

Council, 6 July 2017

Draft Annual Report and Accounts 2016-17

Executive summary and recommendations

**Introduction**

The draft Annual Report and Accounts for the year ended 31 March 2017 is attached. The National Audit Office have substantially completed their audit and expect to give an unqualified audit report. Their report is item 10 on the agenda.

**Decision**

Council is requested to review and approve the document.

**Background information**

See appendix 1

**Resource implications**

None

**Financial implications**

None

**Appendices**

Appendix 1, background information

Appendix 2, advice from Solicitor to Council on approval of the accounts

Appendix 3, draft Annual Report and Accounts 2016-17

Appendix 4, draft Annual Report and Accounts 2016-17 (tracked changes)

**Date of paper**

27 June 2017

## Appendix 1: background information

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

The draft annual report section has been reviewed by the Executive, Council at their meeting on 24 May, Audit Committee at their meeting on 14 June, and by 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 reviewed the draft Annual Report and Accounts at their meeting on 15 June. The Committee recommends that the Annual Report and Accounts should be approved.

In reaching their conclusion on whether or not to approve the Annual Report and Accounts, Council can take assurance from the Executive's and Audit Committee's prior reviews, the internal control framework as described in the Governance Statement (particularly pages 24 to 26), and the NAO's Audit Completion Report (agenda item 10).

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>1</sup> states that the Council have concluded that the HCPC is a going concern having reviewed the budget for 2017-18 and the five year plan at the March Council meeting, and taking into account the financial impact of the transfer of regulation of social workers to Social Work England.

At the May Council meeting and the June Audit Committee meeting, there was discussion as to why the Chair of Council signs the Annual Report and Accounts, in addition to the Accounting Officer.

The Audit Committee asked that the position be confirmed in advice from the Solicitor to Council, and that advice is attached at Appendix 2.

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

There are no significant changes in the structure of the annual report and accounts this year. The table under equality and diversity section on pages 14 and 15, which was first introduced last year, now includes information on all the protected characteristics under the Equality Act. The tables in the remuneration report now include a column for total remuneration, which is gross pay plus employer pension contributions plus benefits in kind<sup>2</sup>.

### **Reconciliation to month 12 management accounts**

The table below shows the differences between the figures in the draft statutory accounts and the figures in the month 12 management accounts, which were included with the Finance Report to the May Council meeting. The auditors identified an error in the treatment of our dilapidation/restoration obligations under the lease for 405

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<sup>1</sup> See page 9 of the annual report

<sup>2</sup> Travel to and from Park House paid for by HCPC for Council and Committee members counts as a taxable benefit in kind

Kennington Road. The value is not material but it is significant so we agreed to adjust the accounts.

<b>Income and expenditure account / Statement of comprehensive net expenditure</b>				
	<b>Statutory accounts £000</b>	<b>Month 12 M'gmt accounts £000</b>	<b>Diff'ce £000</b>	<b>Reason</b>
Total operating income	31,449	31,449	-	
Staff costs	(11,638)	(11,638)	-	
Depreciation	(1,103)	(1,067)	(36)	Depreciation on dilapidation
Non-payroll costs PSA Levy		(17,793) (859)		PSA levy shown as separate line item in management accounts; combined into "Other expenditure" in statutory accounts.
Total other expenditure	(18,561)	(18,652)	91	Reversal of dilapidation accrual.
Investment income	164	164	-	
Revaluation – I&E movement	6	6	-	
Impairment of intangible assets	-			
Corporation tax	(33)	(33)	-	
<b>Retained surplus</b>	<b>284</b>	<b>229</b>	<b>55</b>	See above

<b>Balance sheet / Statement of financial position</b>				
	<b>Statutory accounts £000</b>	<b>Month 12 M'gmt accounts £000</b>	<b>Diff'ce £000</b>	<b>Reason</b>
Fixed assets	6,943	6,816	127	Capitalisation of dilapidation cost net of depreciation.
Debtors / Trade and other receivables	21,523	21,523	-	
Creditors / trade and other payables	(23,297)	(23,388)	91	Reversal of dilapidation accrual.
Provisions	(163)	-	(163)	Recognition of dilapidation as a provision.
<b>General reserve</b>	<b>5,006</b>	<b>4,951</b>	<b>55</b>	See above

## Next steps

Around 10 July	Comptroller and Auditor General signs the audit report
11-14 July	Privy Council Office approval
11-14 July	Preparation and proofing of the published version by TSO (The Stationery Office)
17 July	Laying of the Annual Report and Accounts in Parliament and the Scottish Parliament
Around 1 August	Publication on HCPC website

We also plan to produce a summary of the annual report for publication on our website later in the summer.

## Appendix 2, advice from Solicitor to Council on approval of the accounts

**From:** BRACKEN Jonathan [mailto:jonathanbracken@bdb-law.co.uk]

**Sent:** 19 June 2017 13:40

**To:** Andy Gillies <andy.gillies@hcpc-uk.org>

**Cc:** Tian Tian <Tian.Tian@hcpc-uk.org>; Louise Lake <louise.lake@hcpc-uk.org>; Claire Amor <claire.amor@hcpc-uk.org>; Marc Seale <marc.seale@hcpc-uk.org>

**Subject:** Re: [CONFIDENTIAL] Chair of Council signing the Annual Report and Accounts

Andy,

Thanks for your email.

There is no specific statutory requirement (or Treasury guidance) as to who must sign reports and accounts and the practice does vary across NDPBs and similar bodies. As you indicate, the report and accounts are the Council's and it is common practice for the Chair of the governing body and the Chief Executive (as AO) to sign the report and accounts in that situation. This practice is followed by, for example, the NMC.

I have seen accounts which are only signed by the AO and other variations. For example, the Health and Safety Executive report is signed by the Chair and AO, but the accounts are signed by the AO and the Chair HSE's audit committee.

My impression - I cannot claim to have conducted any form of empirical study - is that most bodies follow the same practice as the HCPC.

Kind regards,

Jonathan

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**From:** "Andy Gillies" <[andy.gillies@hcpc-uk.org](mailto:andy.gillies@hcpc-uk.org)>

**Date:** 16/06/2017 at 12:39:34

**To:** "Jonathan Bracken" <[jonathanbracken@bdb-law.co.uk](mailto:jonathanbracken@bdb-law.co.uk)>

**Cc:** "Tian Tian" <[Tian.Tian@hcpc-uk.org](mailto:Tian.Tian@hcpc-uk.org)>,"Louise Lake" <[louise.lake@hcpc-uk.org](mailto:louise.lake@hcpc-uk.org)>,"Claire Amor" <[claire.amor@hcpc-uk.org](mailto:claire.amor@hcpc-uk.org)>,"Marc Seale" <[marc.seale@hcpc-uk.org](mailto:marc.seale@hcpc-uk.org)>

**Subject:** [CONFIDENTIAL] Chair of Council signing the Annual Report and Accounts

Hi Jonathan

A query came up in Audit Committee this week as to why the Chair signs the accounts. One of the Committee member's previous experience at an NDPB is that only the Accounting Officer signs.

I said that the Article 46 of the Order places responsibility for the accounts on the Council, therefore it is appropriate that the Chair signs the accounts on behalf of Council, along with Marc as Accounting Officer.

The Committee asked for that to be checked with you.

Can you confirm if that's right?

Thanks

Andy

Health and Care Professions Council  
Annual report and accounts 2016–17

DRAFT

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## **Performance report: overview**

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

We are pleased to present the HCPC annual report. This foreword affords the opportunity to once again thank our Council members, employees, partners and stakeholders for the part they have played over the course of the year in delivering public protection.

A key focus of our efforts this year has been the length of time fitness to practise cases take to conclude. We have made progress in reducing the number of older cases in our case load and in further ensuring we make appropriate decisions about new cases in a timely manner. To assist in doing this, we have realigned the Fitness to Practise Directorate to provide greater specialisation. Early signs are that this has been a positive development which has enabled greater focus on case progression at each stage of the process.

Over the course of the year we have also been working to launch the Health and Care Professions Tribunal Service (HCPTS). The HCPTS will provide a distinct identity to reinforce the independence of adjudication from the investigation of cases. As part of this change, a new Tribunal Advisory Committee has been appointed. The Committee will be responsible for advising the Council on the recruitment, training and assessment of tribunal panellists, chairs and legal assessors. It will also be responsible for issuing guidance to HCPTS Panels on practice and procedure.

It is often said that 'prevention is better than cure', and the role that the regulators might play in preventing fitness to practise cases has been a continuing debate in the sector in recent years. We have commissioned a research team to explore the prevalence of cases in two of the professions with relatively high volumes of cases, paramedics and social workers in England. The intention is to improve our understanding of the characteristics of the cases we consider in these professions and to focus on how all those involved in practice, education, employment, representation and regulation in these professions might work together to tackle these trends.

During the course of the year, legislation which will allow a new regulator for social workers in England to be set up was introduced into Parliament, receiving Royal Assent as the Children and Social Work Act 2017 on 27 April. Implementation timescales are uncertain at this stage, but we have been working constructively with colleagues in Government as they begin work to establish the new regulator, Social Work England. Elsewhere, the Secretary of State for Health announced his intention to consult in the near future on the regulation of physician associates and we hosted a joint workshop with the General Medical Council to explore the issues with stakeholders.

To date, the four country consultation on regulation reform we anticipated in last year's report has yet to be published. However, in the meantime, we continue to press for the secondary legislation we need to drive further improvements in our fitness to practise process.

**Elaine Buckley**  
Chair

**Marc Seale**  
Chief Executive and Registrar

## Performance report: overview

### Scope of this report

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

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

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

As of 31 March 2017 we regulated 350,330 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.

### HCPC objectives

Our over-arching objective is set out in Article 3(4) of the Health and Social Work Professions Order 2001. That objective is “the protection of the public”. To fulfil that objective, we:

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

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

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

## Performance report: performance analysis

### Key operating and financial statistics and financial commentary

The tables below show the key operating and financial statistics for the five years to 31 March 2017. These statistics among others are captured on a monthly basis by HCPC's management information systems and reported to Council in the departmental updates presented at each Council meeting. Council meeting papers are available on the HCPC website at [www.hcpc-uk.org/aboutus/council/councilmeetings](http://www.hcpc-uk.org/aboutus/council/councilmeetings).

<b>Operating statistics</b>	<b>2012–13</b>	<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>	<b>2016–17</b>
Average number of FTE permanent employees	166	194	215	228	242
<b>Registration statistics</b>					
Number of new UK registrants in year	14,872	17,366	16,682	16,468	16,220
Number of new international registrants in year	1,758	1,994	2,790	2,871	3,919
Number of registrants at year end	310,942 <sup>2</sup>	322,021	330,887	341,745	350,330
<b>Fitness to practise statistics</b>					
Fitness to practise allegations	1,653	2,069	2,170	2,127	2,259
Percentage of registrants subject to allegation	0.53%	0.64%	0.66%	0.62%	0.64%
Case to answer percentage	58%	53%	55%	63%	71%
Fitness to practise hearings <sup>3</sup>	585	808	871	865	1,135
Total days of final hearings <sup>3</sup>	932	1,265	1,230	1,216	1,709
<b>Education statistics</b>					
Number of approved education providers at year end	150	151	143	150	145
Number of approved programmes at year end	909	968	967	1,055	1,039
Number of approval visits in year	56	66	69	58	44
<b>Financial statistics</b>					
	<b>2012–13</b>	<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>	<b>2016–17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total operating income	20,152	25,152	26,303	28,310	31,449
<b>Operating costs</b>					
Communications	1,047	1,106	1,141	1,374	1,054
Education	841	874	889	1,047	1,113
Fitness to practise	8,461	11,567	12,881	13,189	14,938
Policy and standards	257	315	382	434	395
Registration	2,534	2,544	3,104	3,211	3,732
Information technology	1,310	1,466	1,659	1,805	1,951
Office services, including premises	1,060	1,495	1,465	1,754	2,369
Other department costs (eg HR and Secretariat)	3,453	3,422	3,309	3,446	3,326
Major projects	234	368	546	616	461
Depreciation	852	719	761	822	1,103
PSA levy	–	–	–	589	859
Total operating expenditure	20,049	23,876	26,137	28,287	31,301
Net operating surplus/(deficit)	103	1,276	166	23	147
Retained surplus/(deficit)	7	726	441	414	284
Working capital	14,060	14,351	15,849	16,881	18,975
Total assets	20,701	21,409	24,011	25,667	28,466
Total reserves	2,164	3,016	3,561	4,461	5,006
Capital purchases	609	1,653	1,040	1,330	1,325

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

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

## Performance report: performance analysis

Over the past five years, the numbers of professionals on the Register has grown by approximately 10,000 a year, or an average of three per cent a year. 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, despite the growth in registrant numbers. But other areas are “demand led”, and in some cases as discussed below, our costs have increased as fast as or faster than the growth in registrant numbers.

### **Fitness to practise costs**

Fitness to practise<sup>4</sup> costs have risen from £8.5m to £14.9m over the past five years and from £13.2m to £14.9m over the past year. The main drivers of fitness to practise costs are the size of the Register, the percentage of registrants subject to an allegation, the percentage of allegations that are referred for hearing by a Panel (the “case to answer rate”), and the average length of time of the hearing. The percentage of registrants subject to an allegation has remained almost constant over the past four years, so the total number of allegations received has increased only proportionately to the overall growth in the Register. However, due to a range of factors including increasing complexity of cases, the length of time cases were taking to conclude has increased. In 2016–17 we realigned the Fitness to Practise Directorate to provide greater specialisation, and increased the resources of the Directorate, in order to process more cases and reduce the length of time from receipt of allegation to conclusion. The results of this can be seen in the increase in the number of hearings and total days of hearings in the table above.

The increase in the case to answer rate to 71 per cent in 2016–17 is a consequence of our increased focus on the initial “triage” stage of the fitness to practise process, and the assessment of cases against our Standard of Acceptance<sup>5</sup> for allegations. The Standard of Acceptance ensures that our finite fitness to practise resources are used effectively to protect the public and are not diverted into investigating matters which do not raise cause for concern. For example, some of the allegations we receive do not relate to the fitness to practise of an individual registrant or are about minor and isolated mistakes by registrants which are insufficient to suggest that fitness to practise is impaired. By filtering out, at the first stage in the process, allegations that it is not appropriate for us to pursue, the revised Standard of Acceptance has enabled better use of our resources at the later stages. It has also meant that a higher percentage of those allegations that do proceed further are found by and investigating committee panel to have a “case to answer”.

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

### **Information technology costs**

There are a number of changes to the IT infrastructure that have improved the effectiveness of the HCPC business processes but have introduced additional costs.

The HR and Partners systems build project delivers the core functionality of the new HR and Partners system. The project is now in its implementation stage with a two stage delivery separating HR and the Partners systems. This has allowed the earlier delivery of

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<sup>4</sup> The fitness to practise investigations process is explained at [www.hcpc-uk.org/complaints/raiseaconcern/investigations](http://www.hcpc-uk.org/complaints/raiseaconcern/investigations)

<sup>5</sup> [www.hcpc-uk.org/assets/documents/10004E79Factsheet-Standardofacceptanceexplained.pdf](http://www.hcpc-uk.org/assets/documents/10004E79Factsheet-Standardofacceptanceexplained.pdf)

## Performance report: performance analysis

the HR elements of the system while the project waits for the agreed Partners developments to complete. The HR system went live in December 2016 to all employees including the running of the payroll. The work to create the interfaces to HCPC internal systems is continuing with engagements with the vendors to detail the interface design completed. Implementation for the Partners system has commenced, and the project will ensure this system is fully integrated with the Fitness to Practise System.

The Registrations transformation and improvement project will deliver a programme of change that will introduce fundamentally revised business processes, a single highly automated system and an online service that will offer registrants the ability to easily interact with HCPC.

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

To ensure the project achieves its objectives in a controlled manner, the project will be managed using the HCPC-tailored PRINCE2 methodology. Progress on the project and Stage reviews will be reported to the Executive Management Team (EMT) on a regular basis. Gateway reviews have been planned at the end of each phase and no phase will commence without prior EMT approval. Enhanced reporting will be provided to Council to ensure that progress is fully understood and a corporate risk register covering the risks of this project to the organisation will be maintained and reported against.

Phase 1 of the project is the implementation of an online continuing professional development (CPD) system. Due to issues experienced by the supplier there has been a delay in the build of the system, which has in turn delayed user acceptance testing. Phase 1 of the project is now expected to be completed in autumn 2017.

Other significant IT changes during 2016–17 included:

- progress made on creating a new intranet using the Microsoft Office 365 environment;
- completion of the first stage of the project to replace the corporate web site;
- implementation of a new site recovery service provided by Microsoft, and replication of services to allow testing;
- delivering of an annual programme of consolidated changes to the current registration system;
- supporting the major project to redevelop the building at 186 Kennington Park Road, through a series of office moves;
- a package of changes supported by internal and external security testing to improve the information security of the HCPC; and
- replacing the existing corporate firewalls with a next generation firewall.

## **Performance report: performance analysis**

These changes all improve our effectiveness and the quality of service we provide to registrants and the public, and enable us to manage increasing workloads without proportionate increases in staffing, but they all also increase costs both in the development of new systems and in the ongoing licencing and support costs. As a result the costs of our IT Department have increased from £1.8m in 2015–16 to £2m in 2016–17, and are budgeted to increase to £2.2m in 2017–18.

### **Premises costs**

Our new hearings centre at 405 Kennington Road was brought into use in January 2015 and is delivering the expected improvement in the experience of hearings for all the parties involved as well as providing greater flexibility for the scheduling of different hearing types. 405 Kennington Road is held on a twelve year lease running from December 2015, with a break clause in December 2021. This is the first year the full 12 months of operating costs is reflected in the annual accounts. The hearing centre added £1m to our costs in 2016–17 and is budgeted to add £1.1m in 2017–18.

In 2016–17 we began a major project to refurbish 186 Kennington Park Road, the adjoining building bought in 2013, which has since remained in a relatively poor state of decoration. The main contractor has been selected and work started in April 2017. We expect to spend up to £2.75m during 2017–18 on the project, which will be a mixture of operating costs and capital expenditure. The outcome, as with the work done on 405 Kennington Road in the prior year, will be good quality office space that promotes effective team and cross-team working.

### **Professional Standards Authority fees**

The Professional Standards Authority for Health and Social Care (PSA) oversees the nine UK statutory regulators of health and care professionals. Its role includes reporting on our performance annually; scrutinising our process for appointment of members of the Council; auditing initial stage fitness to practise decisions; and referring final fitness to practise decisions to the High Court if they consider that the decision reached does not properly protect the public.

From August 2015, the PSA has been funded by the regulators it oversees, pro-rata to registrant numbers. We are the second largest regulator by registrant numbers, with 22 per cent of the total registrants across all nine regulators overseen by the PSA, so we contribute 22 per cent of the PSA's funding requirement. Our contribution was £0.86m for 2016–17 and will be £0.88m for the year 2017–18.

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

The Children and Social Work Act 2017, which received Royal Assent on Thursday 27 April 2017, provides for the creation of a new body, Social Work England (SWE), which will regulate social workers in England. Implementation timescales are uncertain at this stage, but we have been working constructively with colleagues in Government as they begin work to establish the new regulator.

This change will in due course have a significant impact on the HCPC's operations, income and expenditure. Social workers in England represent over a quarter of our total registrants; income from social workers was £8m in 2016–17 and is budgeted to be £8.5m in 2017–18.

## **Performance report: performance analysis**

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal costs. However fixed costs such as rent and rates may not be easily reduced. There will be a gap between the loss of income and the reduction in costs, and we will review the impact of this and our options to close that gap as the details of the government's plans emerge. We anticipate that the costs of the transfer of functions will be funded by a grant from the government, as it would be inappropriate for those costs to be borne by our remaining registrants.

### **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. The aggregate of cash at bank and short term deposits was £19.5m at 31 March 2017 (2016, £17.6m). These are not surpluses or profits: the element of fees received in advance is reflected in the deferred income balance of £20.7m (2016, £18.8m), and fee income is recognised evenly through the renewal cycle.

HCPC's total accumulated reserves – the net total of all surpluses, deficits and property revaluation gains of HCPC and its predecessor organisations – are £5m at 31 March 2017. This represents approximately £15 per registrant and less than two months' operating costs.

"Free reserves" is a concept commonly used in the not for profit sector. It refers to reserves that are not tied up in fixed assets, and which are therefore available for use as a source of working capital or to fund new investment. The book value of our fixed assets is £6.9m at 31 March 2017 (2016, £6.5m), greater than our total reserves, so HCPC has negative free reserves. The requirement for registrants to pay in advance has meant that we have not needed large free reserves to fund our fixed assets or working capital. The reserves policy on page 11 sets out our target range of free reserves.

The statement of financial position shows property, plant and equipment totalling £5.5m (2016, £5.1m) of which £4.6m is our freehold offices in Kennington, London. Details of the annual revaluation of the properties are set out in note 8 to the financial statements.

The statement of financial position also includes computer software, shown as intangible assets, at net book value totalling £1.4m (2016, £1.4m). In 2016–17, we spent a total of £0.8m (2015–16, £0.4m) on purchasing or developing new IT systems, and our budget for 2017–18 includes £1.3m for new systems. Investment in new systems is capitalised as the project proceeds and, once the systems are brought into use, is depreciated over three years.

### **Going concern**

The Council's going concern review is based on the budget and work plans for 2017–18 and the five year plan, all considered by Council at the March 2017 meeting. The five year plan is an annually updated longer term financial forecast, based on forecast registrant numbers and assumptions about key cost drivers including the rate of fitness to practise allegations and inflation.

As noted above, the Children and Social Work Act 2017 allows for the establishment of Social Work England (SWE), which in due course will replace the HCPC as the regulator

## **Performance report: performance analysis**

for social workers in England. The budget for 2017–18 assumes that social workers in England remain on the HCPC Register throughout 2017–18, and at the time of writing, we continue to regard this as an appropriate assumption given the time that the transfer of functions to SWE is likely to take. The five year plan as discussed by Council in March 2017 modelled the possible financial impact over the longer term. Although the financial impact will be severe, HCPC remains a going concern. As the detail of the government's plans for the transfer of functions to SWE becomes clear, we will continue to assess the financial impact on HCPC and plan our response.

## **Future developments**

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

- continuing the Registration transformation and improvement project, described above. The first phase of the project is expected to complete in autumn 2017 and, subject to a gateway review, the second phase is expected to start around the end of the calendar year;
- completing the 186 Kennington Park Road refurbishment project;
- completing phase 1 of the website review and build project, and starting phase 2 of the website project;
- development of communications and stakeholder engagement plans in relation to regulatory reform and the regulation of social workers in England;
- approving new programmes in podiatric surgery, orthoptist exemption programmes and considering changes to existing prescribing programmes (if further changes are made to legislation);
- carrying out a number of pilots to explore the viability of further developments in the fitness to practise process including hearings 'on the papers'; bringing service of documents forward; and exploring the use and value of screeners (case examiners); and
- working with the government on their proposals for the regulation of social workers in England.

## **Principal risks and uncertainties**

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

- the risks associated with the transfer of regulation of social workers in England to SWE (see above) including the reduction in income leading to pressure on the current level of registration fees. A project has been established to manage the transfer, with its own risk register, and progress will be reviewed by the Audit Committee on a regular basis;
- other legislative changes affecting the scope of our work;
- the risk of poor operational performance, with associated reputational damage, for example the risk of inability to meet call handling standards in our Registration Department; poor decisions in the approval of professional education courses; or mistakes in fitness to practise cases;
- the risk of rapid increase in the number of FTP allegations and resulting legal costs;

## **Performance report: performance analysis**

- the risk of rapid increase in the number of required education programme approvals, due to legislative, service, commissioning or funding changes;
- the risk of failure in the completion of major projects, for example the delivery of new IT systems;
- business continuity risks, for example interruption to the electricity supply to our offices; or a postal strike; and
- financial risks such as budgetary overspends or errors leading to a shortage of funding, or the financial failure of a key supplier.

The HCPC's risk management processes are described in the governance statement on page 24. The full Risk Register is presented to Audit Committee and Council twice a year and is available on the HCPC website within the papers for Audit Committee and Council meetings.

## **Reserves policy**

Our reserves policy was revised and approved at the Council meeting in May 2017 and will be reviewed every three years, or more frequently if there are significant changes in our operating or financial environment. Our 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 aim to hold or accumulate excessive surpluses or deficits, as that would imply current registrants subsidising future registrants or vice versa.

Our previous reserves policy, approved by Council in May 2014 and applicable during 2016–17, was to hold a minimum level of cash equivalent to three months of operating expenditure. In order to ensure financial sustainability and fairness between current and future registrants, the revised policy approved in May 2017 sets a target range of free reserves. Free reserves are reserves that are not tied up in fixed assets. They are available to use as a source of working capital or to fund new investment. The target range for the period to 31 March 2022 recognises the likely financial impact on HCPC of the government's plans to establish a new regulator for social workers in England. The target range also recognises that our liquidity is provided by the requirement for registrants to pay their fees in advance. Because of this requirement, HCPC is able to operate with negative free reserves.

The upper limit of our target range is zero free reserves, and the lower limit is negative free reserves equivalent to three months of budgeted operating expenses. Our actual free reserves as at 31 March 2017 are negative £1.94m, which is equivalent to less than one month's expenditure in the 2017–18 budget. Each subsequent year's budget setting process will include, and be informed by, a recalculation of the target range of free reserves.

## **Investment policy**

Our investment policy was most recently revised and approved at the Council meeting in May 2017 and will be reviewed at least every three years. The policy provides the

**Performance report: performance analysis**

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 revised policy approved in May 2017 added short dated UK government issued bonds (gilt edged securities) as an approved category of investment.

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

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

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

## **Accountability report: Council's 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 adviser. We also ensure IT-system-support contracts and data back-up procedures are in place.

### **Health and safety**

We are committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that everyone at the HCPC premises, whether employees or visitors, continues to enjoy the benefits of a safe working environment. Eight health and safety incidents were reported during the year. The total number of employee sick leave days in 2016–17 was 1,757 (2015–16, 1,347). The average number of sick days per full time equivalent employee in 2016–17 was 7 days or 2.7% of working days (2015–16, 6.4 days, 2.5% of working 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 2016–17 activities relating to corporate and social responsibility have included:

- a cycle challenge for Sport Relief;
- providing weekly literacy support at the Henry Fawcett Primary School;
- a gift collection for St Mungo's;
- a volunteering day at the Vauxhall City Farm;
- hosting a Volunteers Fair with seven local charities highlighting volunteering opportunities in the local area;
- a walk to work challenge;
- a donation drive for work wear for Suited & Booted and Smart Works; and
- a foreign currency collection for the Alzheimer's Society.

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

## Accountability report: Council's report

### Payment of suppliers

88 per cent of purchase invoices were paid within 30 days (2015–16, 83 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2015–16 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 ensuring that the organisation values participation and respectful working relationships.

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 are a Disability Confident Employer under the government Disability Confident Scheme.

Our diversity at 31 March 2017 was as follows:

Gender analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Female	7	5	37	127	169
Male	5	6	28	59	93
Total	12	11	65	186	262

Age analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
18–30	–	–	9	75	84
31–40	–	4	35	682	107
41–50	3	3	14	20	37
51–60	7	3	6	19	28
61+	2	1	1	4	6
Total	12	11	65	186	262

Ethnic background analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Asian	–	–	3	23	26
Black	–	–	5	41	46
Mixed	–	–	6	10	16
Other	–	–	1	1	2
Prefer not to say (PNS) / not stated	–	1	5	38	44
White	12	10	45	73	140
Total	12	11	65	186	262

## Accountability report: Council's report

Disability analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Disabled	2	–	–	5	5
Not disabled*	10	11	65	181	257
Total	12	11	65	186	262

\* Includes prefer not to say and not stated

Sexual orientation analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Bisexual	–	–	2	1	3
Gay man	–	–	5	6	11
Gay woman	1	–	–	1	1
Heterosexual	7	4	45	129	178
PNS/not stated	4	7	13	49	69
Total	12	11	65	186	262

Marital status analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Civil Partner	–	–	–	1	1
Divorced	1	–	2	2	4
Married	9	7	20	33	60
Partner	2	2	12	18	32
Single	–	1	29	112	142
PNS/not stated	–	1	2	20	23
Total	12	11	65	186	262

Religion analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
No religion	4	3	21	39	63
Christian	5	1	19	63	83
Buddhist	–	–	–	3	3
Hindu	–	–	–	2	2
Jewish	–	–	–	–	–
Muslim	–	–	1	4	5
Sikh	–	–	1	2	3
Any other religion	1	–	2	14	16
PNS/not stated	2	7	21	59	87
Total	12	11	65	186	262

Dependents analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
One or more dependents		1	10	8	19
No dependents*	Data not held	10	55	178	243
Total		11	65	186	262

\*Data for employees includes prefer not to say and not stated.

## **Cross Departmental Team**

The Cross Departmental Team (CDT) is made up of a manager representative from each department at the HCPC. The CDT meets once a month and its main purpose is to share information across the organisation. This is then fed back to each department. The CDT also receives regular updates from the CSR working group, the Employee Consultation Group, Project Department and updates to the Quality Management System. In March 2017, it was decided that due to the growth in other internal communications channels and the development of department specific communication plans, CDT is no longer needed. This will be replaced by an operationally focused group that supports the EMT to implement strategic decisions and supports collaboration across the organisation.

## **Employee Consultation Group**

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 Departmental Team) and seven employee representatives. The employee representatives and the CDT representative are elected every two years.

During 2016–17 four meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the:

- HR information system project;
- employee engagement survey;
- Learning and Development plan; and
- 186 Kennington Park Road Refurbishment project.

## **Welsh Language Scheme**

We launched our first Welsh Language Scheme (the Scheme) in 2011 and updated it in 2013. Since the Scheme was first published we have completed five implementation reports on the Scheme for the Welsh Language Commissioner.

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

We continue to monitor developments which are expected to replace requirements for schemes with Welsh language standards. In 2016–17 we responded to a Welsh Government consultation on proposed Welsh language standards and submitted an impact assessment on the proposals. We have been working closely with the Welsh Language Commissioner and with the other health professional regulators in the UK to help ensure that Standards are developed which set appropriate requirements for the regulators.

**Accountability report: Council's report**

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

Details of personal data related incidents are set out in the Governance statement on page 25.

Details of Council and Committee members and the Executive Management Team are set out in the Remuneration and staff report on pages 27 to 32.

Arrangements for managing potential conflicts of interest are set out in the Governance statement on page 18.

Pension arrangements are set out in the Remuneration and staff report (page 30) and note 1 to the accounts on page 42.

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.

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## **Accountability report: governance statement**

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

### **The Health and Care Professions Tribunal Service (HCPTS)**

The HCPTS is the fitness to practise adjudication service of the HCPC. The Council agreed to the establishment of the HCPTS in July 2016, and the HCPTS was launched in April 2017. The change has been led by government's intention that regulatory bodies adopt systems with a greater separation between the investigation and adjudication of fitness to practise hearings.

The creation of the HCPTS provides reassurance to registrants that the Panel making a decision on allegations about them are at arm's length from the organisation that initially investigated the matter. It will ensure a high degree of independent decision making by FTP panel members and enables transparency in the independent appointment of decision-makers. The HCPTS is not a separate organisation to the HCPC, and it will operate under the same governance arrangements as the rest of the HCPC.

### **The Council**

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

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

The Council has twelve members including the Chair (six registrant members and six lay members). 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. Appointments to the Council are made by the Privy Council, based upon recommendations made by the HCPC (which conducts the recruitment exercise). The Professional Standards Authority for Health and Social Care has oversight of the recruitment process and advises the Privy Council as to whether it is satisfied about the process that has been followed. Council Members hold office for a term of up to four years and they may serve a maximum of eight years in any 20 year period. Whilst re-appointments can be made,

## Accountability report: governance statement

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 2017 and at the date of this report were as follows:

<b>Registrant members</b>	<b>Term end date</b>
Elaine Buckley (Chair)	31 December 2018
Maureen Drake	31 December 2020
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 2020
Sue Gallone (appointed on 1 January 2017)	31 December 2020
Eileen Mullan	31 December 2020
Joanna Mussen	31 December 2018
Gavin Scott (appointed on 1 January 2017)	31 December 2020
Nicola Wood	31 December 2017*

\* eligible for reappointment for a further term

Members' attendance at Council meetings during 2016–17 is shown in the table on pages 28 to 29.

## Council performance and effectiveness

The performance review system for individual Council members was agreed by the Council in 2015. There are a number of elements to it. The individual performance review system provides a mechanism for annual self-appraisal; a mechanism for appraisal of the Chair; and an opportunity for members of Council to discuss their perceptions and experiences of the HCPC with the Chair. The system is competency-based, in common with many systems used for review of board members. Members complete a self-appraisal form which is discussed with the Chair for feedback and identification of any training needs.

Assessment of the Council's performance is carried out through a meeting review at the conclusion of each Council meeting, and 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 in January 2017. 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,

## **Accountability report: governance statement**

and open discussion by Council and Committee members. In relation to individual performance, appraisals were conducted in spring 2017 and the summary report will be considered by Council in July 2017, 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, among 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 Education and Training Committee;
- the Investigating Committee;
- the Conduct and Competence Committee; and
- the Health Committee.

The three 'Practice Committees' (the Conduct and Competence Committee, the Health Committee and the Investigating Committee) are responsible for making decisions about the fitness to practise of registrants and only meet as Panels comprised of registrant and lay partners. Since April 2017, the three Practice Committees have been known collectively as the Health and Care Professions Tribunal Service (HCPTS).

The Council has established the Audit Committee, the Remuneration Committee and the Tribunal Advisory 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 and three registrant, drawn from the Council. The members who served on the Committee during the year were; Joy Tweed (Chair to 31 December 2016), Sue Gallone (from 8 February 2017), Gavin Scott (from 8 February 2017), Stephen Cohen (to 8 February 2017) Stephen Wordsworth (Chair from 8 February 2017), Joanna Mussen, Sonya Lam and Maureen Drake.

The Committee met four times in 2016–17. The matters considered by the Committee included the following:

- revised standards of education;
- continuing professional development audit report 2013–15;
- Health and Character Policy;
- standards for the use of exemptions by orthoptists to sell, supply and administer medicines;
- revised guidance on returning to practice;
- revised continuing professional development guidance;

#### **Accountability report: governance statement**

- guidance on confidentiality;
- annotation of medicine exemptions for orthoptists;
- social media guidance;
- international professional equivalence; and
- the registration appeals process.

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

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

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

The Audit Committee is made up of three members appointed by and from the Council, plus one independent member, all with recent, significant and relevant financial experience. The members who served on the Audit Committee during the year were; Richard Kennett (Chair to 31 December 2016), Julie Parker (independent member), Sue Gallone (from 8 February 2017), Stephen Cohen (Chair from 8 February 2017) and Eileen Mullan.

The Committee met four times in the period 1 April 2016 to 31 March 2017. Attendance at these meetings is detailed in the table on pages 28 to 29 of this report. The Chief Executive, members of the Executive Team, other employees, the internal auditors (Grant Thornton LLP) and the external auditors (National Audit Office) attended Audit Committee meetings, by invitation.

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

- considering internal audit reports and reviewing the Internal Audit Annual Report;
- reviewing the findings of British Standards Institute (BSI) assessment reports;
- agreeing the internal and external audit planning reports;
- reviewing the draft 2015–16 Annual Report and Accounts for the HCPC along with the 2015–16 National Audit Office Audit Completion Report;
- reviewing the HCPC's Corporate and Project Risk Register; and
- monitoring HCPC's progress on internal audit action points.

Grant Thornton LLP are the HCPC's appointed internal auditors for the three years to 31 March 2018. Internal audit emphasis is focused on providing assurance on the integrity of our internal control, governance and risk management processes while also providing forward-looking and value adding advice to the Executive where possible. The internal

## **Accountability report: governance statement**

auditors undertake an approved programme of audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate.

During 2016–17 the Committee considered internal audit reports on:

- HCPC’s core financial controls;
- whistleblowing arrangements;
- legal services cost management;
- partner recruitment;
- registration appeals;
- employee recruitment and retention; and
- a follow up on the previous review of the five year plan model.

Seven priority two (significant) and fifteen priority three (housekeeping) recommendations were made. No priority one (fundamental) recommendations were made. The internal auditors’ annual report, delivered to the June 2017 Audit Committee meeting, provided substantial assurance in respect of the HCPC’s corporate governance, risk management and internal controls.

## **Remuneration Committee**

The Remuneration Committee determines the annual salary review for HCPC employees including the Executive Management Team and the Chief Executive and Registrar. The Committee’s terms of reference were formalised in May 2017 to include the making of recommendations to Council on remuneration policy and Council members’ and partners’ remuneration levels, and the approval of expenses policies. The Committee met three times in March, April and May 2017 for the discussion and approval of the pay review for 2017–18. Membership of the Committee is set out in the Remuneration and staff report on page 27.

## **Tribunal Advisory Committee**

The Tribunal Advisory Committee was established during the year, as part of the establishment of the Health and Care Professions Tribunal Service (HCPTS). The Committee will advise the Council on:

- the quality, ability and competencies required of panel members, including panel chairs and legal assessors;
- the merit-based selection, by fair and open competition, of panel members; and
- arrangements for the training and assessment of panel members, panel chair and legal assessors.

The Committee will also provide guidance to HCPTS Panels on matters of practice and procedure.

The Committee comprises six members, three who are existing Panel Chairs and three members who are independent of the tribunal process. The Committee’s first meeting was held in May 2017.

## Accountability report: governance statement

Members of the Tribunal Advisory Committee as at 31 March 2017 and at the date of this report were as follows:

### Panel Chair members

	<b>Term end date</b>
Graham Aitken (appointed to the TAC on 1 March 2017)	31 July 2020
Catherine Boyd (appointed to the TAC on 1 March 2017)	31 July 2018*
Philip Geering (appointed to the TAC on 1 March 2017)	31 July 2018*

### Independent member

	<b>Term end date</b>
Sheila Hollingworth (appointed on 1 March 2017)	31 July 2019*
Alan Kershaw (appointed on 1 March 2017)	31 July 2020*
Marcia Saunders (appointed on 1 March 2017)	31 July 2020*

\* eligible for reappointment for a further term

## 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 2016–17, the main changes to the Risk Register were as follows:

- following commencement of the 186 Kennington Park Road refurbishment project, a risk related to the building work impacting on the adjacent Park House has been added to the Register;
- following our success in achieving ISO10002 Complaints Management Certification, the risk of losing the accreditation and failure to maintain an adequate customer complaints system has been added to the Register;
- risks relating to the transfer of social workers to Social Work England were updated and the likelihood of occurrence was increased;
- a new risk around outsourced HR system has been added to the Register;
- a new risk has been added for the failure to maintain the integrity of reporting system data;
- the addition of a new time constrained risk of damage to or loss of access to our buildings caused by the Northern Line tunnelling work; and
- the mapping of HCPC's strategic objectives to individual risks.

## **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 to safeguard the data rights of our registrants, stakeholders and the public and we achieved certification under ISO27001:2013<sup>6</sup> in June 2015. We were audited by BSI in April 2017 and our certification under ISO27001:2013 was reconfirmed in April 2017.

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. 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 2016–17 the HCPC recorded 68 personal information security incidents (2015–16: 119); no incidents were rated as requiring ICO referral. Given the volume of data processed by the HCPC, occasional errors in processing are to be expected, with human error being the leading cause of data incidents across all sectors. We are encouraged to see that the number of incidents has reduced from last year and we will continue to focus on enhancing our safeguards over the coming financial year.

## **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 2016–17 was Grant Thornton LLP, who were appointed from April 2015, following a competitive tender. The internal auditors use our assessment of risk as documented in the Risk Register as well as their own professional judgment in proposing their programme of work to the Audit Committee. They make recommendations based on the appraisal of each system reviewed.

An annual assurance report is provided to the Accounting Officer and Audit Committee, giving the Internal Auditors' overall opinion on risk management, control and governance and their effectiveness in achieving the HCPC's agreed objectives. Their opinion for 2016–17, reported to the June 2017 Audit Committee meeting, provided substantial assurance in respect of the HCPC's governance, risk management and internal control arrangements.

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

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<sup>6</sup> ISO27001 is an internationally recognised best practice framework for an information security management system. It helps to identify the risks to important information and to put in place the appropriate controls to reduce the risk.

## **Accountability report: governance statement**

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 performance review for 2015–16 concluded that the HCPC had met 21 of the 24 standards. Improvement plans are in place which are addressing the PSA's findings in respect of the three standards which were deemed not met. At the time of writing, the performance review for 2016–17 was underway.

### **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 2017 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 Comptroller and Auditor General has audited the financial statements and certain sections of the remuneration report. The cost of providing audit services was £39,000. There was no auditor remuneration for non-audit work.

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

## **Accountability report: remuneration and staff report**

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

Fees are paid to Council members at a daily rate for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC where prior approval has been given. Fees are also paid for attendance at a conference or event which forms part of the member development programme where prior approval has been given and up to a maximum of six days per year. The daily fee rate for Council members in 2016–17 was £327. Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

Elaine Buckley, the Chair of the HCPC since July 2015, is an employee of Sheffield Hallam University. The HCPC has entered a three and a half year secondment agreement with the University whereby Elaine Buckley spends approximately 60% of her working time as Chair of HCPC in exchange for a fee of £58,250 plus VAT per annum payable by HCPC to the University. In 2017–18 the fee will increase by 2% to £59,415 plus VAT.

Council and Committee member fees totalling £163,165 (2015–16, £160,215) were paid and accrued to 15 members (2015–16, 14 members), including Julie Parker who is not also a member of the Council. This includes the fees payable to Sheffield Hallam University for the services of Elaine Buckley as Chair of HCPC. Benefits in kind with a total taxable value of £22,600 (2015–16, £30,159) were paid to Council and Committee members. The only benefits are home to office travel and expenses claimed by Council and Committee members, which are covered by a PAYE Settlement Agreement with HMRC.

**Accountability report: remuneration and staff report**

The fees for the period 1 April 2016 to 31 March 2017 for Council members paid and accrued were as follows:

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2016–17		2016–17				2015–16			
			Number of days	Fees	Benefits in kind	Total	Number of days	Fees	Benefits in kind	Total
				£'000	£'000	£'000		£'000	£'000	£'000
Elaine Buckley <sup>1</sup>	Council (Chair from 1 July 2015)	14/14	N/A	65–70	–	65–70	N/A	50–55	3.1	55–60
	Remuneration	1/1								
Stephen Cohen	Council	13/14	32	10–15	0.4	10–15	23	5–10	–	5–10
	Audit (Chair from 8 February 2017)	4/4								
	Education and Training (to 8 February 2017)	3/3								
Maureen Drake	Council	14/14	25	5–10	3.6	10–15	7	0–5	1.9	0–5
	Education and Training	3/4								
Anna van der Gaag (to 30 June 2015)	Council (Chair to 30 June 2015)	N/A	N/A	–	–	–	74	20–25	1.2	20–25
Sue Gallone (from 1 January 2017)	Council	3/3	7	0–5	0.9	0–5	–	–	–	–
	Audit	1/1								
	Education and Training	0/1								
Richard Kennett (to 31 December 2016)	Council	10/11	30	5–10	0.7	10–15	27	5–10	1.0	5–10
	Audit (Chair)	3/3								
Sonya Lam <sup>2</sup>	Council	14/14	41	10–15	3.0	15–20	27	5–10	3.2	5–10
	Education and Training	4/4								
Eileen Mullan	Council	13/14	18	5–10	3.5	5–10	23	5–10	5.3	10–15
	Audit	4/4								
Joanna Mussen	Council	14/14	26	5–10	2.1	10–15	27	5–10	5.8	10–15
	Education and Training	4/4								
Julie Parker	Audit	4/4	7	0–5	0.3	0–5	6	0–5	0.2	0–5
Gavin Scott (from 1 January 2017)	Council	3/3	6	0–5	1.9	0–5	–	–	–	–
	Education and Training	1/1								

## Accountability report: remuneration and staff report

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2016–17		2016–17				2015–16			
			Number of days	Fees £'000	Benefits in kind £'000	Total £'000	Number of days	Fees £'000	Benefits in kind £'000	Total £'000
Robert Templeton	Council	14/14	23	5–10	–	5–10	33	10–15	0.2	10–15
	Remuneration	1/1								
Graham Towl	Council	14/14	17	5–10	3.9	5–10	11	0–5	3.1	5–10
	Remuneration	1/1								
Joy Tweed (to 31 December 2016)	Council	11/11	22	5–10	0.4	5–10	34	10–15	0.3	10–15
	Education and Training (Chair)	3/3								
	Remuneration	1/1								
Nicola Wood	Council	12/14	14	0–5	1.0	5–10	17	5–10	1.2	5–10
	Remuneration	1/1								
Stephen Wordsworth	Council	13/14	17	5–10	0.9	5–10	25	5–10	3.7	10–15
	Education and Training (Chair from 8 February 2017)	3/4								

1. The fees payable for Elaine Buckley's services as Chair of Council are fixed under the secondment agreement with Sheffield Hallam University, not variable according to the number of days actually worked. Under the agreement, Ms Buckley is anticipated to work approximately 3 days per week to fulfil her role as Chair. Ms Buckley's remuneration for 2016–17 disclosed in the table is the fee of £69,900 including VAT payable to the University under the secondment agreement.
2. Sonya Lam's remuneration for 2015–16 was paid to NHS Education for Scotland. In 2016–17 Ms Lam's remuneration has been paid to her directly through HCPC's payroll.

There were no payments to past Council or Committee members in relation to their previous roles as Council and Committee members. Anna van der Gaag, who was Chair of HCPC until 30 June 2015, is leading a research project by University of Surrey, commissioned by HCPC following a competitive tender process. HCPC is paying a fee to the University for the project, and the University is paying a fee to Anna van der Gaag.

There were no exit packages or payments for loss of office for Council or Committee members.

The remuneration information on this page and the preceding page was subject to audit.

## Remuneration of the Chief Executive and Executive Management Team

The Chief Executive's post is the equivalent of Senior Civil Service (SCS) pay band 3. The nine other Executive Management Team posts are the equivalent of SCS pay band 1. There are no other SCS-equivalent posts outside the Executive Management Team. The salary levels for the Chief Executive and Executive Management Team (EMT) are reviewed annually in March by the Remuneration Committee, after due consideration of annual performance and changes in market rates. To obtain the market rates, an external specialist consultancy is used to assess the remuneration levels, based on the job description for each role.

The Remuneration Committee in March 2016 comprised Elaine Buckley (Chair), Robert Templeton and Joy Tweed. From March 2017, the Committee comprises Elaine Buckley (Chair), Graham Towl, Robert Templeton and Nicola Wood.

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

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

### Chief Executive and Registrar's remuneration

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

	<b>2016–17</b>	<b>2015–16</b>
Salary	£190,049	£185,867
Taxable benefits	£4,151	£3,725
Employer's pension contributions	–	£30,668
Total remuneration	£194,200	£220,260

The Chief Executive has waived his entitlement to employer pension contributions to his personal pension plan for 2016–17 because his plan has reached the value limits beyond which further contributions to the plan are not beneficial.

The information in the above table was subject to audit.

## Accountability report: remuneration and staff report

### EMT remuneration

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

Name	Position	2016-17			2015-16		
		Salary	Employer's pension contribution	Total	Salary	Employer's pension contribution	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Claire Amor <sup>3</sup>	Acting Director of Council and Committee Services (from March 2016 to March 2017)	45-50	0-5	50-55	0-5	0-5	0-5
John Barwick <sup>1</sup>	Acting Director of Fitness to Practise (from January to December 2015 and from January 2017)	80-85	5-10	85-90	65-70	0-5	65-70
Guy Gaskins	Director of Information Technology	90-95	5-10	95-100	85-90	5-10	95-100
Andy Gillies	Director of Finance	80-85	5-10	85-90	80-85	5-10	85-90
Abigail Gorringe <sup>2</sup>	Director of Education	80-85	10-15	90-95	75-80	15-20	90-95
Michael Guthrie	Director of Policy and Standards	80-85	10-15	95-100	80-85	10-15	90-95
Teresa Haskins <sup>4</sup>	Director of Human Resources	90-95	5-10	95-100	85-90	5-10	90-95
Kelly Holder <sup>1,4</sup>	Director of Fitness to Practise	120-125	15-20	135-140	65-70	15-20	85-90
Jacqueline Ladds <sup>4</sup>	Director of Communications	85-90	5-10	90-95	80-85	5-10	85-90
Louise Lake <sup>3</sup>	Director of Council and Committee Services	50-55	0-5	55-60	60-65	0-5	65-70
Greg Ross-Sampson	Director of Operations	95-100	5-10	105-110	95-100	5-10	100-105

1. Kelly Holder was on leave from January 2015 until December 2015 and from January 2017, and during these times John Barwick was Acting Director of Fitness to Practise. Kelly Holder's full time equivalent (FTE) salary for 2016-17 was in the band of £120k-£125k (2015-16: £105k-£110k).

2. Abigail Gorringe works reduced hours; her FTE salary for 2016-17 was in the band of £95k-£100k (2015-16: £95k-£100k).

3. Louise Lake was on leave from March 2016 to March 2017 and during that time Claire Amor was Acting Director of Council and Committee Services. Louise Lake works reduced hours; her FTE salary for 2016-17 was in the band of £70k-£75k (2015-16: £70k-£75k). Claire Amor's 2015-16 salary and pension relates to March 2016 only.

4. During the year, Teresa Haskins, Jacqueline Ladds and Kelly Holder received temporary acting up allowances for additional responsibilities which are included in the figures shown above.

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. There were no payments to past EMT members, and no exit packages or payments for loss of office. The information on this page was subject to audit.

## Accountability report: remuneration and staff report

### Fair pay disclosures

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

	2016–17	2015–16
Remuneration band of highest paid executive (£'000)	£190–£195	£185–£190
Median total	£31,265	£30,900
Remuneration ratio	6.2	6.1
Range of remuneration: difference between highest and lowest paid employee (full time equivalent, excluding apprentices, £'000)	£170–£175	£165–£170

The information in this table was subject to audit.

### Employee numbers and costs

Employee numbers and costs are shown in note 4 to the financial statements on page 44, together with the cost of agency and contract workers. Sickness absence data is shown in the Council's report section of the Accountability report, under the heading Health and safety on page 13. An analysis of Council members and employees by gender, age and ethnic background and a description of our policies in relation to the employment of disabled persons are given in the Council's report section of the Accountability report, under the heading Equality and diversity, on page 14.

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

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

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

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

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

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2017 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

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

As explained more fully in the Statement of Responsibilities of the Accounting Officer, 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 2017 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the Privy Council directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and staff report to be audited have been properly prepared in accordance with the Privy Council directions made under the Health and Social Work Professions Order 2001; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

### **Report**

I have no observations to make on these financial statements.

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

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

## Financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Income</b>			
Fee income	2	31,449	28,310
<b>Total operating income</b>		<b>31,449</b>	<b>28,310</b>
Staff costs	4	11,638	10,539
Depreciation and amortisation		1,103	822
Other expenditure	6	18,561	16,926
<b>Total operating expenditure</b>		<b>31,302</b>	<b>28,287</b>
<b>Surplus for the year after operational costs</b>		<b>147</b>	<b>23</b>
Investment income	3	164	163
Reversal of previous impairments on land and buildings	8	6	267
Impairment of intangible assets	9	–	(11)
<b>Surplus on ordinary activity before taxation</b>		<b>317</b>	<b>442</b>
Taxation	7	(33)	(28)
<b>Retained surplus for the year</b>		<b>284</b>	<b>414</b>
<b>Other comprehensive net income</b>			
Revaluation gain on freehold property	8	261	486
<b>Total comprehensive net income</b>		<b>545</b>	<b>900</b>

The notes on pages 40 to 52 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 2017**

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	5,502	5,091
Intangible assets	9	1,441	1,363
<b>Total non-current assets</b>		<b>6,943</b>	<b>6,454</b>
<b>Current assets</b>			
Trade and other receivables	10	1,994	1,598
Short term deposits	12	13,600	9,520
Cash and cash equivalents	11	5,929	8,095
<b>Total current assets</b>		<b>21,523</b>	<b>19,213</b>
<b>Total assets</b>		<b>28,466</b>	<b>25,667</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,548)	(2,332)
Deferred income	14	(20,749)	(18,800)
<b>Total current liabilities</b>		<b>(23,297)</b>	<b>(21,132)</b>
Liabilities greater than one year	15	(163)	(74)
<b>Assets less liabilities</b>		<b>5,006</b>	<b>4,461</b>
<b>Reserves</b>			
General reserve		4,155	3,871
Revaluation reserve		851	590
		<b>5,006</b>	<b>4,461</b>

The notes on pages 40 to 52 form part of these financial statements.

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

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

## Cash flow statement for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Surplus for the year after operating costs		147	23
Depreciation and amortisation	8 and 9	1,103	823
(Increase) in trade and other receivables	10	(396)	(840)
Increase / (decrease) in trade payables	13	210	(631)
Increase in deferred income	14	1,950	1,468
(Decrease) in liabilities greater than one year	15	89	(87)
<b>Net cash inflow from operating activities</b>		<b>3,103</b>	<b>756</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(477)	(932)
Purchase of intangible assets	9	(848)	(398)
Net acquisition of short term deposits		(4,080)	(1,000)
Investment income	3	164	163
<b>Net cash flows from investing activities</b>		<b>(5,241)</b>	<b>(2,167)</b>
<b>Taxation</b>	7 and 13	<b>(28)</b>	<b>(22)</b>
<b>Net (decrease) in cash and cash equivalents in the period</b>		<b>(2,166)</b>	<b>(1,433)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>8,095</b>	<b>9,528</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>5,929</b>	<b>8,095</b>

The notes on pages 40 to 52 form part of these financial statements.

## Statement of reserves for year ended 31 March 2017

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
<b>Balance at 1 April 2015</b>		104	3,457	3,561
Surplus for the year		–	414	414
Gain on revaluation of the property		486	–	486
<b>Balance at 31 March 2016</b>		<b>590</b>	<b>3,871</b>	<b>4,461</b>
Surplus for the year		–	284	284
Gain on revaluation of the property	8	261	–	261
<b>Total recognised income and expense for the year</b>		<b>261</b>	<b>284</b>	<b>545</b>
<b>Balance at 31 March 2017</b>		<b>851</b>	<b>4,155</b>	<b>5,006</b>

The notes on pages 40 to 52 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2017

### 1 Accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with the 2016–17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the HCPC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HCPC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Accounting Convention

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

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

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

- IFRS 16 – Leases was issued in January 2016. Subject to the FReM, HCPC will first be required to apply it in the 2019–20 financial statements, although earlier adoption may be permitted. IFRS 16 will require the recognition of all leases on balance sheet, including leases for rented office space. A lease liability and the related right of use asset will be recognised at the present value of the lease payments payable over the lease term. This will be a change of accounting treatment with a material impact on HCPC's financial statements when it is adopted in due course.
- IFRS 9 – Financial Instruments was issued in July 2014 and has a mandatory effective date of 1 January 2018. Subject to the FReM, HCPC will be required to apply it in the 2018–19 financial statements. Given the relatively simple nature of HCPC's financial instruments (being payables, receivables and short term deposits), no significant change is expected to the accounting presentation of the financial statements, although we will report our financial instruments under the new classifications.

#### Going concern

The Council has reviewed the budget and work plans for the year ending 31 March 2018, and the five year plan for the period ending 31 March 2022. The budget for 2017–18 assumes that social workers in England remain on the HCPC Register throughout 2017–18, and at the time of writing, we continue to regard this as an appropriate assumption given the time that the transfer of functions to Social Work England (SWE) is likely to take. The five year plan modelled the possible financial impact of the transfer of functions to SWE over the long term. Based on this information, 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:

- IAS16 – Property, Plant and Equipment: judgement is made on fixed asset lives, revaluation of land and buildings and the capitalisation threshold as discussed below.
- IAS36 – Impairments: the Council makes judgements on whether there are any indications of impairments to the carrying amounts of the HCPC's assets.

## Financial statements

- IAS37 – Provisions: judgement is made on the best estimate that can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.
- IAS38 – Intangible Assets: note 9 shows the HCPC's intangible assets. Recognition and measurement of Intangible Assets is in line with IAS38.

### 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 with a maximum interval of five years, and more frequently if open market values are considered to be volatile, 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. The latest valuation was as at 31 March 2017. Property capital costs incurred between valuations are capitalised at cost.

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

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

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. The HCPC's plant and equipment assets are relatively low value items with short useful lives. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Individual assets costing £5,000 or more are capitalised and subsequently depreciated.

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 2017 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 minimum term of the lease or the expected useful life

### 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. Individual assets costing £5,000 or more are capitalised and subsequently amortised. Amortisation is not provided for until the asset is fully developed and in use. The annual rate of depreciation for each class of intangible asset held at 31 March 2017 is as follows.

- Software licences – over three years
- Software system development costs – over three years

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.

## Financial statements

### Financial instruments: Financial assets

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

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

**Cash and cash equivalents.** These include current accounts and instant access deposit accounts.

**Investments.** These are short term deposits held with banks which are classified as loans and receivables under IAS 39.

### Financial instruments: Financial liabilities:

The HCPC classifies its financial liabilities as follows.

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

**Currency, liquidity and interest rate risk.** Refer to note 20 of the financial statements.

**Provisions.** A provision is recognised in the Statement of financial position when the HCPC has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Pensions

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

### Income

Fee income comprises registration fees, readmission fees, renewal fees and scrutiny fees. Scrutiny, registration and readmission fees are collected upon application for registration and recognised upon receipt. Renewal fees are collected in advance and are recognised as deferred income in the Statement of financial position until they are released to the Statement of comprehensive net expenditure in the period to which they relate. The renewal cycle for each of the 16 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the Statement of financial position date. However, under HCPC's fees and refunds policies, refunds are only payable for complete unused years, so any refunds in relation to the deferred income balance will only be paid within the next 12 months. Therefore HCPC does not split its deferred income balance between current and non-current liabilities.

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

### Value Added Tax

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

## **Financial statements**

### **Leases**

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

### **Taxation**

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

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## Financial statements

<b>2 Fee income by profession</b>		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Arts therapists		345	286
Biomedical scientists		2,116	1,923
Chiropodists / podiatrists		1,141	1,057
Clinical scientists		465	430
Dietitians		858	776
Hearing aid dispensers		225	197
Occupational therapists		3,479	3,099
Operating department practitioners		1,073	992
Orthoptists		115	108
Paramedics		2,043	1,907
Physiotherapists		5,125	4,349
Prosthetists / orthotists		90	82
Practitioner psychologists		1,880	1,761
Radiographers		3,141	2,630
Social workers in England		8,028	7,456
Speech and language therapists		1,325	1,257
		<b>31,449</b>	<b>28,310</b>
<b>3 Investment income</b>		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Bank deposit interest		164	163
<b>4 Staff costs</b>		<b>2017</b>	<b>2016</b>
	<b>Permanent staff</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,650	9,105	8,144
Social Security costs	934	972	874
Pension costs	501	508	544
Temporary staff costs	—	897	782
Other payroll expense including recruitment costs	(7)	156	195
	<b>10,078</b>	<b>11,638</b>	<b>10,539</b>

The average number of full time equivalent (FTE) permanent employees during the year was 242 (2015–16, 228). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 36 (2015–16, 27).

## 5 Pension funding arrangements

The Friends Provident Scheme is a designated stakeholder, defined contribution scheme and HCPC's auto-enrolment staging date was 1 April 2014. At 31 March 2017, there were 226 active members in the pension scheme (2016, 208 active members). During the financial year to 31 March 2017, the HCPC contributed £508k to the pension scheme (2015-16, £544k).

## Financial statements

<b>6 Other expenditure</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Professional services	6,076	5,657
Partners	5,288	4,303
Office services	1,828	1,791
Computer services	1,059	1,137
Communications	411	703
Other departmental costs	735	839
Property services	1,592	1,009
Projects	252	471
Council and Committee expenses	270	221
Travel and subsistence	191	206
PSA levy	859	589
	<b>18,561</b>	<b>16,926</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 £2m in 2016–17 and £1.9m in 2015–16.

<b>Operating expenditure includes:</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	39	39
• Internal audit – Grant Thornton LLP	55	24
• Other non-audit services – Grant Thornton	20	36
Operating lease rentals:		
• Land and buildings	812	345
<b>7 Taxation on investment income</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on taxable income for the year	33	28
Tax charge for the year :	<b>33</b>	<b>28</b>

## Financial statements

<b>8 Property, plant and equipment 2016–17</b>	<b>Freehold land</b>	<b>Freehold properties</b>	<b>Leasehold improvement</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</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 2016	2,070	2,070	866	127	462	5,595
Additions	–	249	163	27	38	477
Disposals	–	–	–	–	–	–
Revaluation <sup>1</sup>	238	(11)	–	–	–	227
At 31 March 2017	<u>2,308</u>	<u>2,308</u>	<u>1,029</u>	<u>154</u>	<u>500</u>	<u>6,299</u>
Depreciation:						
At 1 April 2016	–	–	98	119	287	504
Charge for the year	–	41	192	5	96	334
Disposals	–	–	–	–	–	–
Reversal on revaluation <sup>1</sup>	–	(41)	–	–	–	(41)
At 31 March 2017	<u>–</u>	<u>–</u>	<u>290</u>	<u>124</u>	<u>383</u>	<u>797</u>
Net book value:						
At 31 March 2017	<u>2,308</u>	<u>2,308</u>	<u>739</u>	<u>30</u>	<u>117</u>	<u>5,502</u>
At 31 March 2016	<u>2,070</u>	<u>2,070</u>	<u>768</u>	<u>8</u>	<u>175</u>	<u>5,091</u>

1. Net revaluation gains for 2016–17 amounts to £185k (2015–16 £684k), of which £51k related to loss on revaluation of 186 Kennington Park Road and the reversal of depreciation charges; and £236k related to gain on revaluation of 184 Kennington Park Road and 20–26 Stannary Street.

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

### Freehold properties

The valuations of the freehold land and buildings were made on 31 March 2017 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the RICS Valuation – Professional Standards January 2014. Stiles Harold Williams advised that there was no material difference between existing use value and the market value of the properties and that for accounting purposes, it is reasonable to split the valuation equally between land and buildings. HCPC accepts this advice.

## Financial statements

### Park House including 20–26 Stannary Street

Park House was valued at £2.84m. The historic cost of the Park House property is £1,806,397 (2016, £1,797,624).

### 186 Kennington Park Road

186 Kennington Park Road was valued at £1.78m. The historic cost, including fees, was £2,097,579 (2016 – £1,839,380).

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

## Financial statements

### 9 Intangible assets

	Software licences	Other systems <sup>1</sup>	HR and Partner Build	Education system	Fitness to practise case management	New Registration system <sup>2</sup>	Total
<b>2016–17</b>							
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	465	170	207	945	1,048	3,727	6,562
Additions	31	66	132	4	–	615	848
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	496	236	269	887	1,048	4,183	7,119
Amortisation:							
At 1 April 2016	379	47	–	320	1,048	3,405	5,199
Charge for the year	62	56	94	335	–	223	770
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	441	103	24	593	1,048	3,469	5,678
Net book value:							
At 31 March 2017	55	133	245	294	–	714	1,441
At 31 March 2016	86	123	207	625	–	322	1,363
<b>2015–16</b>							
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2015	426	170	117	817	1,048	3,597	6,175
Additions	39	–	90	128	–	141	398
Impairment	–	–	–	–	–	(11)	(11)
At 31 March 2016	465	170	207	945	1,048	3,727	6,562
Amortisation:							
At 1 April 2015	288	2	–	23	1,048	3,307	4,668
Charge for the year	91	45	–	297	–	98	531
At 31 March 2016	379	47	–	320	1,048	3,405	5,199
Net book value:							
At 31 March 2016	86	123	207	625	–	322	1,363
At 31 March 2015	138	168	117	794	–	290	1,507

1. Other systems include Establishing new tribunal service and changes to the current registration system.

2. This system is currently under construction.

## Financial statements

<b>10 Trade and other receivables</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	1,789	1,529
Other receivables	205	69
	<u>1,994</u>	<u>1,598</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>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	8,095	9,528
Net change in cash	(2,166)	(1,433)
Balance at 31 March	<u>5,929</u>	<u>8,095</u>

<b>12 Short term deposits</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	9,520	8,520
Net change in deposits	4,080	1,000
Balance at 31 March	<u>13,600</u>	<u>9,520</u>

Short term deposits are entered with banks and have a term of up to two years. The deposits comply with the HCPC investment policy. As at 31 March 2017, £8,550k of the total short term deposits are maturing after more than one year.

<b>13 Trade and other payables</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	33	28
Other taxation and social security	275	248
Trade and other payables	431	507
Accruals	1,808	1,549
	<u>2,548</u>	<u>2,332</u>

<b>14 Deferred income</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Fees received in advance	<u>20,749</u>	<u>18,800</u>

Registrants are required to pay the renewal fee in advance and, as described in note 1 above, have the choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the balance sheet date. At 31 March 2017, approximately £1.7m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2018, which will be recognised as income in the financial year 2018–19.

## Financial statements

<b>15 Liabilities greater than one year</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Federated Flexiplan pension scheme liability	–	74
Dilapidation Provision	163	–
	<u>163</u>	<u>74</u>

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

The Plan had been in deficit in prior years and the Trustee of the Plan had implemented recovery plans to recover the deficit from the participating employers. The HCPC had provided fully for its contributions payable under previous recovery plans, and was paying its share in annual instalments, including £47k in 2016–17. The Plan Trustee has now entered a buy-in covering the full Plan liabilities with an insurer in February 2017 and anticipates that the transition to achieve full buy-out will be finalised in the first half of 2018. When that process is completed HCPC will have no further legal or financial obligations to the Plan. The Scheme Actuary has now certified that no further contributions are required to be made in respect of the two years commencing 1 April 2017.

An amount of £74k that had previously been provided for in relation to contributions due after 31 March 2017 has been released from the liability to the Statement of comprehensive net expenditure during 2016–17.

## 16 Operating leases

The HCPC holds operating leases for the rental of office space at 33 Stannary Street and hearings rooms and office space at 405 Kennington Road. The leases on 33 Stannary Street were renewed for a twelve year term from February 2016 to February 2028. The minimum lease payments as at 31 March 2016 reflect an option for the HCPC to determine the leases in August 2017 on giving six months notice, but that option has not been exercised, so the minimum lease payments at 31 March 2017 reflect the full remaining term to February 2028. The lease on 405 Kennington Road began in December 2015 and runs for twelve years to December 2027, with an option for the HCPC to determine the lease in December 2021. The total future minimum lease payments under the leases are as follows.

			<b>2017</b>		<b>2016</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payments due:	<b>Kennington Road</b>	<b>Stannary Street</b>	<b>Total</b>	<b>Kennington Road</b>	<b>Stannary Street</b>	<b>Total</b>
In less than one year	701	136	837	748	136	884
In the second to fifth years	2,570	543	3,113	2,990	52	3,042
After more than five years	–	798	798	498	–	498
	<u>3,271</u>	<u>1,477</u>	<u>4,748</u>	<u>4,236</u>	<u>188</u>	<u>4,424</u>

## Financial statements

### 17 Capital commitments

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Education system build project	–	15
HR and Partners system build project	178	304
Registration transformation and improvement project	77	653
	<u>255</u>	<u>972</u>

Due to the time and materials nature of the contracts, the information in the above table was taken from the approved budget for 2017–18 as the best estimate of HCPC's commitment at 31 March 2017.

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Registration transformation and improvement project	566	197
Refurbishment of 186 Kennington Park Road	1,851	573
Website review and build project	377	–
Other projects	104	696
IT and office equipment	–	84
	<u>2,898</u>	<u>1,550</u>

### 18 Related party transactions

The HCPC's sponsor is the Privy Council Office, with which no financial transactions took place.

During the year, a payment of £878,682 (2015–16, £858,973) was made to the Professional Standards Authority for Health and Social Care, which is a levy relating to 2017–18. As at the Statement of financial position date, this is held within prepayments.

For accounting purposes, the Department of Health treats the HCPC and the Nursing and Midwifery Council as part of its group. No grants or fees from the Department of Health were received in the financial year (2015–16, £nil), and no transactions took place (2015–16; £nil) between the HCPC and the Nursing and Midwifery Council.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £163,165 (2015–16, £160,215) were accrued and paid to 15 members, including one non-Council Committee member (2015–16, 14 members).

### 19 Post statement of financial position events

The financial statements were authorised for issue by the Accounting Officer and by the Chair on behalf of the Council on 6 July 2017.

### 20 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 13 (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.

## **Financial statements**

### **Currency and liquidity risk**

The HCPC currently has no borrowings and relies primarily on fees for its cash requirements. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC holds a significant amount of cash and short term deposits. Based on these balances and its reserves policy, HCPC considers there is no significant exposure to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

The reserves policy in place during the year was to hold a minimum level of cash equivalent to three months of operating expenditure, and the HCPC complied with the policy at all times during the year.

### **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.

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## Accounts determination



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

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

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

#### **Interpretation**

In this determination—

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

#### **Determination**

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

The accounts must be prepared so as to:

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

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

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

Signed by the authority of the Privy Council

Signed:

Dated:

Health and Care Professions Council  
Annual report and accounts 2016–17

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## Performance report: overview

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

We are pleased to present the HCPC's annual report. This foreword affords the opportunity to once again thank our Council members, employees, partners and stakeholders for the part they have played over the course of the year in delivering public protection.

Commented [DK1]: Avoids the repetition of 'this' in the next sentence.

A key focus of our efforts this year has been the length of time fitness to practise cases take to conclude. We have made progress in reducing the number of older cases in our case load and in further ensuring we make appropriate decisions about new cases in a timely manner. To assist in doing this, we have realigned the Fitness to Practise Directorate to provide greater specialisation. Early signs are that this has been a positive development which has enabled greater focus on case progression at each stage of the process.

Over the course of the year we have also been working to launch the Health and Care Professions Tribunal Service (HCPTS). The HCPTS will provide a distinct identity to reinforce the independence of adjudication from the investigation of cases. As part of this change, a new Tribunal Advisory Committee has been appointed. The Committee will be responsible for advising the Council on the recruitment, training and assessment of tribunal panellists, chairs and legal assessors. It will also be responsible for issuing guidance to HCPTS Paneltribunals on practice and procedure.

Commented [TT2]: As suggested by J Bracken

It is often said that 'prevention is better than cure', and the role that the regulators might play in preventing fitness to practise cases has been a continuing debate in the sector in recent years. We have commissioned a research team to explore the prevalence of cases in two of the professions with relatively high volumes of cases, paramedics and social workers in England. The intention is to improve our understanding of the characteristics of the cases we consider in these professions and to focus on how all those involved in practice, education, employment, representation and regulation in these professions might work together to tackle these trends.

During the course of the year, legislation which will allow set up a new regulator for social workers in England to be set up was introduced into Parliament, receiving Royal Assent as the Children and Social Work Act 2017 on 27 April. Implementation timescales are uncertain at this stage, but we have been working constructively with colleagues in Government as they begin work to establish the new regulator, Social Work England. Elsewhere, the Secretary of State for Health announced his intention to consult in the near future on the regulation of physician associates and we hosted a joint workshop with the General Medical Council to explore the issues with stakeholders.

Commented [AG3]: Per Jonathan Bracken

To date, the four country consultation on regulation reform we anticipated in last year's report has yet to be published. However, in the meantime, we continue to press for the secondary legislation we need to drive further improvements in our fitness to practise process.

Elaine Buckley

Marc Seale

## Performance report: overview

### Chair Scope of this report

### Chief Executive and Registrar

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

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

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

As of 31 March 2017 we regulated 350,330 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.

### HCPC objectives

Our ~~over-arching main~~ objective is set out in [Article 3\(4\) of the Health and Social Work Professions Order 2001](#). ~~That~~ objective is ~~“to safeguard the health and well-being of persons using or needing the services of registrants the protection of the public”~~. To fulfil ~~that objective, this public protection role, we:~~

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

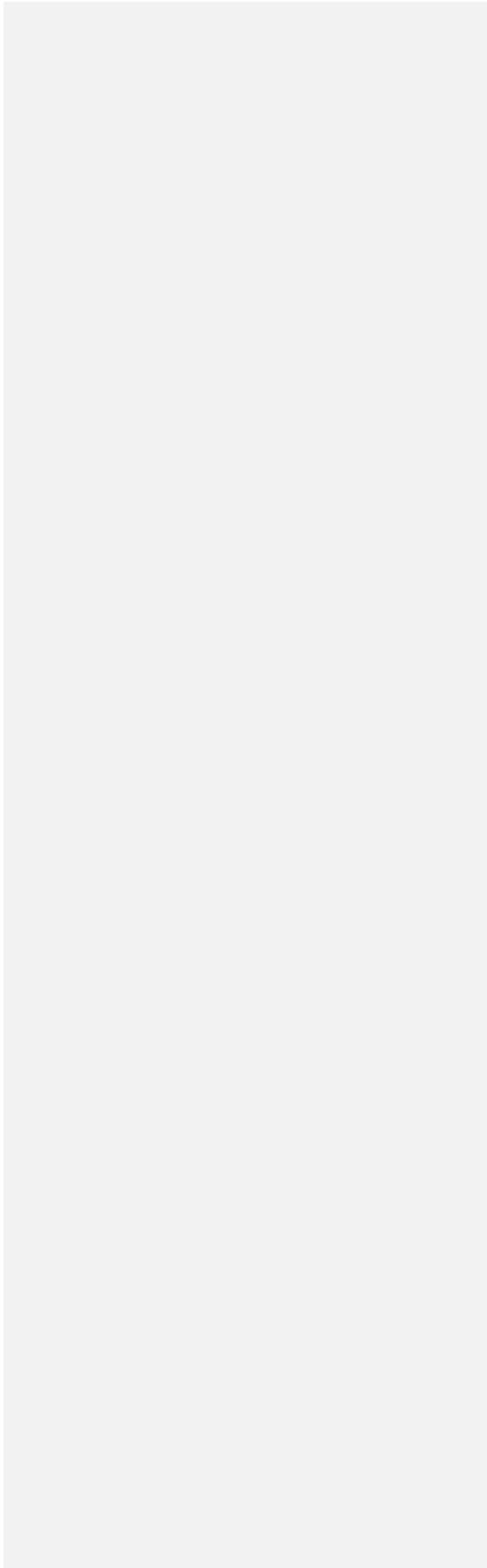
Commented [TT4]: As suggested by J Bracken

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

**Performance report: overview**

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

DRAFT



## Performance report: performance analysis

### Key operating and financial statistics and financial commentary

The tables below show the key operating and financial statistics for the five years to 31 March 2017. These statistics among others are captured on a monthly basis by HCPC's management information systems and reported to Council in the departmental updates presented at each Council meeting. Council meeting papers are available on the HCPC website at [www.hcpc-uk.org/aboutus/council/councilmeetings](http://www.hcpc-uk.org/aboutus/council/councilmeetings).

Operating statistics	2012–13	2013–14	2014–15	2015–16	2016–17
Average number of FTE permanent employees	166	194	215	228	242
<b>Registration statistics</b>					
Number of new UK registrants in year	14,872	17,366	16,682	16,468	16,220
Number of new international registrants in year	1,758	1,994	2,790	2,871	3,919
Number of registrants at year end	310,942 <sup>2</sup>	322,021	330,887	341,745	350,330
<b>Fitness to practise statistics</b>					
Fitness to practise allegations	1,653	2,069	2,170	2,127	2,259
Percentage of registrants subject to allegation	0.53%	0.64%	0.66%	0.62%	0.64%
Case to answer percentage	58%	53%	55%	63%	71%
Fitness to practise hearings <sup>3</sup>	585	808	871	865	1,135
Total days of final hearings <sup>3</sup>	932	1,265	1,230	1,216	1,709
<b>Education statistics</b>					
Number of approved education providers at year end	150	151	143	150	145
Number of approved programmes at year end	909	968	967	1,055	1,039
Number of approval visits in year	56	66	69	58	44
<b>Financial statistics</b>					
	<b>2012–13</b>	<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>	<b>2016–17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total operating income	20,152	25,152	26,303	28,310	31,449
<b>Operating costs</b>					
Communications	1,047	1,106	1,141	1,374	1,054
Education	841	874	889	1,047	1,113
Fitness to practise	8,461	11,567	12,881	13,189	14,938
Policy and standards	257	315	382	434	395
Registration	2,534	2,544	3,104	3,211	3,732
Information technology	1,310	1,466	1,659	1,805	1,951
Office services, including premises	1,060	1,495	1,465	1,754	2,369
Other support department costs (eg HR and Secretariat)	3,453	3,422	3,309	3,446	3,326
Major projects	234	368	546	616	461
Depreciation	852	719	761	822	1,103
PSA levy	–	–	–	589	859
Total operating expenditure	20,049	23,876	26,137	28,287	31,301
Net operating surplus/(deficit)	103	1,276	166	23	147
Retained surplus/(deficit)	7	726	441	414	284
Working capital	14,060	14,351	15,849	16,881	18,975
Total assets	20,701	21,409	24,011	25,667	28,466
Total reserves	2,164	3,016	3,561	4,461	5,006
Capital purchases	609	1,653	1,040	1,330	1,325

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

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

## Performance report: performance analysis

Over the past five years, the numbers of professionals on the Register has grown by approximately 10,000 a year, or an average of three per cent a year. 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, despite the growth in registrant numbers. But other areas are “demand led”, and in some cases as discussed below, our costs have increased as fast as or faster than the growth in registrant numbers.

### Fitness to practise costs

Fitness to practise<sup>4</sup> costs have risen from £8.5m to £14.9m over the past five years and from £13.2m to £14.9m over the past year. The main drivers of fitness to practise costs are the size of the Register, the percentage of registrants subject to an allegation, the percentage of allegations that are referred for hearing by a **Paneltribunal** (the “case to answer rate”), and the average length of time of the hearing. The percentage of registrants subject to an allegation has remained almost constant over the past four years, so the total number of allegations received has increased only proportionately to the overall growth in the Register. However, due to a range of factors including increasing complexity of cases, the length of time cases were taking to conclude **has increased**. In 2016–17 we realigned the Fitness to Practise Directorate to provide greater specialisation, and increased the resources of the Directorate, in order to process more cases and reduce the length of time from receipt of allegation to conclusion. The results of this can be seen in the increase in the number of hearings and total days of hearings in the table above.

Commented [AG5]: Per JB

The increase in the case to answer rate to 71 per cent in 2016–17 is a consequence of our increased focus on the initial “triage” stage of the fitness to practise process, and the assessment of cases against our Standard of Acceptance<sup>5</sup> for allegations. The Standard of Acceptance ensures that our **finite** fitness to practise **processes and our limited** resources are used effectively to protect the public and are not diverted into **investigating** matters which do not raise cause for concern. For example, some of the allegations we receive **do not relate to the fitness to practise of an individual registrant or are about a single, minor and isolated mistakes or error of judgement by registrants which are insufficient to suggest that fitness to practise is impaired, a registrant. That would normally not indicate a risk to public protection, so after initial assessment, the allegation would normally not be taken forward to an investigating committee panel for a decision on whether there is a case to answer at tribunal.** By filtering out, at the first stage in the process, allegations that it is not appropriate for us to pursue, the revised Standard of Acceptance has enabled better use of our resources at the later stages. It has also meant that a higher percentage of those allegations that do proceed **further to an investigating committee panel** are found **by and investigating committee panel** to have a **“case to answer” at tribunal.**

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

<sup>4</sup> The fitness to practise investigations process is explained at <http://www.hcpc-uk.org/complaints/raiseaconcern/investigations/>

<sup>5</sup> <http://www.hcpc-uk.org/assets/documents/10004E79Factsheet-Standardofacceptanceexplained.pdf>

## Performance report: performance analysis

### Information technology costs

There are a number of changes to the IT infrastructure that have improved the effectiveness of the HCPC business processes but have introduced additional costs.

The HR and Partners systems build project delivers the core functionality of the new HR and Partners system. The project is now in its implementation stage with a two stage delivery separating HR and the Partners systems. This [haswill allowed](#) the earlier delivery of the HR elements of the system while the project waits for the agreed Partners developments to complete. The HR system went live in December 2016 to all employees including the running of the payroll. The work to create the interfaces to HCPC internal systems is continuing with engagements with the vendors to detail the interface design completed. Implementation for the Partners system has commenced, and the project will ensure this system is fully integrated with the Fitness to Practise System.

The Registrations transformation and improvement project will deliver a programme of change that will introduce fundamentally revised business processes, a single highly automated system and an online service that will offer registrants the ability to easily interact with HCPC.

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

To ensure the project achieves its objectives in a controlled manner, the project will be managed using the HCPC-tailored PRINCE2 methodology. Progress on the project and Stage reviews will be reported to the Executive Management Team (EMT) on a regular basis. Gateway reviews have been planned at the end of each phase and no phase will commence without prior EMT approval. Enhanced reporting will be provided to Council to ensure that progress is fully understood and a corporate risk register covering the risks of this project to the organisation will be maintained and reported against.

Phase 1 of the project is the implementation of an online continuing professional development (CPD) system. Due to issues experienced by the supplier there has been a delay in the build of the system, which has in turn delayed user acceptance testing. Phase 1 of the project is now expected to be completed in autumn 2017.

Other significant IT changes during 2016–17 [included were as follows:](#)

- progress made on creating a new intranet using the Microsoft Office 365 environment;
- completion of the first stage of the project to replace the corporate web site;
- implementation of a new site recovery service provided by Microsoft, and replication of services to allow testing;

## Performance report: performance analysis

- delivering of an annual programme of consolidated changes to the current registration system;
- supporting [the](#) major project to redevelop the building at 186 Kennington Park Road, through a series of office moves;
- a package of changes supported by internal and external security testing to improve the information security of the HCPC; and
- replacing the existing corporate firewalls with a next generation firewall.

These changes all improve our effectiveness and the quality of service we provide to registrants and the public, and enable us to manage increasing workloads without proportionate increases in staffing, but they all also increase costs both in the development of new systems and in the ongoing licencing and support costs. As a result the costs of our IT Department have increased from £1.8m in 2015–16 to £2.9m in 2016–17, and are budgeted to increase to £2.2m in 2017–18.

### Premises costs

Our new hearings [centre rooms](#) at 405 Kennington Road [was](#) brought into use in January 2015 and [is](#) delivering the expected improvement in the experience of hearings for all the parties involved as well as providing greater flexibility for the scheduling of different hearing types. 405 Kennington Road is held on a twelve year lease running from December 2015, with a break clause in December 2021. This is the first year the full 12 months of operating costs is reflected in the annual accounts. The [405 Kennington Road hearings rooms hearing centre](#) added £1m to our costs in 2016–17 and [is](#) budgeted to add £1.1m in 2017–18.

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In 2016–17 we began a major project to refurbish 186 Kennington Park Road, the adjoining building bought in 2013, which has since remained in a relatively poor state of decoration. The main contractor has been selected and work started in April 2017. We expect to spend up to £2.75m during 2017–18 on the project, which will be a mixture of operating costs and capital expenditure. The outcome, as with the work done on 405 Kennington Road in the prior year, will be good quality office space that promotes effective team and cross-team working.

### Professional Standards Authority fees

The Professional Standards Authority for Health and Social Care (PSA) oversees the nine UK statutory regulators of health and care professionals. Its role includes reporting on our performance annually; scrutinising our process for appointment of members of the Council; auditing initial stage fitness to practise decisions; and referring final fitness to practise decisions to the High Court [if they consider that the decision reached does not properly protect the public where they consider the panel has been too lenient.](#)

Commented [AG8]: Per JB

From August 2015, the PSA has been funded by the regulators it oversees, pro-rata to registrant numbers. We are the second largest regulator by registrant numbers, with 22 per cent of the total registrants across all nine regulators overseen by the PSA, so we contribute 22 per cent of the PSA's funding requirement. Our contribution was £0.86m for 2016–17 and will be £0.88m for the year 2017–18.

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

The Children and Social Work Act 2017, which received Royal Assent on [Thursday 27 April 2017](#), [provides for the creation of](#) a new body, Social Work England (SWE),

Commented [AG9]: Per JB

## Performance report: performance analysis

which will regulate social workers in England. Implementation timescales are uncertain at this stage, but we have been working constructively with colleagues in Government as they begin work to establish the new regulator.

This change will in due course have a significant impact on the HCPC's operations, income and expenditure. Social workers in England represent over a quarter of our total registrants; income from social workers was £8m in 2016–17 and is budgeted to be £8.5m in 2017–18.

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal costs. *advice. However fixed costs such as rent and rates may not be easily reduced. However* there will be a gap between the loss of income and the reduction in direct costs, and we will review the impact of this and our options to close that gap as the details of the government's plans emerge. We anticipate that the costs of the transfer of functions will be funded by a grant from the government, as it would be inappropriate for those costs to be borne by our remaining registrants.

Commented [AG10]: Following Audit Committee discussion

### 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. The aggregate of cash at bank and short term deposits was £19.5m at 31 March 2017 (2016, £17.6m). These are not surpluses or profits: the element of fees received in advance is reflected in the deferred income balance of £20.7m (2016, £18.8m), and fee income is recognised evenly through the renewal cycle.

HCPC's total accumulated reserves – the net total of all surpluses, deficits and property revaluation gains of HCPC and its predecessor organisations – are £5m at 31 March 2017. This represents approximately £15 per registrant and less than two months' operating costs.

"Free reserves" is a concept commonly used in the not for profit sector. It refers to reserves that are not tied up in fixed assets, and which are therefore available for use as a source of working capital or to fund new investment. The book value of our fixed assets is £6.9m at 31 March 2017 (2016, £6.5m), greater than our total reserves, so HCPC has negative free reserves. The requirement for registrants to pay in advance has meant that we have not needed large free reserves to fund our fixed assets or working capital. The reserves policy on page 1244 sets out our target range of free reserves.

The statement of financial position shows property, plant and equipment totalling £5.5m (2016, £5.1m) of which £4.6m is our freehold offices in Kennington, London. Details of the annual revaluation of the properties are set out in note 8 to the financial statements.

The statement of financial position also includes computer software, shown as intangible assets, at net book value totalling £1.4m (2016, £1.4m). In 2016–17, we spent a total of £0.8m (2015–16, £0.4m) on purchasing or developing new IT systems, and our budget for 2017–18 includes £1.3m for new systems. Investment in new systems is capitalised as the project proceeds and, once the systems are brought into use, is depreciated over three years.

## Performance report: performance analysis

### Going concern

The Council's going concern review is based on the budget and work plans for 2017–18 and the five year plan, all considered by Council at the March 2017 meeting. The five year plan is an annually updated longer term financial forecast, based on forecast registrant numbers and assumptions about key cost drivers including the rate of fitness to practise allegations and inflation.

As noted above, the Children and Social Work Act 2017 allows for the establishment of has created Social Work England (SWE), which in due course will replace the HCPC as the regulator for social workers in England. The budget for 2017–18 assumes that social workers in England remain on the HCPC Register throughout 2017–18, and at the time of writing, we continue to regard this as an appropriate assumption given the time that the transfer of functions to SWE is likely to take. The five year plan as discussed by Council in March 2017 modelled the possible financial impact over the longer term. Although the financial impact will be severe, HCPC remains a going concern. As the detail of the government's plans for the transfer of functions to SWE becomes clear, we will continue to assess the financial impact on HCPC and plan our response.

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Commented [AG12]: Per Audit Committee discussion

### Future developments

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

- continuing the Registration transformation and improvement project, described above. The first phase of the project is expected to complete in autumn 2017 and, subject to a gateway review, the second phase is expected to start around the end of the calendar year;
- completing the 186 Kennington Park Road refurbishment project;
- completing phase 1 of the website review and build project, and starting phase 2 of the website project;
- development of communications and stakeholder engagement plans in relation to regulatory reform and the regulation of social workers in England;
- approving new programmes in podiatric surgery, orthoptist exemption programmes and considering changes to existing prescribing programmes (if further changes are made to legislation);
- carrying out a number of pilots to explore the viability of further developments in the fitness to practise process including hearings 'on the papers'; bringing service of documents forward; and exploring the use and value of screeners (case examiners) ~~(screeners)~~; and
- working with the government on their proposals for the regulation of social workers in England.

### Principal risks and uncertainties

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

- the risks associated with the transfer of regulation of social workers in England to SWE (see above) including the reduction in income leading to pressure on the current level of registration fees. A project has been established to manage the

## Performance report: performance analysis

transfer, with its own This risk has been prioritised within the risk register, and progress will be reviewed by the Audit Committee on a regular basis;

Commented [AG13]: Per Audit Committee discussion

- other legislative changes affecting the scope of our work;
- the risk of poor operational performance, with associated reputational damage, for example the risk of inability to meet call handling standards in our Registration Department; poor decisions in the approval of professional education courses; or mistakes in fitness to practise cases;
- the risk of rapid increase in the number of FTP allegations and resulting legal costs;
- the risk of rapid increase in the number of required education programme approvals, due to legislative, service, commissioning or funding changes;
- the risk of failure in the completion of major projects, for example the delivery of new IT systems;
- business continuity risks, for example interruption to the electricity supply to our offices; or a postal strike; and
- financial risks such as budgetary overspends or errors leading to a shortage of funding, or the financial failure of a key supplier.

The HCPC's risk management processes are described in the governance statement on page 2524. The full Risk Register is presented to Audit Committee and Council twice a year and is available on the HCPC website within the papers for Audit Committee and Council meetings.

### Reserves policy

Our reserves policy was revised and approved at the Council meeting in May 2017 and will be reviewed every three years, or more frequently if there are significant changes in our operating or financial environment. Our 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 aim to hold or accumulate excessive surpluses or deficits, as that would imply current registrants subsidising future registrants or vice versa.

Our previous reserves policy, approved by Council in May 2014 and applicable during 2016–17, was to hold a minimum level of cash equivalent to three months of operating expenditure. In order to ensure financial sustainability and fairness between current and future registrants, the revised policy approved in May 2017 sets a target range of free reserves. Free reserves are reserves that are not tied up in fixed assets. They are available to use as a source of working capital or to fund new investment. The target range for the period to 31 March 2022 recognises the likely financial impact on HCPC of the government's plans to establish a new regulator for social workers in England. The target range also recognises that our liquidity is provided by the requirement for registrants to pay their fees in advance. Because of this requirement, HCPC is able to operate with negative free reserves.

The upper limit of our target range is zero free reserves, and the lower limit is negative free reserves equivalent to three months of budgeted operating expenses. Our actual

**Performance report: performance analysis**

free reserves as at 31 March 2017 are negative £1.94m, which is equivalent to less than one month's expenditure in the 2017–18 budget. Each subsequent year's budget setting process will include, and be informed by, a recalculation of the target range of free reserves.

**Investment policy**

Our investment policy was most recently revised and approved at the Council meeting in May 2017 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 revised policy approved in May 2017 added short dated UK government issued bonds (gilt edged securities) as an approved category of investment.

The following matters are covered in the next section headed "Accountability report: Council's report":

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

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

## **Accountability report: Council's 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 adviser. We also ensure IT-system-support contracts and data back-up procedures are in place.

### **Health and safety**

We are committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that everyone at the HCPC premises, whether employees or visitors, continues to enjoy the benefits of a safe working environment. Eight health and safety incidents were reported during the year. The total number of employee sick leave days in 2016–17 was 1,757 (2015–16, 1,347). The average number of sick days per full time equivalent employee in 2016–17 was 7 days or 2.7% of working days (2015–16, 6.4 days, 2.5% of working 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 2016–17 activities relating to corporate and social responsibility have included:

- a cycle challenge for Sport Relief;
- providing weekly literacy support at the Henry Fawcett Primary School;
- a gift collection for St Mungo's;
- a volunteering day at the Vauxhall City Farm;
- hosting a Volunteers Fair with seven local charities highlighting volunteering opportunities in the local area;
- a walk to work challenge;
- a donation drive for work wear for Suited & Booted and Smart Works; and
- a foreign currency collection for the Alzheimer's Society.

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

## Accountability report: Council's report

### Payment of suppliers

88 per cent of purchase invoices were paid within 30 days (2015–16, 83 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2015–16 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 ensuring that the organisation values participation and respectful working relationships.

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 are a Disability Confident Employer under the government Disability Confident Scheme.

Our diversity at 31 March 2017 was as follows:

Gender analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Female	7	5	37	127	169
Male	5	6	28	59	93
Total	12	11	65	186	262

Age analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
18–30	–	–	9	75	84
31–40	–	4	35	682	107
41–50	3	3	14	20	37
51–60	7	3	6	19	28
61+	2	1	1	4	6
Total	12	11	65	186	262

Ethnic background analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Asian	–	–	3	23	26
Black	–	–	5	41	46
Mixed	–	–	6	10	16
Other	–	–	1	1	2
Prefer not to say (PNS) / not stated	–	1	5	38	44
White	12	10	45	73	140
Total	12	11	65	186	262

Accountability report: Council's report

Disability analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Disabled	2	–	–	5	5
Not disabled*	10	11	65	181	257
Total	12	11	65	186	262

\* Includes prefer not to say and not stated

Sexual orientation analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Bisexual	–	–	2	1	3
Gay man	–	–	5	6	11
Gay woman	1	–	–	1	1
Heterosexual	7	4	45	129	178
PNS/not stated	4	7	13	49	69
Total	12	11	65	186	262

Marital status analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Civil Partner	–	–	–	1	1
Divorced	1	–	2	2	4
Married	9	7	20	33	60
Partner	2	2	12	18	32
Single	–	1	29	112	142
PNS/not stated	–	1	2	20	23
Total	12	11	65	186	262

Religion analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
No religion	4	3	21	39	63
Christian	5	1	19	63	83
Buddhist	–	–	–	3	3
Hindu	–	–	–	2	2
Jewish	–	–	–	–	–
Muslim	–	–	1	4	5
Sikh	–	–	1	2	3
Any other religion	1	–	2	14	16
PNS/not stated	2	7	21	59	87
Total	12	11	65	186	262

Dependents analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
One or more dependents		1	10	8	19
No dependents*	Data not held	10	55	178	243
Total		11	65	186	262

\*Data for employees includes prefer not to say and not stated.

## Cross Departmental Team

The Cross Departmental Team (CDT) is made up of a manager representative from each department at the HCPC. The CDT meets once a month and its main purpose is to share information across the organisation. This is then fed back to each department. The CDT also receives regular updates from the CSR working group, the Employee Consultation Group, Project Department and updates to the Quality Management System. In March 2017, it was decided that due to the growth in other internal communications channels and the development of department specific communication plans, CDT is no longer needed. This will be replaced by an operationally focused group that supports the EMT to implement strategic decisions and supports collaboration across the organisation.

## Employee Consultation Group

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 Departmental Team) and seven employee representatives. The employee representatives and the CDT representative are elected every two years.

During 2016–17 four meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the following subjects:

- the HR information system project;
- the employee engagement survey;
- the Learning and Development plan; and
- the 186 Kennington Park Road Refurbishment project.

## Welsh Language Scheme

We launched our first Welsh Language Scheme (the Scheme) in 2011 and updated it in 2013. Since the Scheme was first published we have completed five implementation reports on the Scheme for the Welsh Language Commissioner.

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

We continue to monitor developments which are expected to replace requirements for schemes with Welsh language standards. In 2016–17 we responded to a Welsh Government consultation on proposed Welsh language standards and submitted an impact assessment on the proposals. We have been working closely with the Welsh Language Commissioner and with the other health professional regulators in the UK to help ensure that Standards are developed which set appropriate requirements for the regulators.

**Accountability report: Council's report**

Information on anticipated future developments is set out in the Performance report on page ~~1140~~.

Details of personal data related incidents are set out in the Governance statement on page ~~2625~~.

Details of Council and Committee members and the Executive Management Team are set out in the Remuneration and staff report on pages ~~2827~~ to ~~3332~~.

Arrangements for managing potential conflicts of interest are set out in the Governance statement on page ~~1948~~.

Pension arrangements are set out in the Remuneration and staff report (page ~~3130~~) and note 1 to the accounts on page ~~4342~~.

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

## Accountability report: governance statement

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

### The Health and Care Professions Tribunal Service (HCPTS)

The HCPTS is the fitness to practise adjudication service of the HCPC. The Council agreed to the establishment of the HCPTS in July 2016, and the HCPTS was launched in April 2017. The change has been led by government's intention that regulatory bodies adopt systems with a greater separation between the investigation and adjudication of fitness to practise hearings.

The creation of the HCPTS provides reassurance to registrants that the Panel making a decision on allegations about them are at arm's length from the organisation that initially investigated the matter. It will ensure a high degree of independent decision making by FTP panel members and enables transparency in the independent appointment of decision-makers. The HCPTS is not a separate organisation to the HCPC, and it will operate under the same governance arrangements as the rest of [the HCPC](#).

### The Council

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

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

The Council has twelve members [including the Chair](#) (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. [Appointments to the Council are made by The recruitment of the Council is carried out by the HCPC which makes recommendations to the Privy Council, based upon recommendations made by the HCPC \(which conducts the recruitment exercise\), which makes the appointments.](#) The Professional Standards Authority for Health and Social Care has oversight of the [recruitment](#) process and advises the Privy Council as to whether it is satisfied about the process ~~that the regulatory body has been followed~~. Council Members hold office for a term of up to four years and they may serve a

Commented [TT14]: As suggested by J Braken

## Accountability report: governance statement

maximum of eight years in any 20 year period. Whilst re-appointments can be made, subject to a satisfactory performance appraisal and the needs of the HCPC, a degree of change is often sought and there should be no expectation of automatic reappointment.

The members as at 31 March 2017 and at the date of this report were as follows:

### Registrant members

	Term end date
Elaine Buckley (Chair)	31 <del>December</del> January 2018
Maureen Drake	31 December 2020
Sonya Lam	31 December 2017*
Robert Templeton	31 December 2017*
Graham Towl	31 December 2017*
Stephen Wordsworth	31 December 2018

### Lay members

	Term end date
Stephen Cohen	31 December 2020
Sue Gallone (appointed on 1 January 2017)	31 December 2020
Eileen Mullan	31 December 2020
Joanna Mussen	31 December 2018
Gavin Scott (appointed on 1 January 2017)	31 December 2020
Nicola Wood	31 December 2017*

\* eligible for reappointment for a further term

Members' attendance at Council meetings during 2016–17 is shown in the table on pages ~~2928~~ to ~~3029~~.

## Council performance and effectiveness

The performance review system for individual Council members was agreed by the Council in 2015. There are a number of elements to it. The individual performance review system provides a mechanism for annual self-appraisal; a mechanism for appraisal of the Chair; and an opportunity for members of Council to discuss their perceptions and experiences of the HCPC with the Chair. The system is competency-based, in common with many systems used for review of board members. Members complete a self-appraisal form which is discussed with the Chair for feedback and identification of any training needs.

Assessment of the Council's performance is carried out through a meeting review at the conclusion of each Council meeting, and 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 in January 2017. Council and Committees were found to be operating effectively, with an appropriate balance on the agenda between strategic and operational

## Accountability report: governance statement

issues, good quality papers and presentation from the Executive Management Team, and open discussion by Council and Committee members. In relation to individual performance, appraisals were conducted in spring 2017 and the summary report will be considered by Council in July 2017, 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, among 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 Investigating Committee; and~~
- ~~the Conduct and Competence Committee; and~~
- ~~the Health 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 ~~and only meet as Panels comprised of registrant and lay partners. Panels comprise registrant and lay partners.~~ Since April 2017, the three Practice Committees ~~have been known collectively as the Health and Care Professions Tribunal Service (form part of the HCPTS).~~

Commented [TT15]: As suggested by J Bracken

The Council has established the Audit Committee, the Remuneration Committee and the Tribunal Advisory 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 and three registrant, drawn from the Council. The members who served on the Committee during the year were; Joy Tweed (Chair to 31 December 2016), Sue Gallone (from 8 February 2017), Gavin Scott (from 8 February 2017), Stephen Cohen (to 8 February 2017) Stephen Wordsworth (Chair from 8 February 2017), Joanna Mussen, Sonya Lam and Maureen Drake.

The Committee met four times in 2016–17. The matters considered by the Committee included the following:

- revised standards of education;
- continuing professional development audit report 2013–15;

#### Accountability report: governance statement

- Health and Character Policy;
- standards for the use of exemptions by orthoptists to sell, supply and administer medicines;
- revised guidance on returning to practice;
- revised continuing professional development guidance;
- guidance on confidentiality;
- annotation [of](#) medicine exemptions for orthoptists;
- social media guidance;
- international professional equivalence; and
- the registration appeals process.

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

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

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

The Audit Committee is made up of three members appointed by and from the Council, plus one independent member, all with recent, significant and relevant financial experience. The members who served on the Audit Committee during the year were; Richard Kennett (Chair to 31 December 2016), Julie Parker (independent member), Sue Gallone (from 8 February 2017), Stephen Cohen (Chair from 8 February 2017) and Eileen Mullan.

The Committee met four times in the period 1 April 2016 to 31 March 2017. Attendance at these meetings is detailed in the table on pages [2928](#) to [3029](#) of this report. The Chief Executive, members of the Executive Team, other employees, the internal auditors (Grant Thornton LLP) and the external auditors (National Audit Office) attended Audit Committee meetings, by invitation.

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

- considering internal audit reports and reviewing the Internal Audit Annual Report;
- reviewing the findings of British Standards Institute (BSI) assessment reports;
- agreeing the internal and external audit planning reports;
- reviewing the draft 2015–16 Annual Report and Accounts for the HCPC along with the 2015–16 National Audit Office Audit Completion Report;
- reviewing the HCPC's Corporate and Project Risk Register; and
- monitoring HCPC's progress on internal audit action points.

## Accountability report: governance statement

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

During 2016–17 the Committee considered internal audit reports on:

- HCPC's core financial controls;
- whistleblowing arrangements;
- legal services cost management;
- partner recruitment;
- registration appeals;
- employee recruitment and retention; and
- a follow up on the previous review of the five year plan model.

Seven priority two (significant) and fifteen priority three (housekeeping) recommendations were made. No priority one (fundamental) recommendations were made. The internal auditors' annual report, delivered to the June 2017 Audit Committee meeting, provided substantial assurance in respect of the HCPC's corporate governance, risk management and internal controls.

### Remuneration Committee

The Remuneration Committee determines the annual salary review for HCPC employees including the Executive Management Team and the Chief Executive and Registrar. The Committee's terms of reference were formalised in May 2017 to include the making of recommendations to Council on remuneration policy and Council members' and partners' remuneration levels, and the approval of expenses policies. The Committee met three times in March, April and May 2017 for the discussion and approval of the pay review for 2017–18. Membership of the Committee is set out in the Remuneration and staff report on page [2827](#).

### Tribunal Advisory Committee

The Tribunal Advisory Committee was established during the year, as part of the establishment of the Health and Care Professions Tribunal Service ([HCPTS](#)). The Committee will advise the Council on:

- the quality, ability and competencies required of panel members, including panel chairs and legal assessors;
- the merit-based selection, by fair and open competition, of panel members; and
- arrangements for the training and assessment of panel members, panel chair and legal assessors.

The Committee will also provide guidance to [HCPTS Paneltribunals](#) on matters of practice and procedure.

Commented [AG16]: Per JB

### Accountability report: governance statement

The Committee comprises six members, three who are existing Panel Chairs and three members who are independent of the tribunal process. The Committee's first meeting was held in May 2017.

Members of the Tribunal Advisory Committee as at 31 March 2017 and at the date of this report were as follows:

<b>Panel Chair members</b>	<b>Term end date</b>
Graham Aitken (appointed to the TAC on 1 March 2017)	31 July 2020
Catherine Boyd (appointed to the TAC on 1 March 2017)	31 July 2018*
Philip Geering (appointed to the TAC on 1 March 2017)	31 July 2018*

<b>Independent member</b>	<b>Term end date</b>
Sheila Hollingworth (appointed on 1 March 2017)	31 July 2019*
Alan Kershaw (appointed on 1 March 2017)	31 July 2020*
Marcia Saunders (appointed on 1 March 2017)	31 July 2020*

\* eligible for reappointment for a further term

### 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.

## Accountability report: governance statement

### 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 2016–17, the main changes to the Risk Register were as follows:

- following commencement of the 186 Kennington Park Road refurbishment project, a risk related to the building work impacting on the adjacent Park House has been added to the Register;
- following our success in achieving ISO10002 Complaints Management Certification, the risk of losing the accreditation and failure to maintain an adequate customer complaints system has been added to the Register;
- risks relating to the transfer of social workers to Social Work England were updated and the likelihood of occurrence was increased;
- a new risk around outsourced HR system has been added to the Register;
- a new risk has been added for the failure to maintain the integrity of reporting system data;
- the addition of a new time constrained risk of damage to or loss of access to our buildings caused by the Northern Line tunnelling work; and
- the mapping of HCPC's strategic objectives to individual risks.

## Accountability report: governance statement

### 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 to safeguard the data rights of our registrants, stakeholders and the public and we achieved certification under ISO27001:2013<sup>6</sup> in June 2015. We were audited by BSI in April 2017 and our certification under ISO27001:2013 was reconfirmed in April 2017.

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. 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 2016–17 the HCPC recorded 68 personal information security incidents (2015–16: 119); no incidents were rated as requiring ICO referral. Given the volume of data processed by the HCPC, occasional errors in processing are to be expected, with human error being the leading cause of data incidents across all sectors. We are encouraged to see that the number of incidents has reduced from last year and we will continue to focus on enhancing our safeguards over the coming financial year.

### 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 2016–17 was Grant Thornton LLP, who were appointed from April 2015, following a competitive tender. The internal auditors use our assessment of risk as documented in the Risk Register as well as their own professional judgment in proposing their programme of work to the Audit Committee. They make recommendations based on the appraisal of each system reviewed.

An annual assurance report is provided to the Accounting Officer and Audit Committee, giving the Internal Auditors' overall opinion on risk management, control and governance and their effectiveness in achieving the HCPC's agreed objectives. Their opinion for 2016–17, reported to the June 2017 Audit Committee meeting, provided substantial assurance in respect of the HCPC's governance, risk management and internal control arrangements.

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

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<sup>6</sup> ISO27001 is an internationally recognised best practice framework for an information security management system. It helps to identify the risks to important information and to put in place the appropriate controls to reduce the risk.

### **Accountability report: governance statement**

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 performance review for 2015–16 concluded that the HCPC had met 21 of the 24 standards. Improvement plans are in place which are addressing the PSA's findings in respect of the three standards which were deemed not met. At the time of writing, the performance review for 2016–17 was underway.

### **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 2017 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 Comptroller and Auditor General has audited the financial statements and certain sections of the remuneration report. The cost of providing audit services was £39,000. There was no auditor remuneration for non-audit work.

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

## Accountability report: remuneration and staff report

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

Fees are paid to Council members at a daily rate for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC where prior approval has been given. Fees are also paid for attendance at a conference or event which forms part of the member development programme where prior approval has been given and up to a maximum of six days per year. The daily fee rate for Council members in 2016–17 was £327. Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

Elaine Buckley, the Chair of the HCPC since July 2015, is an employee of Sheffield Hallam University. The HCPC has entered a three and a half year secondment agreement with the University whereby Elaine Buckley spends approximately 60% of her working time as Chair of HCPC in exchange for a fee of £58,250 plus VAT per annum payable by HCPC to the University. In 2017–18 the fee will increase by 2% to £59,415 plus VAT.

Council and Committee member fees totalling £163,165 (2015–16, £160,215) were paid and accrued to 15 members (2015–16, 14 members), including Julie Parker who is not also a member of the Council. This includes the fees payable to Sheffield Hallam University for the services of Elaine Buckley as Chair of HCPC. Benefits in kind with a total taxable value of £22,6700 (2015–16, £30,159) were paid to Council and Committee members. The only benefits are home to office travel and expenses claimed by Council and Committee members, which are covered by a PAYE Settlement Agreement with HMRC.

**Accountability report: remuneration and staff report**

The fees for the period 1 April 2016 to 31 March 2017 for Council members paid and accrued were as follows:

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2016–17	2016–17				2015–16				
		Number of days	Fees	Benefits in kind	Total	Number of days	Fees	Benefits in kind	Total	
			£'000	£'000	£'000		£'000	£'000	£'000	£'000
Elaine Buckley <sup>1</sup>	Council (Chair from 1 July 2015) Remuneration	14/14 1/1	N/A 65–70	–	65–70	N/A	50–55	3.1	55–60	
Stephen Cohen	Council Audit (Chair from 8 February 2017) Education and Training (to 8 February 2017)	13/14 4/4 3/3	32	10–15	0.4	10–15	23	5–10	–	5–10
Maureen Drake	Council Education and Training	14/14 3/4	25	5–10	3.6	10–15	7	0–5	1.9	0–5
Anna van der Gaag (to 30 June 2015)	Council (Chair to 30 June 2015)	N/A	N/A	–	–	–	74	20–25	1.2	20–25
Sue Gallone (from 1 January 2017)	Council Audit Education and Training	3/3 1/1 0/1	7	0–5	0.9	0–5	–	–	–	–
Richard Kennett (to 31 December 2016)	Council Audit (Chair)	10/11 3/3	30	5–10	0.7	10–15	27	5–10	1.0	5–10
Sonya Lam <sup>2</sup>	Council Education and Training	14/14 4/4	41	10–15	3.0	15–20	27	5–10	3.2	5–10
Eileen Mullan	Council Audit	13/14 4/4	18	5–10	3.5	5–10	23	5–10	5.3	10–15
Joanna Mussen	Council Education and Training	14/14 4/4	26	5–10	2.1	10–15	27	5–10	5.8	10–15
Julie Parker	Audit	4/4	7	0–5	0.3	0–5	6	0–5	0.2	0–5
Gavin Scott (from 1 January 2017)	Council Education and Training	3/3 1/1	6	0–5	12.90	0–5	–	–	–	–

Accountability report: remuneration and staff report

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2016–17	2016–17				2015–16			
		Number of days	Fees	Benefits in kind	Total	Number of days	Fees	Benefits in kind	Total
			£'000	£'000	£'000		£'000	£'000	£'000
Robert Templeton	Council Remuneration 14/14 1/1	23	5–10	–	5–10	33	10–15	0.2	10–15
Graham Towl	Council Remuneration 14/14 1/1	17	5–10	3.9	5–10	11	0–5	3.1	5–10
Joy Tweed (to 31 December 2016)	Council Education and Training (Chair) Remuneration 11/11 3/3 1/1	22	5–10	0.4	5–10	34	10–15	0.3	10–15
Nicola Wood	Council Remuneration 12/14 1/1	14	0–5	1.0	5–10	17	5–10	1.2	5–10
Stephen Wordsworth	Council Education and Training (Chair from 8 February 2017) 13/14 3/4	17	5–10	0.9	5–10	25	5–10	3.7	10–15

1. The fees payable for Elaine Buckley's services as Chair of Council are fixed under the secondment agreement with Sheffield Hallam University, not variable according to the number of days actually worked. Under the agreement, Ms Buckley is anticipated to work approximately 3 days per week to fulfil her role as Chair. Ms Buckley's remuneration for 2016–17 disclosed in the table is the fee of £69,900 including VAT payable to the University under the secondment agreement.
2. Sonya Lam's remuneration for 2015–16 was paid to NHS Education for Scotland. In 2016–17 Ms Lam's remuneration has been paid to her directly through HCPC's payroll.

There were no payments to past Council or Committee members in relation to their previous roles as Council and Committee members. Anna van der Gaag, who was Chair of HCPC until 30 June 2015, is leading a research project by University of Surrey, commissioned by HCPC following a competitive tender process. HCPC is paying a fee to the University for the project, and the University is paying a fee to Anna van der Gaag.

There were no exit packages or payments for loss of office for Council or Committee members.

The remuneration information on this page and the preceding page was subject to audit.

## Accountability report: remuneration and staff report

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

The Chief Executive's post is the equivalent of Senior Civil Service (SCS) pay band 3. The nine other Executive Management Team posts are the equivalent of SCS pay band 1. There are no other SCS-equivalent posts outside the Executive Management Team. The salary levels for the Chief Executive and Executive Management Team (EMT) are reviewed annually in March by the Remuneration Committee, after due consideration of annual performance and changes in market rates. To obtain the market rates, an external specialist consultancy is used to assess the remuneration levels, based on the job description for each role.

The Remuneration Committee in March 2016 comprised Elaine Buckley (Chair), Robert Templeton and Joy Tweed. From March 2017, the Committee comprises Elaine Buckley (Chair), Graham Towl, Robert Templeton and Nicola Wood.

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

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

### Chief Executive and Registrar's remuneration

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

	<b>2016–17</b>	<b>2015–16</b>
Salary	£190,049	£185,867
Taxable benefits	£4,151	£3,725
Employer's pension contributions	–	£30,668
Total remuneration	£194,200	£220,260

The Chief Executive has waived his entitlement to employer pension contributions to his personal pension plan for 2016–17 because his plan has reached the value limits beyond which further contributions to the plan are not beneficial.

The information in the above table was subject to audit.

Accountability report: remuneration and staff report

EMT remuneration

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

Name	Position	2016-17			2015-16		
		Salary £'000	Employer's pension contribution £'000	Total £'000	Salary £'000	Employer's pension contribution £'000	Total £'000
Claire Amor <sup>3</sup>	Acting Director of Council and Committee Services (from March 2016 to March 2017)	45-50	0-5	50-55	0-5	0-5	0-5
John Barwick <sup>1</sup>	Acting Director of Fitness to Practise (from January to December 2015 and from January 2017)	80-85	5-10	85-90	65-70	0-5	65-70
Guy Gaskins	Director of Information Technology	90-95	5-10	95-100	85-90	5-10	95-100
Andy Gillies	Director of Finance	80-85	5-10	85-90	80-85	5-10	85-90
Abigail Gorringe <sup>2</sup>	Director of Education	80-85	10-15	90-95	75-80	15-20	90-95
Michael Guthrie	Director of Policy and Standards	80-85	10-15	95-100	80-85	10-15	90-95
Teresa Haskins <sup>4</sup>	Director of Human Resources	90-95	5-10	95-100	85-90	5-10	90-95
Kelly Holder <sup>1,4</sup>	Director of Fitness to Practise	120-125	15-20	135-140	65-70	15-20	85-90
Jacqueline Ladds <sup>4</sup>	Director of Communications	85-90	5-10	90-95	80-85	5-10	85-90
Louise Lake <sup>3</sup>	Director of Council and Committee Services	50-55	0-5	55-60	60-65	0-5	65-70
Greg Ross-Sampson	Director of Operations	95-100	5-10	105-110	95-100	5-10	100-105

1. Kelly Holder was on leave from January 2015 until December 2015 and from January 2017, and during these times John Barwick was Acting Director of Fitness to Practise. Kelly Holder's full time equivalent (FTE) salary for 2016-17 was in the band of £120k-£125k (2015-16: £105k-£110k).

2. Abigail Gorringe works reduced hours; her FTE salary for 2016-17 was in the band of £95k-£100k (2015-16: £95k-£100k).

3. Louise Lake was on leave from March 2016 to March 2017 and during that time Claire Amor was Acting Director of Council and Committee Services. Louise Lake works reduced hours; her FTE salary for 2016-17 was in the band of £70k-£75k (2015-16: £70k-£75k). Claire Amor's 2015-16 salary and pension relates to March 2016 only.

4. During the year, Teresa Haskins, Jacqueline Ladds and Kelly Holder received temporary acting up allowances for additional responsibilities which are included in the figures shown above.

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. There were no payments to past EMT members, and no exit packages or payments for loss of office. The information on this page was subject to audit.

## Accountability report: remuneration and staff report

### Fair pay disclosures

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

	2016–17	2015–16
Remuneration band of highest paid executive (£'000)	£190–£195	£185–£190
Median total	£31,265	£30,900
Remuneration ratio	6.2	6.1
Range of remuneration: difference between highest and lowest paid employee (full time equivalent, excluding apprentices, £'000)	£170–£175	£165–£170

The information in this table was subject to audit.

### Employee numbers and costs

Employee numbers and costs are shown in note 4 to the financial statements on page [4544](#), together with the cost of agency and contract workers. Sickness absence data is shown in the Council's report section of the Accountability report, under the heading Health and safety on page [1443](#). An analysis of Council members and employees by gender, age and ethnic background and a description of our policies in relation to the employment of disabled persons are given in the Council's report section of the Accountability report, under the heading Equality and diversity, on page [1544](#).

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

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

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

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

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

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

**Commented [AG17]:** This sentence is a new requirement in the Treasury's 2016-17 Financial Reporting Manual (FReM) which the NAO have drawn to our attention

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2017 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

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

As explained more fully in the Statement of Responsibilities of the Accounting Officer, 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 2017 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the Privy Council directions issued thereunder.

### Opinion on other matters

In my opinion:

- the parts of the Remuneration and staff report to be audited have been properly prepared in accordance with the Privy Council directions made under the Health and Social Work Professions Order 2001; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

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

### Report

I have no observations to make on these financial statements.

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

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

## Financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Income</b>			
Fee income	2	31,449	28,310
Other income		—	—
<b>Total operating income</b>		<b>31,449</b>	<b>28,310</b>
Staff costs	4	11,638	10,539
Depreciation and amortisation		1,103	822
Other expenditure	6	18,561	16,926
<b>Total operating expenditure</b>		<b>31,302</b>	<b>28,287</b>
<b>Surplus for the year after operational costs</b>		<b>147</b>	<b>23</b>
Investment income	3	164	163
Reversal of previous impairments on land and buildings	8	6	267
Impairment of intangible assets	9	—	(11)
<b>Surplus on ordinary activity before taxation</b>		<b>317</b>	<b>442</b>
Taxation	7	(33)	(28)
<b>Retained surplus for the year</b>		<b>284</b>	<b>414</b>
<b>Other comprehensive net income</b>			
Revaluation gain on freehold property	8	261	486
<b>Total comprehensive net income</b>		<b>545</b>	<b>900</b>

The notes on pages [4140](#) to [5352](#) form part of these financial statements.

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

Financial statements

Statement of financial position as at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	5,502	5,091
Intangible assets	9	1,441	1,363
<b>Total non-current assets</b>		<b>6,943</b>	<b>6,454</b>
<b>Current assets</b>			
Trade and other receivables	10	1,994	1,598
Short term deposits	12	13,600	9,520
Cash and cash equivalents	11	5,929	8,095
<b>Total current assets</b>		<b>21,523</b>	<b>19,213</b>
<b>Total assets</b>		<b>28,466</b>	<b>25,667</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,548)	(2,332)
Deferred income	14	(20,749)	(18,800)
<b>Total current liabilities</b>		<b>(23,297)</b>	<b>(21,132)</b>
Liabilities greater than one year	15	(163)	(74)
<b>Assets less liabilities</b>		<b>5,006</b>	<b>4,461</b>
<b>Reserves</b>			
General reserve		4,155	3,871
Revaluation reserve		851	590
		<b>5,006</b>	<b>4,461</b>

The notes on pages [4140](#) to [5352](#) form part of these financial statements.

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

**Elaine Buckley**  
Chair

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

Signature

Signature

Date

Date

Financial statements

**Cash flow statement for the year ended 31 March 2017**

	Note	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Surplus for the year after operating costs		147	23
Depreciation and amortisation	8 and 9	1,103	823
(Increase) in trade and other receivables	10	(396)	(840)
Increase / (decrease) in trade payables	13	210	(631)
Increase in deferred income	14	1,950	1,468
(Decrease) in liabilities greater than one year	15	89	(87)
<b>Net cash inflow from operating activities</b>		<b>3,103</b>	<b>756</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(477)	(932)
Purchase of intangible assets	9	(848)	(398)
Net acquisition of short term deposits		(4,080)	(1,000)
Investment income	3	164	163
<b>Net cash flows from investing activities</b>		<b>(5,241)</b>	<b>(2,167)</b>
<b>Taxation</b>	7 and 13	<b>(28)</b>	<b>(22)</b>
<b>Net (decrease) in cash and cash equivalents in the period</b>		<b>(2,166)</b>	<b>(1,433)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>8,095</b>	<b>9,528</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>5,929</b>	<b>8,095</b>

The notes on pages [4140](#) to [5352](#) form part of these financial statements.

Financial statements

**Statement of reserves for year ended 31 March 2017**

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
<b>Balance at 1 April 2015</b>		104	3,457	3,561
Surplus for the year		–	414	414
Gain on revaluation of the property		486	–	486
<b>Balance at 31 March 2016</b>		<b>590</b>	<b>3,871</b>	<b>4,461</b>
Surplus for the year		–	284	284
Gain on revaluation of the property	8	261	–	261
<b>Total recognised income and expense for the year</b>		<b>261</b>	<b>284</b>	<b>545</b>
<b>Balance at 31 March 2017</b>		<b>851</b>	<b>4,155</b>	<b>5,006</b>

The notes on pages [4140](#) to [5352](#) form part of these financial statements.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2017

#### 1 Accounting policies

##### Basis of preparation

These financial statements have been prepared in accordance with the 2016–17 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the HCPC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HCPC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

##### Accounting Convention

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

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

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

- IFRS 16 – Leases was issued in January 2016. Subject to the FRoM, HCPC will first be required to apply it in the 2019–20 financial statements, although earlier adoption may be permitted. IFRS 16 will require the recognition of all leases on balance sheet, including leases for rented office space. A lease liability and the related right of use asset will be recognised at the present value of the lease payments payable over the lease term. This will be a change of accounting treatment with a material impact on HCPC's financial statements when it is adopted in due course.
- [IFRS 9 – Financial Instruments was issued in July 2014 and has a mandatory effective date of 1 January 2018. Subject to the FRoM, HCPC will be required to apply it in the 2018–19 financial statements. Given the relatively simple nature of HCPC's financial instruments \(being payables, receivables and short term deposits\), no significant change is expected to the accounting presentation of the financial statements, although we will report our financial instruments under the new classifications.](#)

##### Going concern

The Council has reviewed the budget and work plans for the year ending 31 March 2018, and the five year plan for the period ending 31 March 2022. The budget for 2017–18 assumes that social workers in England remain on the HCPC Register throughout 2017–18, and [at the time of writing](#), we continue to regard this as an appropriate assumption given the time that the transfer of functions to Social Work England (SWE) is likely to take. The five year plan modelled the possible financial impact of the transfer of functions to SWE over the long term. Based on this information, 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:

- IAS16 – Property, Plant and Equipment: judgement is made on fixed asset lives, revaluation of land and buildings and the capitalisation threshold as discussed below.
- IAS36 – Impairments: the Council makes judgements on whether there are any indications of impairments to the carrying amounts of the HCPC's assets.

## Financial statements

- IAS37 – Provisions: judgement is made on the best estimate that can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.
- IAS38 – Intangible Assets: note 9 shows the HCPC's intangible assets. Recognition and measurement of Intangible Assets is in line with IAS38.

### 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 with a maximum interval of five years, and more frequently if open market values are considered to be volatile, 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. The latest valuation was as at 31 March 2017. Property capital costs incurred between valuations are capitalised at cost.

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

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

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. The HCPC's plant and equipment assets are relatively low value items with short useful lives. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Individual assets costing £5,000 or more are capitalised and subsequently depreciated.

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 2017 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 minimum term of the lease or the expected useful life

### 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. Individual assets costing £5,000 or more are capitalised and subsequently amortised. Amortisation is not provided for until the asset is fully developed and in use. The annual rate of depreciation for each class of intangible asset held at 31 March 2017 is as follows.

- Software licences – over three years
- Software system development costs – over three years

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.

## Financial statements

### Financial instruments: Financial assets

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

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

**Cash and cash equivalents.** These include current accounts and instant access deposit accounts.

**Investments.** These are [a](#) short term deposits held with banks which are classified as loans and receivables under [IAFRS 39](#).

### Financial instruments: Financial liabilities:

The HCPC classifies its financial liabilities as follows.

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

**Currency, liquidity and interest rate risk.** Refer to note 20 of the financial statements.

**Provisions.** A provision is recognised in the Statement of financial position when the HCPC has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Pensions

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

### Income

Fee income comprises registration fees, readmission fees, renewal fees and scrutiny fees. Scrutiny, registration and readmission fees are collected upon application for registration and recognised upon receipt. Renewal fees are collected in advance and are recognised as deferred income in the Statement of financial position until they are released to the Statement of comprehensive net expenditure in the period to which they relate. The renewal cycle for each of the 16 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the Statement of financial position date. However, under HCPC's fees and refunds policies, refunds are only payable for complete unused years, so any refunds in relation to the deferred income balance will only be paid within the next 12 months. Therefore HCPC does not split its deferred income balance between current and non-current liabilities.

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

### Value Added Tax

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

**Financial statements**

**Leases**

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

**Taxation**

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

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## Financial statements

<b>2 Fee income by profession</b>		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Arts therapists		345	286
Biomedical scientists		2,116	1,923
Chiropodists / podiatrists		1,141	1,057
Clinical scientists		465	430
Dietitians		858	776
Hearing aid dispensers		225	197
Occupational therapists		3,479	3,099
Operating department practitioners		1,073	992
Orthoptists		115	108
Paramedics		2,043	1,907
Physiotherapists		5,125	4,349
Prosthetists / orthotists		90	82
Practitioner psychologists		1,880	1,761
Radiographers		3,141	2,630
Social workers in England		8,028	7,456
Speech and language therapists		1,325	1,257
		<b>31,449</b>	<b>28,310</b>
<b>3 Investment income</b>		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Bank deposit interest		164	163
<b>4 Staff costs</b>		<b>2017</b>	<b>2016</b>
	<b>Permanent staff</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Others</b>		
	<b>£'000</b>		
Wages and salaries	8,650	9,105	8,144
Social Security costs	934	972	874
Pension costs	501	508	544
Temporary staff costs	—	897	782
Other payroll expense including recruitment costs	(7)	156	195
	<b>10,078</b>	<b>11,638</b>	<b>10,539</b>

The average number of full time equivalent (FTE) permanent employees during the year was 242 (2015–16, 228). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 36 (2015–16, 27).

## 5 Pension funding arrangements

The Friends Provident Scheme is a designated stakeholder, defined contribution scheme and HCPC's auto-enrolment staging date was 1 April 2014. At 31 March 2017, there were 226 active members in the pension scheme (2016, 208 active members). During the financial year to 31 March 2017, the HCPC contributed £508k to the pension scheme (2015-16, £544k).

## Financial statements

<b>6 Other expenditure</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Professional services	6,076	5,657
Partners	5,288	4,303
Office services	1,828	1,791
Computer services	1,059	1,137
Communications	411	703
Other departmental costs	735	839
Property services	1,592	1,009
Projects	252	471
Council and Committee expenses	270	221
Travel and subsistence	191	206
PSA levy	859	589
	<b>18,561</b>	<b>16,926</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 £2m in 2016–17 and £1.9m in 2015–16.

<b>Operating expenditure includes:</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	39	39
• Internal audit – Grant Thornton LLP	55	24
• Other non-audit services – Grant Thornton	20	36
Operating lease rentals:		
• Land and buildings	812	345
<b>7 Taxation on investment income</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on taxable income for the year	33	28
Tax charge for the year :	<b>33</b>	<b>28</b>

## Financial statements

8 Property, plant and equipment 2016–17	Freehold land	Freehold properties	Leasehold improvement	Office furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2016	2,070	2,070	866	127	462	5,595
Additions	–	249	163	27	38	477
Disposals	–	–	–	–	–	–
Revaluation <sup>1</sup>	238	(11)	–	–	–	227
At 31 March 2017	2,308	2,308	1,029	154	500	6,299
Depreciation:						
At 1 April 2016	–	–	98	119	287	504
Charge for the year	–	41	192	5	96	334
Disposals	–	–	–	–	–	–
Reversal on revaluation <sup>1</sup>	–	(41)	–	–	–	(41)
At 31 March 2017	–	–	290	124	383	797
Net book value:						
At 31 March 2017	2,308	2,308	739	30	117	5,502
At 31 March 2016	2,070	2,070	768	8	175	5,091

1. Net revaluation gains for 2016–17 amounts to £185k (2015–16 £684k), of which £51k related to loss on revaluation of 186 Kennington Park Road and the reversal of depreciation charges; and £236k related to gain on revaluation of 184 Kennington Park Road and 20–26 Stannary Street.

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

### Freehold properties

The valuations of the freehold land and buildings were made on 31 March 2017 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the RICS Valuation – Professional Standards January 2014. Stiles Harold Williams advised that there was no material difference between existing use value and the market value of the properties and that for accounting purposes, it is reasonable to split the valuation equally between land and buildings. HCPC accepts this advice.

## Financial statements

### Park House including 20–26 Stannary Street

Park House was valued at £2.84m. The historic cost of the Park House property is £1,806,397 (2016, £1,797,624).

### 186 Kennington Park Road

186 Kennington Park Road was valued at £1.78m. The historic cost, including fees, was £2,097,579 (2016 – £1,839,380).

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

## Financial statements

### 9 Intangible assets

#### 2016–17

	Software licences	Other systems <sup>1</sup>	HR and Partner Build	Education system	Fitness to practise case management	New Registration system <sup>2</sup>	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
At 1 April 2016	465	170	207	945	1,048	3,727	6,562
Additions	31	66	132	4	–	615	848
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	496	236	269	887	1,048	4,183	7,119
Amortisation:							
At 1 April 2016	379	47	–	320	1,048	3,405	5,199
Charge for the year	62	56	94	335	–	223	770
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	441	103	24	593	1,048	3,469	5,678
Net book value:							
At 31 March 2017	55	133	245	294	–	714	1,441
At 31 March 2016	86	123	207	625	–	322	1,363

#### 2015–16

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
At 1 April 2015	426	170	117	817	1,048	3,597	6,175
Additions	39	–	90	128	–	141	398
Impairment	–	–	–	–	–	(11)	(11)
At 31 March 2016	465	170	207	945	1,048	3,727	6,562
Amortisation:							
At 1 April 2015	288	2	–	23	1,048	3,307	4,668
Charge for the year	91	45	–	297	–	98	531
At 31 March 2016	379	47	–	320	1,048	3,405	5,199
Net book value:							
At 31 March 2016	86	123	207	625	–	322	1,363
At 31 March 2015	138	168	117	794	–	290	1,507

1. Other systems include Establishing new tribunal service and changes to the current registration system.
2. This system is currently under construction.

## Financial statements

<b>10 Trade and other receivables</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	1,789	1,529
Other receivables	205	69
	<u>1,994</u>	<u>1,598</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>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	8,095	9,528
Net change in cash	(2,166)	(1,433)
Balance at 31 March	<u>5,929</u>	<u>8,095</u>

<b>12 Short term deposits</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	9,520	8,520
Net change in deposits	4,080	1,000
Balance at 31 March	<u>13,600</u>	<u>9,520</u>

Short term deposits are entered with banks and have a term of up to two years. The deposits comply with the HCPC investment policy. As at 31 March 2017, £8,550.050k of the total short term deposits are maturing after more than one year.

<b>13 Trade and other payables</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	33	28
Other taxation and social security	275	248
Trade and other payables	431	507
Accruals	1,808	1,549
	<u>2,548</u>	<u>2,332</u>

<b>14 Deferred income</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Fees received in advance	<u>20,749</u>	<u>18,800</u>

Registrants are required to pay the renewal fee in advance and, as described in note 1 above, have the choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the balance sheet date. At 31 March 2017, approximately £1.7m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2018, which will be recognised as income in the financial year 2018–19.

## Financial statements

15 Liabilities greater than one year	2017 £'000	2016 £'000
Federated Flexiplan pension scheme liability	–	74
Dilapidation Provision	163	–
	<u>163</u>	<u>74</u>

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

The Plan had been in deficit in prior years and the Trustee of the Plan had implemented recovery plans to recover the deficit from the participating employers. The HCPC had provided fully for its contributions payable under previous recovery plans, and was paying its share in annual instalments, including £47k in 2016–17. The Plan Trustee has now entered a buy-in covering the full Plan liabilities with an insurer in February 2017 and anticipates that the transition to achieve full buy-out will be finalised in the first half of 2018. When that process is completed HCPC will have no further legal or financial obligations to the Plan. The Scheme Actuary has now certified that no further contributions are required to be made in respect of the two years commencing 1 April 2017.

An amount of £74k that had previously been provided for in relation to contributions due after 31 March 2017 has been released from the liability to the Statement of comprehensive net expenditure during 2016–17.

## 16 Operating leases

The HCPC holds operating leases for the rental of office space at 33 Stannary Street and hearings rooms and office space at 405 Kennington Road. The leases on 33 Stannary Street were renewed for a twelve year term from February 2016 to February 2028. The minimum lease payments as at 31 March 2016 reflect an option for the HCPC to determine the leases in August 2017 on giving six months notice, but that option has not been exercised, so the minimum lease payments at 31 March 2017 reflect the full remaining term to February 2028. The lease on 405 Kennington Road began in December 2015 and runs for twelve years to December 2027, with an option for the HCPC to determine the lease in December 2021. The total future minimum lease payments under the leases are as follows.

	2017			2016		
	£'000 Kennington Road	£'000 Stannary Street	£'000 Total	£'000 Kennington Road	£'000 Stannary Street	£'000 Total
Payments due:						
In less than one year	70,148	136	83,783	748	136	884
In the second to fifth years	2,570,741	543	3,113,284	2,990	52	3,042
After more than five years	–	798	798	498	–	498
	<u>3,271,489</u>	<u>1,477</u>	<u>4,748,965</u>	<u>4,236</u>	<u>188</u>	<u>4,424</u>

## Financial statements

### 17 Capital commitments

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

	2017	2016
	£'000	£'000
Education system build project	–	15
HR and Partners system build project	178	304
Registration transformation and improvement project	77	653
	<u>255</u>	<u>972</u>

Due to the time and materials nature of the contracts, the information in the above table was taken from the approved budget for 2017–18 as the best estimate of HCPC's commitment at 31 March 2017.

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

	2017	2016
	£'000	£'000
Registration transformation and improvement project	566	197
Refurbishment of 186 Kennington Park Road	1,851	573
Website review and build project	377	–
Other projects	104	696
IT and office equipment	–	84
	<u>2,898</u>	<u>1,550</u>

### 18 Related party transactions

The HCPC's sponsor is the Privy Council Office, with which no financial transactions took place.

[During the year, a payment of £878,682 \(2015–16, £858,973\) was made to the Professional Standards Authority for Health and Social Care, which is a levy relating to 2017–18. As at the Statement of financial position date, this is held within prepayments.](#)

For accounting purposes, the Department of Health treats the HCPC and the Nursing and Midwifery Council as part of its group. No grants or fees from the Department of Health were received in the financial year (2015–16, £nil), and no transactions took place (2015–16; £nil) between the HCPC and the Nursing and Midwifery Council.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £163,165 (2015–16, £160,215) were accrued and paid to 15 members, including one non-Council Committee member (2015–16, 14 members).

### 19 Post statement of financial position events

The financial statements were authorised for issue by the Accounting Officer and by the Chair on behalf of the Council on 6 July 2017.

### 20 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 13 (Trade payables and other current liabilities).

## **Financial statements**

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. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC holds a significant amount of cash and short term deposits. Based on these balances and its reserves policy, HCPC considers there is no significant exposure to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

The reserves policy in place during the year was to hold a minimum level of cash equivalent to three months of operating expenditure, and the HCPC complied with the policy at all times during the year.

### **Interest rate risk**

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

## Accounts determination



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

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

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

#### Interpretation

In this determination—

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

#### Determination

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

The accounts must be prepared so as to:

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

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

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

Signed by the authority of the Privy Council

Signed:

Dated: