charge for the year	109	2	23	349	140	623
Disposals	–	(64)	–	–	–	(64)
31 March 2015	288	2	23	1,048	3,307	4,668
Net book value:						
At 31 March 2015	138	285	794	–	290	1,507
At 31 March 2014	190	69	358	349	289	1,255
<b>2013–14</b>						
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	219	82	88	1,048	3,296	4,733
Additions	150	51	270	–	204	675
Impairment	–	–	–	–	(44)	(44)
31 March 2014	369	133	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

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

<b>10 Trade receivables</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	644	542
Other receivables	114	83
	<u>758</u>	<u>625</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>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	16,038	15,584
Net change in cash	2,010	454
Balance at 31 March	<u>18,048</u>	<u>16,038</u>

The following balances at 31 March were held at:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Current and instant access accounts with commercial banks	9,528	7,538
Fixed term deposits with commercial banks	8,520	8,500
Balance at 31 March	<u>18,048</u>	<u>16,038</u>

<b>12 Trade payables and other current liabilities</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	22	27
Other taxation and social security	289	205
Other payables	965	812
Accruals	1,681	1,268
	<u>2,957</u>	<u>2,312</u>

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

<b>13 Deferred income</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Registration fees in advance	436	411
Renewal fees in advance	16,896	15,404
	<u>17,332</u>	<u>15,815</u>

<b>14 Liabilities greater than one year</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Pension accruals	47	94
Pension provision	114	172
	<u>161</u>	<u>266</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 two years from 1 April 2017 as its share of the deficit.

The next formal triennial actuarial valuation as at 31 March 2014, which is due at the end of 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. £111K was paid in respect of these leases during 2014–15.

In May 2015 the HCPC entered an agreement for the fit out and lease of office space at 405 Kennington Road. On completion of the fit out works (see note 16), the HCPC and the landlord have agreed to enter a 12 year lease with an annual rent of £713K including VAT.

The total future annual commitments for the operating leases are:

	2015		2014	
	£'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	11	64	53	121
Greater than five years	–	–	–	–
	<u>52</u>	<u>122</u>	<u>94</u>	<u>179</u>



## 16 Capital commitments

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Education system build project	51	235
HR and Partner system build project	62	-
	<u>113</u>	<u>235</u>

In addition, the Council had authorised the fit out of the new leased office space at 405 Kennington Road. The contract was signed in May 2015 for an amount of £704K including VAT.

## 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 2014–15 of £186K related to the regulation of Public health specialists and applications related to Australian paramedics. In 2013-14, income of £126K was received from the Department of Health in relation to the regulation of social workers in England and a change of organisational name for costs incurred from the 2012–13 financial year.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £179,335 (2013–14, £185,380) were accrued and paid to 17 members, including one non-Council Committee member (2013–14, 33 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 30 June 2015. Except for the agreement for the fit out and lease of 405 Kennington Road (see notes 15 and 16) 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 hold a minimum level of cash equivalent to three months of operating expenditure. The reserves policy was reviewed and approved by Council on 15 May 2014. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC holds a significant amount of cash in short-term money-market accounts to cover the expenditure expected to be incurred over the payment period.

### **Interest rate risk**

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