

Council 24 May 2017

Draft annual report and accounts 2016-17

Executive summary and recommendations

Introduction

The draft annual report will be reviewed by Audit Committee on 14 June and then finally approved by Council on 5/6 July. This is an extra step in the process compared to previous year, to allow Council an early opportunity to discuss the presentation in the annual report, in particular relating to the transfer of the regulation of social workers to Social Work England.

Decision

Council is asked to review the annual report and accounts and discuss any changes to the narrative sections.

Background information

See attached

Resource implications

None

Financial implications

NAO's external audit fee £39,000.

Date of paper

15 May 2017

Appendix: key points for Council review of draft annual report and accounts

Changes in the structure or content from last year

We propose expanding the financial and operating statistics on page 5 of the annual report to include a five year breakdown of operating costs by department. This supports the financial commentary. The departmental analysis is already in the public domain through the monthly management accounts presented to Council.

Other potentially sensitive sections include:

- Page 6, commentary on FTP costs
- Pages 8-9, reference to transfer of social workers
- Pages 9-10, going concern paragraph, also refers to transfer of social workers
- Page 10, future developments, drafted based on departmental workplans
- Page 10, key risks, similar text to last year, updated
- Page 11, reserves policy. This reflects the draft update of the policy, which will be presented to the May Council meeting.
- Page 17, description of the HCPTS
- Pages 21-22, description of Tribunal Advisory Committee
- Page 23, changes to risk register
- Pages 26-30, remuneration report

Next steps

By 26 May	Complete missing stats in AR&A
15-26 May	NAO audit
29 May	Comms and Jonathan Bracken review draft Annual Report incl any changes proposed at May Council
14 June	Audit Committee review draft Annual Report and Accounts and draft NAO findings
5/6 July	Anticipated approval of the Annual Report and Accounts by Council
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)
By 22 July	Laying of the Annual Report and Accounts in Parliament
Around 1 August	Publication on HCPC website

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

DRAFT

Contents

	Page
Performance report	
Overview	3
Performance analysis	5
Accountability report	13
Council's report	13
Governance statement	17
Remuneration and staff report	26
Statement of responsibilities of the Accounting Officer	31
Certificate and report of the Comptroller and Auditor General	32
Financial statements	34
Statement of comprehensive net expenditure	34
Statement of financial position	35
Cash flow statement	36
Statement of reserves	37
Notes to the financial statements	38
Accounts determination	<u>2350</u>

Performance report: overview

Foreword from the Chair and Chief Executive and Registrar

We are pleased to present this 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.

We have made considerable efforts this year to reduce 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 tribunals 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 idea 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 set up a new regulator for social workers in England 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.

As of 31 March 2017 we regulated 350,330 individuals, known as registrants, from the 16 professions¹ we regulate. We are an independent, self-funding organisation and are regarded as a public body, but are not part of the Department of Health or the NHS. All our operational financial costs are funded by fees from registrants. The fees are set out in the Health and Care Professions Council (Registrations and Fees) Rules 2003 and any fee increase is subject to a consultation and must be approved by the Privy Council. From time to time, grants are received from the Department of Health in relation to specific projects, for example the transfer of the Register of social workers in England from the General Social Care Council (GSCC) to the HCPC in 2012–13.

HCPC objectives

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

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

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

¹ 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 amongst others are captured on a monthly basis by HCPC's management information systems and reported to Council in the departmental updates presented at each Council meeting. Council meeting papers are available on the HCPC website at 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
Registration statistics					
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 ²	322,021	330,887	341,745	350,330
Fitness to practise statistics					
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 ³	585	808	871	865	1,135
Total days of final hearings ³	932	1,265	1,230	1,216	1,709
Education statistics					
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
Financial statistics					
	2012–13	2013–14	2014–15	2015–16	2016–17
	£000	£000	£000	£000	£000
Total operating income	20,152	25,152	26,303	28,310	31,449
Operating costs					
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	2,462
Other support department costs	3,453	3,422	3,309	3,446	3,326
Major projects	234	368	546	616	461
Depreciation	852	719	761	822	1,067
PSA levy	–	–	–	589	859
Total operating expenditure	20,049	23,876	26,137	28,287	31,358
Net operating surplus/(deficit)	103	1,276	166	23	91
Retained surplus/(deficit)	7	726	441	414	228
Working capital	14,060	14,351	15,849	16,881	18,884
Total assets	20,701	21,409	24,011	25,667	28,339
Total reserves	2,164	3,016	3,561	4,461	4,950
Capital purchases	609	1,653	1,040	1,330	1,162

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

³ 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 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 tribunal (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 was increasing. 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% 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 Acceptance⁴ for allegations. The Standard of Acceptance ensures that our fitness to practise processes and our limited resources are used effectively to protect the public and are not diverted into investigation matters which do not raise cause for concern. For example, some of the allegations we receive are about a single, minor mistake or error of judgement by 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 to an investigating committee panel are found to have a case to answer at tribunal.

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

⁴ [\[hyperlink to SOA\]](#)

Performance report: performance analysis

delivery separating HR and the Partners systems. This will allow 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 were as follows:

- progress made on creating a new intranet using the Microsoft Office 365 environment;
- assessing of technical capabilities 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 major project to redevelop the building at 186 Kennington Park Road, through a series of office moves; 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

Performance report: performance analysis

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 £2.0m in 2016–17, and are budgeted to increase to £2.2m in 2017–18.

Premises costs

Our new hearings rooms at 405 Kennington Road are 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 added £1m to our costs in 2016–17 and are 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, should be good quality office space that promotes effective team and cross team working.

Professional Standards Authority fees

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

From August 2015, the PSA has been funded by the regulators it oversees, pro-rata to registrant numbers. We are the second largest regulator by registrant numbers, with 22 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 27 April, creates 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.

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal advice. However there will be a gap between the loss of income and the reduction in direct costs, and we will review the impact of this as the details of the government's plans emerge. We anticipate that the costs of the transfer of functions will

Performance report: performance analysis

be funded by a grant from the government, as it would be unfair 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 £5.0m 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 £6.8m 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 £5.4m (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 9 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 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 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

Performance report: performance analysis

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 and 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 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;
- 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.

Performance report: performance analysis

The HCPC's risk management processes are described in the Governance statement on page 23. The full Risk Register is presented to Council twice a year and is available on the HCPC website within the papers for Council meetings.

Reserves policy

Our reserves policy was revised and approved at the Council meeting in [May/July 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.

In order to ensure financial sustainability and fairness between current and future registrants, HCPC has 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 £1.869m, 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, or in short dated UK government issued bonds (gilt edged securities).

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;

Commented [TT1]: subject to May/July council and June audit cttee meeting

Performance report: performance analysis

- Corporate, social and environmental responsibility;
- Equality and diversity, including statistics on the gender of Council members and employees; and
- Employee involvement.

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

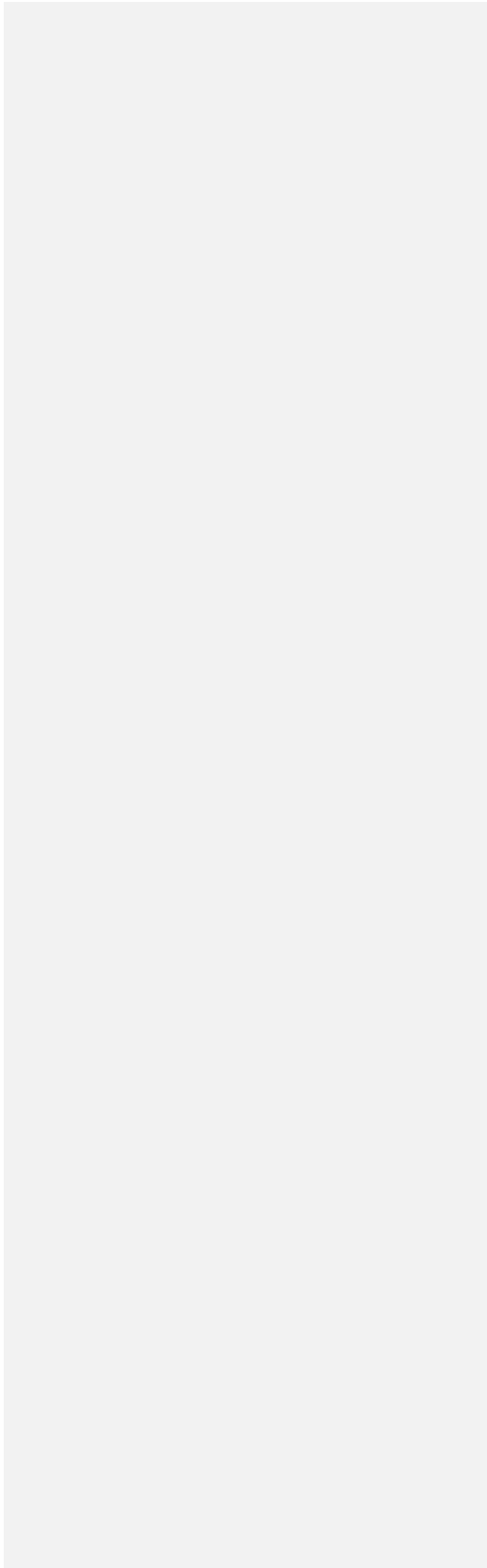
Signature

Signature

Date

Date

DRAFT



Accountability report: 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 advisor. We also ensure IT-system-support contracts and data back-up procedures are in place.

Health and safety

We are committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that everyone at the HCPC premises, whether employees or visitors, continues to enjoy the benefits of a safe working environment. 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 6.4 days (2015–16, 6.4 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 in relation to gender, age and ethnicity at 31 March 2017 was as follows:

Gender Analysis	Council members	Executive Management Team	Middle Management	All employees
Female	7	5	37	169
Male	5	6	29	90

Age Analysis	Council members	Executive Management Team	Middle Management	All employees
18-30	–	–	10	87
31-40	–	4	33	102
41-50	3	3	16	39
51-60	7	3	6	25
61+	2	1	1	6

Ethnic background analysis	Council members	Executive Management Team	Middle Management	All employees
Not stated	–	1	5	43
Asian	–	–	2	24
Black	–	–	5	44
Chinese	–	–	1	4
Mixed	–	–	6	15
Other	–	–	1	2
White	12	10	46	127

Accountability report: Council's report

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

Cross Departmental Team

The Cross Departmental Team (CDT) is made up of a manager representative from each department at the HCPC. The CDT meets once a month and its main purpose is to share information across the organisation. This is then fed back to each department. The CDT also receives regular updates from the CSR working group, the Employee Consultation Group, Project Department and updates to the Quality Management System. 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 10.

Details of personal data related incidents are set out in the Governance statement on page 24.

Details of Council and Committee members and the Executive Management Team are set out in the Remuneration and staff report on pages 26 to 30.

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

Pension arrangements are set out in the Remuneration and staff report (page 28) and note 1 to the accounts on page 40.

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.

DRAFT

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 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 (six registrant members and six lay members, including the Chair). The Chair may be either a registrant or a lay member. There must be at least one member (lay or registrant) from each country of the United Kingdom. The recruitment of the Council is carried out by the HCPC which makes recommendations to the Privy Council, which makes the appointments. The Professional Standards Authority for Health and Social Care has oversight of the process and advises the Privy Council as to whether it is satisfied about the process the regulatory body has followed. Council Members hold office for a term of up to four years and they may serve a maximum of eight years in any 20 year period. Whilst re-appointments can be made, subject to a

Accountability report: governance statement

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 January 2019
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 26 to 27.

Council performance and effectiveness

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

Assessment of the Council's performance is carried out annually as part of the Council's strategy workshop. This gives Council the opportunity to reflect on collective performance at a strategic level and against the objectives set out in the Council's strategic intent document. Upon completion of the process, the Chair then presents a summary of key conclusions to Council.

The most recent assessment in relation to the collective performance of Council was conducted [where/when?]. Council and Committees were found to be operating effectively, with an appropriate balance on the agenda between strategic and operational issues, good quality papers and presentation from the Executive Management Team, and open discussion by Council and Committee members. In relation to individual

Accountability report: governance statement

performance, appraisals were conducted in spring 2016 and the summary report will be considered by Council in July 2016, in line with the normal timetable for this process.

Commented [AG2]: to be updated

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

The Council has 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.

Commented [AG3]: name ETC members, for consistency with Audit Committee?

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

Accountability report: governance statement

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. 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 independent member of the Committee has recent, significant and relevant financial experience.

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 26 to 27 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 Annual Report and Accounts for the HCPC along with the 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 auditors undertake an approved programme of audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate.

Accountability report: governance statement

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

- HCPC’s core financial controls;
- whistleblowing arrangements;
- non-case preparation and presentation 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.

Commented [AG4]: To confirm after June Audit Cttee meeting

Remuneration Committee

The Remuneration Committee determines the annual salary review for HCPC employees including the Executive Management Team and the Chief Executive and Registrar. The Committee met three times in March, April and May 2017 for the discussion and approval of the pay review for 2017–18.

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. 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 tribunals 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.

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

Panel Chair members

Graham Aitken (appointed to the TAC on 1 March 2017)
Catherine Boyd (appointed to the TAC on 1 March 2017)
Philip Geering (appointed to the TAC on 1 March 2017)

Term end date

31 July 2020
31 July 2018*
31 July 2018*

Commented [AG5]: Check, is Graham Aitken not eligible for reappointment?

Accountability report: governance statement

Independent member	Term end date
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 ISO27001:2013⁵ in June 2015. An audit by BSI to reconfirm our certification under ISO27001:2013 is underway at the date of this report.

Commented [AG6]: Update if recertification confirmed by July Council meeting

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.

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.

Commented [AG7]: Check that the GT report actually does this

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

⁵ 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

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

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

Accountability report: remuneration and staff report

Council and Committee members' attendance, fees and expenses

Fees are paid to Council members at a daily rate for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC where prior approval has been given. Fees are also paid for attendance at a conference or event which forms part of the member development programme where prior approval has been given and up to a maximum of six days per year. The daily fee rate for Council members 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 £22,700 (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.

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 days	2016–17			2015–16		
			Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000	
Elaine Buckley ¹	Council (Chair from 1 July 2015) Remuneration	14/14 1/1	N/A	65-70	–	N/A	50–55	3.1
Stephen Cohen	Council Audit (Chair from 8 February 2017) Education and Training (to 8 February 2017)	13/14 4/4 4/4	32	10-15	0.4	23	5–10	–
Maureen Drake	Council Education and Training	14/14 4/5	25	5-10	3.6	7	0–5	1.9
Anna van der Gaag (to 30 June 2015)	Council (Chair to 30 June 2015)	N/A	N/A	–	–	74	20-25	1.2

Accountability report: remuneration and staff report

Council/Committee member	Council and Committee attendance	2016-17			2015-16		
		Number of days	Fees £'000	Benefits in Kind £'000	Number of days	Fees £'000	Benefits in Kind £'000
Sue Gallone (from 1 January 2017)	Council 3/3 Audit 1/1 Education and Training 0/1	7	0-5	0.9	-	-	-
Richard Kennett (to 31 December 2016)	Council 10/11 Audit (Chair) 3/3	30	5-10	0.7	27	5-10	1.0
Sonya Lam ²	Council 14/14 Education and Training 5/5	41	10-15	3.0	27	5-10	3.2
Eileen Mullan	Council 13/14 Audit 4/4	18	5-10	3.5	23	5-10	5.3
Joanna Mussen	Council 14/14 Education and Training 5/5	26	5-10	2.1	27	5-10	5.8
Julie Parker	Audit 4/4	7	0-5	0.3	6	0-5	0.2
Gavin Scott (from 1 January 2017)	Council 3/3 Education and Training 1/1	6	0-5	2.0	-	-	-
Robert Templeton	Council 14/14 Remuneration 1/1	23	5-10	-	33	10-15	0.2
Graham Towl	Council 14/14 Remuneration 1/1	17	5-10	3.9	11	0-5	3.1
Joy Tweed (to 31 December 2017)	Council 11/11 Education and Training (Chair) 4/4 Remuneration 1/1	22	5-10	0.4	34	10-15	0.3
Nicola Wood	Council 12/14 Remuneration 1/1	14	0-5	1.0	17	5-10	1.2
Stephen Wordsworth	Council 13/14 Education and Training (Chair from 8 February 2017) 4/5	17	5-10	0.9	25	5-10	3.7

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.

Key

The third column indicates the number of meetings attended out of the total number of meetings that took place in 2016-17 while the council member was a member of that committee

Chair: Indicates chair of that committee

The remuneration information in this table was subject to audit.

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.

	2016-17	2015-16
Salary	£190,049	£185,867
Taxable benefits	£4,151	£3,725
Total remuneration	£194,200	£189,592
Employer's pension contributions	-	£30,668

[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.](#)

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

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 allowance 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.

The information in the above tables was subject to audit.

Accountability report: remuneration and staff report

Fair pay disclosures

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

	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 above was subject to audit.

Employee numbers and costs

Employee numbers and costs are shown in note 5 to the financial statements on page 42, 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.

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

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

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 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 Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Article 46(5) of the Health and Social Work Professions Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

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

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
Income			
Fee income	2	31,449	28,310
Other income		-	-
Total operating income		31,449	28,310
Staff costs	5	11,638	10,539
Depreciation and amortisation		1,067	822
Other expenditure	7	18,653	16,926
Total operating expenditure		31,358	28,287
Surplus for the year after operational costs		91	23
Investment income	3	164	163
Reversal of previous impairments on land and buildings	9	6	267
Impairment of intangible assets	10	-	(11)
Surplus on ordinary activity before taxation		261	442
Taxation	8	(33)	(28)
Retained surplus for the year		228	414
Other comprehensive net income			
Revaluation gain on freehold property	9	261	486
Total comprehensive net income		489	900

The notes on pages 38 to 49 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
Non-current assets			
Property, plant and equipment	9	5,375	5,091
Intangible assets	10	1,441	1,363
Total non-current assets		6,816	6,454
Current assets			
Trade and other receivables	11	1,994	1,598
Short term deposits		13,600	9,520
Cash and cash equivalents	12	5,929	8,095
Total current assets		21,523	19,213
Total assets		28,339	25,667
Current liabilities			
Trade and other payables	13	(2,639)	(2,332)
Deferred income	14	(20,749)	(18,800)
Total current liabilities		(23,389)	(21,132)
Liabilities greater than one year	15	-	(74)
Assets less liabilities		4,950	4,461
Reserves			
General reserve		4,099	3,871
Revaluation reserve		851	590
		4,950	4,461

The notes on pages 38 to 49 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
Cash flows from operating activities			
Surplus from operating activities		91	23
Depreciation and amortisation	9 and 10	1,067	823
(Increase) in trade and other receivables	11	(396)	(840)
Increase/(decrease) in trade payables	13	302	(631)
Increase in deferred income	14	1,950	1,468
(Decrease) in liabilities greater than one year	15	(74)	(87)
Net cash inflow from operating activities		2,940	756
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(314)	(932)
Purchase of intangible assets	10	(848)	(398)
Net acquisition of short term deposits		(4,080)	(1,000)
Investment income	3	164	163
Net cash flows from investing activities		(5,078)	(2,167)
Taxation	8 and 13	(28)	(22)
Net (decrease) in cash and cash equivalents in the period		(2,166)	(1,433)
Cash and cash equivalents at the beginning of the period	12	8,095	9,528
Cash and cash equivalents at the end of the period		5,929	8,095

The notes on pages 38 to 49 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
Balance at 1 April 2015		104	3,457	3,561
Surplus for the year		–	414	414
Gain on revaluation of the property		486	–	486
Balance at 31 March 2016		590	3,871	4,461
Surplus for the year		–	228	228
Gain on revaluation of the property	9	261	–	261
Total recognised income and expense for the year		261	228	489
Balance at 31 March 2017		851	4,099	4,950

The notes on pages 38 to 49 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.

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 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.
- 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 10 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.

Financial statements

Valuations are performed with a minimum 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 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. 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 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.

Financial statements

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

Financial instruments: Financial liabilities:

The HCPC classifies its financial liabilities as follows.

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

Currency, liquidity and interest rate risk. Refer to note 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

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

Fee income comprises registration fees, readmission fees, renewal fees 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 become period income. The renewal cycle for each of the 16 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a six monthly basis by direct debit. When registrants have paid two years upfront, some of the deferred income balance may relate to periods more than 12 months from the balance sheet date. However, under HCPC's fees and refunds policies, refunds are only payable for complete unused years, so any refunds in relation to the deferred income balance will only be paid within the next 12 months. Therefore HCPC does not split its deferred income balance between current and non-current liabilities.

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

Value Added Tax

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

Leases

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

Foreign currency

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

Taxation

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

Financial statements

2 Fee income by profession	2017	2016
	£'000	£'000
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
	31,449	28,310

3 Investment income	2017	2016
	£'000	£'000
Bank deposit interest	164	163

Financial statements

4 Expense analysis by function	2017 £'000	2016 £'000
Chair, Council & Committees, Secretariat and Chief Executive's departments	905	890
Communications	1,054	1,374
Depreciation	1,067	822
Education	1,113	1,045
Finance	703	762
Fitness to Practise	14,939	13,186
Human Resources & Partners	1,099	1,077
IT Department	1,951	1,804
Major Projects	461	616
Office Services	2,462	1,753
Operations Office	618	699
Policy	395	419
PSA Levy	859	589
Registration	3,732	3,210
Regulation of Public Health Specialists	-	41
	31,358	28,287

5 Staff costs	Permanent staff £'000	Others £'000	2017 Total £'000	2016 Total £'000
Wages and salaries	8,650	455	9,105	8,144
Social Security costs	934	38	972	874
Pension costs	501	7	508	544
Temporary staff costs	-	897	897	782
Other payroll expense including recruitment costs	(7)	163	156	195
	10,078	1,560	11,638	10,539

The average number of full time equivalent (FTE) permanent employees during the year was 252 (2015-16, 230). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 40 (2015-16, 27).

6 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 £507k to the pension scheme (2015-16, £544k).

Financial statements

76 Other operating expenditure

	2017	2016
	£'000	£'000
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	1,684	1,009
Projects	252	471
Council and Committee expenses	270	221
Travel and subsistence	191	206
PSA levy	859	589
	18,653	16,926

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 £2.0m in 2016–17 and £1.9m in 2015–16.

Operating expenditure includes:

	2017	2016
	£'000	£'000
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

8 Taxation on investment income

	2017	2016
	£'000	£'000
UK corporation tax on taxable income for the year	33	28
Tax charge for the year :	33	28

Financial statements

98 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	–	27	38	314
Disposals	–	–	–	–	–	–
Revaluation ¹	238	(11)	–	–	–	227
At 31 March 2017	2,308	2,308	866	154	500	6,136
Depreciation:						
At 1 April 2016	–	–	98	119	287	504
Charge for the year	–	41	156	5	96	298
Disposals	–	–	–	–	–	–
Reversal on revaluation ¹	–	(41)	–	–	–	(41)
At 31 March 2017	–	–	254	124	383	761
Net book value:						
At 31 March 2017	2,308	2,308	612	30	117	5,375
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 9 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 9, 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 did not believe that there was a material difference between existing use value and the market value of the properties.

Park House including 20-26 Stannary Street

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

Financial statements

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

10 Intangible assets

	Software licences	*Other systems	HR and Partner Build	Education system	Fitness to practise case management	Registration system	Total
2016–17							
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	465	170	207	945	1,048	3,727	6,562
Additions	31	113	132	4	–	568	848
Disposals ¹	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	496	283	269	887	1,048	4,136	7,119
Amortisation:							
At 1 April 2016	379	47	–	320	1,048	3,405	5,199
Charge for the year	62	120	94	335	–	159	770
Disposals ¹	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	441	167	24	593	1,048	3,405	5,678
Net book value:							
At 31 March 2017	55	116	245	294	–	890	1,441
At 31 March 2016	86	123	207	625	–	322	1,363
2015–16							
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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

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

1. Included within disposals are release of review phase of the projects following a change in the accounting treatment of software system review costs.

Financial statements

11 Trade and other receivables	2017	2016
	£'000	£'000
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.

12 Cash and cash equivalents	2017	2016
	£'000	£'000
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>

13 Trade payables and other current liabilities	2017	2016
	£'000	£'000
Corporation tax	33	28
Other taxation and social security	275	248
Trade and other payables	431	507
Accruals	1,900	1,549
	<u>2,639</u>	<u>2,332</u>

14 Deferred income	2017	2016
	£'000	£'000
Renewal fees 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 £1.2m 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.

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

Financial statements

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	748	136	883	748	136	884
In the second to fifth years	2,741	543	3,284	2,990	52	3,042
After more than five years	–	866	866	498	–	498
	<u>3,489</u>	<u>1,544</u>	<u>5,033</u>	<u>4,236</u>	<u>188</u>	<u>4,424</u>

17 Capital commitments

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

	2017 £'000	2016 £'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.

Financial statements

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. The HCPC periodically receives grants or fees from the Department of Health. None were received during 2016-17, (2015-16, £nil).

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 11 (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.

Currency and liquidity risk

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

The HCPC complied with its reserves policy at all times during the year. The policy is to hold a minimum level of cash equivalent to three months of operating expenditure. The reserves policy was reviewed and approved by Council on 15 May 2014. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC holds a significant amount of cash in short-term money-market accounts to cover the expenditure expected to be incurred over the payment period.

Commented [AG8]: to redraft per new reserves policy

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 27th 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 21st May 2003 is hereby revoked.

Signed by the authority of the Privy Council

Signed:

Dated: