

Finance and Resources Committee, 18 June 2013

Draft Annual Report and Accounts 2012-13

Executive summary and recommendations

### **Decision**

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

### **Background information**

The draft Annual Report and Accounts for the year ending 31 March 2013 is attached. Our auditors, the National Audit Office, have completed their audit and the Annual Report incorporates their feedback. Mazars LLP have provided advice on taxation.

At the Council meeting in May 2013, the Council agreed that the Audit Committee and the Finance and Resources Committee would be jointly responsible for reviewing the Annual Report and Accounts and for agreeing any amendments.

### **Key Financial Points**

Total operating income £20,152k (2011-2012, £17,419k)  
Total operating expenditure £20,049k (2011-2012, £17,322k)  
Operating surplus £103k (2011-2012, £97k)  
Retained surplus for year £7k (2011-2012, deficit £63k)  
Net investment income totalled £115k (2011-2012, £77k).

The Statement of Financial Position for the organisation shows net assets of £2,164k (2012 £1,919k) and non-current assets with a net book value of £4,556k (2012 £4,970k). The freehold land and buildings at year end were re-valued to £2,100k which resulted in the impairment adjustments outlined in Note 8 in the Accounts.

Finally, the draft Annual Report will remain subject to minor editorial amendments such as numerical column alignments and addition of an index with page number references, to be made by the Publications Manager before submission to Council for approval.

### **Financial implications**

National Audit Office: audit fees of £39,000.  
Mazars LLP: taxation fees of £3,500.

### **Appendices**

Appendix One - HPC Annual Report and accounts 2012-1

**Date of paper**

6 June 2013

1 April 2012 to 31 March 2013

Health and Care Professions Council  
Annual report and accounts 2012–13

## **Contents**

Foreword from the Chair and Chief Executive and Registrar **3**

Management commentary **4**

Remuneration report **10**

Statement of responsibilities of the Accounting Officer **15**

Governance statement **16**

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament **22**

Financial statements **24**

Notes to the financial statements for the year ended 31 March 2013 **28**

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

This has been a year of significant growth and change. In August 2012, we were renamed the Health and Care Professions Council, in recognition of our wider remit regulating health, psychological and social work professions. Over 88,000 social workers in England transferred from the outgoing regulator, the General Social Care Council (GSCC), onto our Register. We worked closely with our colleagues in the social work community to ensure that the transfer of regulatory functions was well planned and executed. We have recruited new Partners, begun the process to assess social work education programmes, and completed the registration process. Supported by a government grant to cover the transitional costs of the transfer, we have ensured that outstanding fitness to practice cases are being dealt with as expeditiously as possible. This is, of course, in addition to our operational work related to all the professions we regulate and a continuing programme of work to review and improve what we do.

We were pleased that the Professional Standards Authority for Health and Social Care (formerly the Council for Healthcare Regulatory Excellence), noted in their 2011–12 performance review that we still continued to perform as an “effective regulator”. This is particularly notable given the significant work undertaken in preparation for the transfer of regulatory responsibility for social workers in England.

In February 2013 the report of the Public Inquiry into failings in care at the Mid-Staffordshire NHS Foundation Trust was published. We have begun to consider carefully what action we might take to implement the report’s recommendations. For example, as part of our review of the standards of conduct, performance and ethics we will want to strengthen our requirements for registrants around reporting and escalating concerns about poor practice. The work of the Inquiry will be of importance to us on many levels, and we are looking at our own culture as well as at our regulatory functions to see what changes we might make to ensure that we are also putting patients and service users first in all we do.

We continue to believe that the statutory regulation of individuals has an important role to play in helping to ensure the quality and safety of health and social care services. To this end, we have developed proposals for regulating adult social care workers in England, including a ‘negative registration scheme’ to remove from the workforce the small number of individuals who are unsuitable to work in social care. We consider that this would be a proportionate way of regulating this group to improve public protection, and one that could potentially be extended to support workers in healthcare.

We would like to take this opportunity, once again, to thank all of you who contribute to our work. We are keen to pay tribute to our colleagues at the GSCC, our Council members, Partners, and, in particular, our employees, all of whom have worked with such dedication to make our achievements over the last year a reality.

**Anna van der Gaag**  
Chair

**Marc Seale**  
Chief Executive and Registrar

## **Management commentary**

### **Legislative and regulatory background to the Council**

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

On 1 August 2012, the Health and Social Care Act 2012 changed our name from the Health Professions Council (HPC) to the Health and Care Professions Council (HCPC). This report therefore covers a period when we were both the HPC and the HCPC. We refer to ourselves as the HCPC throughout this report for consistency.

As of 31 March 2013 the HCPC regulated approximately 311,000 individuals. These are known as registrants and are members of the 16 professions regulated by the HCPC. The Council is an independent, self-funding organisation. It is regarded as a public body but it is not part of the Department of Health or the NHS. All its operational financial costs are funded by fees from registrants. The fees are set out in the Health 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 register from the General Social Care Council to the HCPC.

### **Accounting Officer**

The Chief Executive and Registrar is Marc Seale who is appointed as 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 Council's policies, aims and objectives whilst safeguarding the Health and Care Profession Council's assets for which he is responsible.

The Chief Executive and Registrar, as the Accounting Officer, routinely attends Council meetings and Audit Committee meetings and chairs the Executive Management Team meetings. He is also the designated senior officer in the whistle-blower policy for employees to approach, if they have concerns regarding malpractice.

### **Council objectives**

The principal objective of the HCPC in exercising its functions 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". The main functions of HCPC are to establish standards of education and training, conduct and performance for members of the relevant professions and to ensure the maintenance of those standards. The Council ensures that arrangements are in place to enable it to discharge its responsibilities effectively.

The HCPC has a Council which provides leadership and oversight for the organisation. The Council operates collectively, concentrating on advising on strategic issues affecting the organisation's performance as well as scrutinising and challenging policies and performance, with a view to the long-term health and success of the organisation.

## Key operating statistics and commentary

The table below shows the key operating statistics for the five years to 31 March 2013.

	2008–09	2009–10 (restated)*	2010–11	2011–12	2012–13
Total operating income £000s	13,549	16,088	16,928	17,419	20,152
Total operating expenditure £000s	12,928	16,234	16,257	17,322	20,049
Net operating surplus/(deficit) in £000s	621	(146)	671	97	103
Retained surplus/(deficit) in £000s	(376)	(99)	620	(63)	7
Working capital in £000s	4,214	5,987	7,225	7,422	14,060
Total assets in £000s	10,637	11,313	13,098	14,199	20,701
Capital purchases in £000s	1,242	1,071	948	1,685	609
Average number of FTE permanent employees	116	127	138	147	166
Number of registrants	185,689	205,311	215,095	219,212	310,942**
Fitness to practise allegations	483	772	759	925	1,657
Fitness to practise hearings	396	567	673	732	565

\* The 2009–10 accounts are restated as a result of the Hearing Aid Council Register transferring to the HCPC on 1 April 2010.

\*\* This includes 88,474 social workers in England who were transferred from the General Social Care Council on 1 August 2013.

The number of permanent employees at 31 March 2013 was 174 (31 March 2012, 142).

In the five years since 2008 net registrant numbers have risen by 20 per cent (excluding registrants who transferred from the GSCC). The number of registrants at the end of the financial year is a combination of the opening balance, the number of UK and international registrations added during the year, readmissions to the Register, additions from any new professions regulated, and reduced by the number of registrants who leave the Register during the year.

Income growth during the past five years has come both from growth in registrant numbers within each profession and from the addition of three new professions to the Register; practitioner psychologists, hearing aid dispensers and social workers in England. The professions which have seen the most growth (20% or over) in registrant numbers are arts therapists, occupational therapists, paramedics, practitioner psychologists and speech and language therapists. Income growth during the past five years also came from across-the-board fee rises. Following an extensive consultation process with stakeholders the Council approved a general fee rise which came into effect on 1 April 2009. The renewal fee increased from £72 per year to £76 per year and took effect from the date each profession next renewed. The previous fee rise occurred in June 2007. There has been no fees rise since 1 April 2009. A list of the professions regulated by the HCPC can be found in note 2 of the financial statements.

## Financial review

There was a retained surplus after tax of £7K (2011–12, deficit £63K) for the year, which is set out in the financial statements. Income totalled £20,152K (2011–12, £17,419K), an increase of 15.7 per cent. The main reason for this increase was due to income of

£2,353K received from social workers in England joining the Register, Operating expenditure totalled £20,049K (2011–12, £17,322K), an increase of 15.7 per cent. The main reason for this increase was the additional costs relating to the transfer of the regulation of social workers from the GSCC. This included additional employee costs and the costs of renewing the profession. This resulted in an operating surplus for 2012–13 of £103K. At 31 March 2013 accounting reserves had increased to £2,164K (2011–12, £1,919K). This increase was made up of the retained surplus of £7K and grant income received of £238K (relating to expenditure from 2011–12).

Costs were incurred totalling £1,531K (2011–12, £376K) relating to social workers in England joining our Register and the change of name from the Health Professions Council to the Health and Care Professions Council. These were offset with grant income received from the Department of Health of £1,405K (2011–12, £229K).

Net investment income, which was bank deposit interest, totalled £141K (2011–12, £77K). There were no financial assets held in the current year.

The Statement of financial position as at 31 March 2013 shows property, plant and equipment totalling £3,338K (2011–12, £3,275K). This was primarily freehold land and buildings. The freehold land and buildings were revalued at the year end to £2,100K which resulted in the impairment being written to the income and expenditure account of £125K (2011–12, £70K). Asset of £365K were purchased during the year. Included in the Statement of financial position as at 31 March 2013, are intangible assets at net book value totalling £1,218K (2011–12, £1,695K) relating to various computer systems. Included within intangible assets are the registration system, fitness to practise case-management system, education system, human resources system and the finance management system. There were intangible asset additions of £244K during the year. Cash at bank and on deposit was £15,584K (2011–12, £8,709K), which was primarily due to deferred income of £16,138K (2011–12, £10,473K) comprising registration and renewal fees received in advance. The increase in the cash and deferred income balances was due to social workers in England joining our Register, with a large number paying their two-year registration fee up front.

On 8 April 2013, HCPC completed the purchase of 186 Kennington Park Road with a total purchase price of £1,725K. £1,000K was shown in freehold land and buildings as at 31 March 2013, as the deposit paid in relation to this purchase. The final balance was not included in the valuation of the freehold land and buildings carried out at the year end.

Ninety seven per cent by value of purchase invoices were paid within 30 days and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

### **Risks and key relationships**

The Health and Care Professions Council maintains and regularly updates an organisation-wide 'risk register'. The register catalogues the agreed key risks facing the organisation in the short- to medium-term, assigns a risk owner and converts the risk likelihood and significance into a risk score. Please refer also to the 'Risk and internal control' section in the 'Governance statement'.

Over the next five years, regarding income, there is uncertainty in several areas. These include:



- forecasting the number of UK applicants, number of international applicants, the number of readmissions and the rate of deregistration of registrants, including retirements and voluntary de-registrations; and
- forecasting the magnitude of future fee changes.

Over the next five years, regarding spending, there is uncertainty in several areas. These include:

- forecasting the increase in the number of fitness to practise allegations and the total cost of fitness to practise hearings; and
- forecasting the cost impacts (timing and magnitude) of capital infrastructure projects, including software enhancements, software upgrades and building works.

The Health and Care Professions Council continues to value its relationships with a wide range of stakeholder groups. These groups include the general public, employers, government, education providers, unions, professional bodies, other regulators and registrants. These key relationships do not directly affect the Health and Care Professions Council's long-term financial position.

The Health and Care Professions Council has supplier contracts relating to services that are a key part of fulfilling its function as a regulator. These include instructing a legal firm to provide legal services relating to conducting fitness to practise hearings and obtaining on-going legal advice from an external public law advisor. It also includes ensuring IT-system-support contracts and data-back-up procedures are in place.

### **Health and safety**

The total number of employee sick leave days in 2012–13 was 1,140 (2011–12, 819 days). The average number of sick days per full time equivalent employee in 2012–13 was 6.87 days (2011–12, 5.6 days). The Health and Care Professions Council is committed to complying with the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that employees, partners, Council members, Committee members and external visitors to the Health and Care Professions Council premises continue to enjoy the benefits of a safe working environment. No health and safety incidents were reported during the year.

### **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 2012–13 activities relating to corporate and social responsibility have included the following:

- Internal fundraising events to raise money for national charities.
- An internal campaign to gather donations for a local homeless charity.
- Working with the new recycling services to encourage recycling within the organisation.
- Holding a recruitment drive which increased membership of the CSR working group.
- Promoted breast health internally through an information stand and a Breast Health Promotion Volunteer from a national charity.

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

## **Equality and diversity**

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

The Health and Care Professions Council is an equal opportunities employer and provides employment opportunities and advancement for all suitably qualified persons regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The HCPC is recognised as a positive place to work for disabled people, and holds the Jobcentre plus 'Two Ticks for Disability' symbol.

## **Cross Departmental Group**

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

## **Employee Consultation Group**

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

During 2012–13 four meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the following subjects.

- The transfer of regulatory functions from the General Social Care Council (GSCC) to the HCPC.
- Employee benefits (including a new employee discount scheme).
- Updates on major projects and office accommodation.
- The HCPC apprenticeship scheme.
- The organisational training and development plan.
- Annual Performance Development Reviews.

## **Information security**

The HCPC holds a range of information including sensitive personal data. We have an Information Security Policy (ISP) and related procedures in place to safeguard the data rights of the public. During 2013–14 the HCPC will work towards ISO27001 certification as part of our information security project. This builds on the existing ISO9001 requirements to protect customer assets.

## **Audit information**

The Comptroller and Auditor General, who has been appointed under statute and reports to Parliament, has audited the financial statements and certain sections of the remuneration report. The cost of providing audit services in respect of the Annual report and accounts was £39,000. There was no auditor remuneration for non-audit work.

Our internal audit service provides an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit makes recommendations based on the appraisal of each system reviewed. An annual assurance report is provided to the Accounting Officer and Audit Committee. We have chosen to outsource the provision of the internal audit service to ensure wholly independent and fully professional analysis and recommendations. For 2012–13, our provider is Mazars LLP, who were appointed from April 2011, following a competitive tender.

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

## **Auditor**

Article 46 (2) of the Health and Social Work Professions Order 2001 requires that the annual accounts shall be audited by persons the Council appoints. The Council has appointed the Comptroller and Auditor General to audit the accounts and, separately, under Article 46 (5) of the Health and Social Work Professions Order 2001, the Comptroller and Auditor General is required to examine, certify and report on the annual accounts.

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## Remuneration report

### The Council

The Council comprises twenty members; ten registrant members and ten lay members. The members of the Council as at 31 March 2013 are as follows.

<b>Registrant members</b>	<b>Lay members</b>
Anna van der Gaag (Chair)	Frank Burdett
Pradeep Agrawal	Mary Clark-Glass
Jennifer Beaumont	Sheila Drayton
John Donaghy	Julia Drown
Morag MacKellar	Richard Kennett
Penny Renwick	Jeff Lucas
Robert Templeton	Arun Midha
Eileen Thornton	Keith Ross
Diane Waller	Joy Tweed

The Council currently has two vacancies due to resignations during the year. In early 2014 the Council is due to be restructured and therefore the vacancies have not been filled.

### Committee membership

The three 'Practice Committees' (the Investigating Committee, the Conduct and Competence Committee and the Health Committee) are composed of registrant and lay Partners who sit on fitness to practise panels. No Council members sit on these three committees as they are responsible for the fitness to practice decisions of the organisation. The Council has appointed non-Council members to the Education and Training Committee so that it includes one member from each profession regulated by the HCPC. These members were appointed in accordance with the principles set out by the Office of the Commissioner for Public Appointments. The four non-statutory committees comprise only Council members.

### Council member's attendance and fees

The Chair and Council members do not receive remuneration for their services but receive an attendance allowance when they attend Council and Committee meetings. The Chair also receives an additional amount for preparatory and administrative work for up to 60 days per annum. No benefits in kind were provided to the Chair, Council or Committee members during the year.

Council and Committee member allowances, totalling £202,280 (2011–12, £227,548) were accrued and paid to 35 members (2011–12, 31 members). This includes 13 non-Council Committee Members. The attendance allowances for Council members accrued and paid directly to, or via their employer, were as follows:

Council member	Council and Committee attendance		2012–13		2011–2	
			Number of days	Fees £'000	Number of days	Fees £'000
Anna van der Gaag	Council (Chair)	8/8	185	55–60	180	55–60
Pradeep Agrawal	Council	8/8	26	5–10	31	5–10
	Finance & Resources	3/3				
	Fitness to Practise	1/2				
Jennifer Beaumont	Council	7/8	22	5–10	20	5–10
	Finance & Resources	6/6				
	Fitness to Practise	2/2				
Frank Burdett (appointed 5 July 2012)	Council	6/6	26	5–10	–	–
	Finance & Resources	5/6				
Mary Clark-Glass	Council	8/8	29	5–10	22	5–10
	Education & Training	4/4				
	Finance & Resources	6/6				
Malcolm Cross (resigned August 2012)	Council	2/3	2	0–5	31	5–10
	Finance & Resources	1/2				
	Fitness to Practise	0/1				
John Donaghy	Council	8/8	26	5–10	22	5–10
	Education & Training	4/4				
	Fitness to Practise	2/2				
Sheila Drayton	Council	8/8	23	5–10	26	5–10
	Education & Training	2/2				
	Finance & Resources	6/6				
Julia Drown	Council	7/8	26	5–10	30	5–10
	Audit	3/3				
	Communications	2/2				
	Finance & Resources	3/3				
	Fitness to Practise	2/2				
John Harper (resigned July 2012)	Council	1/2	2	0–5	5	5–10
	Education & Training	1/1				
	Finance & resources	0/2				
Richard Kennett	Council	7/8	26	5–10	41	10–15
	Finance & Resources (Chair)	5/6				
	Fitness to Practise	1/1				
Jeff Lucas	Council	8/8	25	5–10	28	5–10
	Audit (Chair)	4/4				
	Education & Training	4/4				

Council member	Council and Committee attendance		2012–13		2011–12	
			Number of days	Fees £'000	Number of days	Fees £'000
Morag MacKellar	Council	8/8	25	5–10	24	5–10
	Audit	4/4				
	Communications	2/2				
	Fitness to Practise	2/2				
Arun Midha	Council	6/8	33	10–15	37	10–15
	Communications	1/2				
	Education & Training	4/4				
	Finance & Resources	6/6				
Penny Renwick	Council	8/8	24	5–10	23	5–10
	Education & Training	3/4				
	Finance & Resources	4/5				
	Fitness to Practise	2/2				
Keith Ross	Council	8/8	16	0–5	21	5–10
	Finance & Resources	4/6				
	Fitness to Practise	1/2				
	(Chair)					
Deep Sagar (resigned June 2012)	Council	1/2	3	0–5	13	0–5
	Audit	1/1				
	Fitness to Practise	0/1				
Robert Templeton (appointed 5 July 2012)	Council	5/5	24	5–10	–	–
	Fitness to Practise	1/1				
Eileen Thornton	Council	6/8	–	–	2	0-5
	Education & Training (Chair)	3/3				
	Finance & Resources	0/1				
Annie Turner (resigned June 2012)	Council	1/2	10	0–5	25	5–10
	Education & Training	1/1				
	Fitness to Practise	1/1				
Joy Tweed	Council	8/8	29	5–10	30	5–10
	Audit	3/4				
	Communications	2/2				
	Education & Training	4/4				
	Fitness to Practise	1/1				
Diane Wallar	Council	5/8	15	0–5	20	5–10
	Communications	2/2				
	Education & Training	4/4				

**Key**

X/Y: Indicates the number of meetings attended (X) as a proportion of those which took place in 2012–13 (Y) whilst the Council Member was a member of that Committee

Chair: Indicates Chair of that committee

The remuneration information in this table was subject to audit.

### **Council and Committee member expenses and fees**

An allowance is paid to Council members for attendance at Council meetings or Committee meetings, meetings attended on behalf of the HCPC where prior approval has been given and attendance at a conference or event which forms part of the member development programme (where prior approval has been given and with the maximum allowance being six days per year). Expenses are payable for travelling and subsistence costs to reimburse the out of pocket expenses incurred, within the parameters set out in the Expenses Policy for Council and Committee Members.

### **Chief Executive and Executive Management Team**

The remuneration 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. For existing employees, the resulting remuneration changes normally come into effect from the start of the subsequent financial year and apply for the full financial year, or until the date of leaving, whichever comes first.

In 2012–13 the Remuneration Committee comprised Richard Kennett (Chair), Pradeep Agrawal, Jennifer Beaumont, Frank Burdett, Mary Clark-Glass, Sheila Drayton, Arun Midha, Penny Fenwick and Keith Ross.

In the Health and Care Professions Council's remuneration package, the most significant item is salary benefit. No performance bonuses are payable to any employee and no EMT members are on fixed-term contracts. For employees passing their six-month probationary period, they can elect to join the contributory pension scheme. The employer contribution levels in the current employment contract are 16.5 per cent for contracts pre-dating May 2007 and seven per cent basic salary for employee contracts dated May 2007 onwards. The employee contribution rate is set at a minimum of three per cent of basic salary.

The employment contract for EMT members requires a termination notice period of three months to be given by the employee after successfully completing their probationary period. At 31 March 2013 there were no provisions relating to compensation for early termination of any employees and no awards were made in respect of early termination made to past EMT members.

### **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 decides on key matters relating to policy, management and resources, subject to the overall direction, reserved powers and control of the Council. Progress is fed back to each Council meeting in the Chief Executive's report.

## Chief Executive and Registrar's remuneration

	<b>2012-13</b>	<b>2011-12</b>
Total remuneration	£166,854	£148,977
Council contributions to pension	£27,531	£24,581
Total pension fund	£586,798	£474,912

The Chief Executive is a member of the Friends Provident pension scheme, which is a stakeholder, defined contribution scheme to which the HCPC contributes. The Chief Executive and Registrar was 59 as at 31 March 2013.

On 25 January 2012 the Financial Reporting Advisory Board approved disclosure requirements which mean that we are required to disclose the median salaries of staff and the ratio to the highest paid director's salary. These are shown in the table below.

	<b>2012-13</b>	<b>2011-12</b>
Remuneration band of highest paid executive (£'000)	165-170	145-150
Median total	£28,500	£27,621
Remuneration ratio	5.9	5.4

The increase in the remuneration ratio is mainly due to the increase in salary of the highest paid executive.

The information in the above tables was subject to audit.

By order of the Council  
**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date



## **Statement of responsibilities of the Accounting Officer**

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

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

## **Governance statement**

### **Risks and internal control**

The Council's regular agenda includes scrutinising and advising on risk management. Full details of the Council can be found in the remuneration report. The Council is supported by the Audit Committee and by the Internal and External auditors. The auditors are invited to attend Audit Committee meetings, where key issues are discussed relating to governance, risk management or control across the organisation. The Council vests the responsibility of its risk management process in its Executive Management Team, which designs methods of mitigating identified risks and formulates a business-continuity plan.

Current risks are identified and evaluated as to their significance and probability of occurrence by the Executive Management Team. All such risks are assigned a risk owner who is responsible for managing and mitigating the risk. Risk management is an on-going process. The Audit Committee reviews the latest Risk Register and the top ten risks at each meeting. The Committee takes into account reports from the auditors and it provides feedback to the Executive. Risks identified in the Risk Register are considered and referenced in the work plans for each department and highlighted in significant projects.

Leading up to August 2013, the Committee reviewed at each meeting the risks associated with the transfer of regulatory functions from the General Social Care Council. The Committee reviewed the project plan, so that it could better understand the relationship between the project risk register and operational work and thus ensure that all details were covered.

Risk mitigation occurs in a variety of ways. For example:

- monitoring regular management information (exception reporting);
- obtaining suitable insurance cover;
- ensuring certain administrative procedures such as regular password changes and the segregation of duties;
- providing employee training;
- monitoring legislative changes for their impact on the Health and Care Professions Council's operations; and
- maintaining a system of accountability.

Activities to mitigate against risk include:

- ensuring consideration of the Council's strategic objectives in reacting to change brought about by UK legislation and other external developments;
- reviewing and updating operating procedures;
- ensuring suitable systems and physical infrastructures are in place;
- ensuring employees are adequately briefed and trained in order to respond to change;
- ensuring that corporate governance best practice, as appropriate to the Council, is maintained and updated to meet changing requirements;
- constructing comprehensive budgeting and forecasting models to produce an annual budget and five-year plan which are reviewed and agreed by the Council;
- ensuring regular reviews by the Council and the Finance and Resources Committee of monthly and annual financial performance against forecasts;

- ensuring on-going audits by the internal and external auditors, and specialist information technology / service security providers;
- obtaining external specialist advice on legislative compliance in a range of areas;
- setting performance targets to measure financial and other performance, including individual goals and objectives for departments and managers;
- clearly defining and monitoring procedures for the authorisation and control of revenue and expenditure;
- operating within the dictates of relevant financial regulations, policies and procedures;
- ensuring clear documentation of operating procedures and processes to maintain ISO 9001:2000 accreditation; and
- regular quality audits of the Health and Care Professions Council's processes by the British Standards Institute.

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 on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control that has been in place in the Health and Care Professions Council for the year ending 31 March 2013 and up to the date of approval of the Annual report and accounts is in accordance with HM Treasury guidance.

Internal controls are created and maintained by the Executive Management Team. The internal controls are routinely reviewed by the Internal Auditors and their suggestions for improvement and the responses of the Executive Management Team are included in the internal audit reports. In 2012–13, internal audit reports on income collection and debtors, information and communications technology security, education approval and monitoring processes, fitness to practise processes, project management, registration processes, corporate governance, risk management and the Bribery Act have been considered by the Audit Committee. The minutes of the Audit Committee are routinely provided to the Council. If necessary, internal control issues are escalated by the Audit Committee to the Council. Achievement of the Audit Committee action points is monitored at subsequent Audit Committee meetings and addressed as appropriate, in audit findings reports from the auditors. In addition to regular reports on risk and internal audits, the Audit Committee has, over the last year, considered papers in relation to business process improvement, including ISO accreditation and the follow-up of internal audit recommendations. The Quality Management System successfully passed audits by the British Standards Institute on 13 April 2012 and 14 November 2012.

As the Accounting Officer, the Chief Executive and Registrar has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation and by comments made by the external auditors in their management letters and other reports. The Accounting Officer has been advised of the implications of the result of his review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During 2012–13 the key risks which we addressed included:

- potential disruption due to the London 2012 Olympic and Paralympic games;
- potential customer service failures in the Registration Department;
- successful completion of the project to bring social workers in England onto our Register; and
- potential costs of exceptional tribunals.

## **The Council**

The Health and Care Professions Council's Code of Corporate Governance incorporates a series of regulatory documents and policies which govern how it operates, takes decisions and the procedures followed to ensure that its actions are fair, efficient, transparent and accountable to its stakeholders. The Council adheres to the Corporate Governance Code of Good Practice 2011 to the extent that it is practical and appropriate.

In accordance with the governance arrangements set out in Health and Social Work Professions Order 2001, the Council has four statutory committees. These are:

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

The Council has also established four non-statutory committees. These are:

- the Audit Committee;
- the Communications Committee (disbanded March 2013);
- the Finance and Resources Committee (which also meets as the Remuneration Committee); and
- the Fitness to Practise Committee.

In preparation for a new governance structure due to come into place in early 2014, the HCPC is adjusting the responsibilities of its reporting Committees. As a first step towards this reorganisation, the Communications Committee was disbanded following approval from the Council at its public meeting held on 27 March 2013.

The Council receives information on the activities of the HCPC at each meeting, including information on its operations, finances and Human resources issues. This information is adequate to inform Council and to enable them to discuss the issues arising.

## **Method of appointment of Council members**

The full membership of the Council is twenty members, ten registrant members and ten lay members, including the Chair. The Chair may be either a registrant or a lay member. The registrant and lay members were appointed by the Appointments Commission, acting on behalf of the Privy Council. There must be at least one member (lay or registrant) from each country of the United Kingdom.

## **Methods used to assess performance and training of Council members**

The performance review system for Council members was agreed by the Council in 2006. There are a number of elements to it. Firstly, 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 Health and Care Professions Council 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 and meet with the Chair for discussion and feedback and identification of any training needs. The Chair then presents a paper to Council, outlining general themes and conclusions from the process. In 2013, the Chair's summary covered members' feedback on the review process, training and development needs and feedback on the Executive and the Council's relationship with the Executive. Council members also considered the quality of information provided at Council and Committee meetings to be high, enabling them to make informed, evidence-based decisions. In addition to this process, Committee members and Committee chairs are invited to provide 180-degree feedback in addition to the existing appraisal processes. Finally, assessment of the Council's performance is carried out periodically as part of the Council's strategy workshops. This gives Council the opportunity to reflect on collective performance at a strategic level and against the objectives set out in the Council's strategic intent document.

The Council sets standards of education and training for Council and Committee members, not simply to meet its statutory obligations but also in order to ensure, amongst other things, that members are given the opportunity to gain the skills and knowledge necessary to perform their functions effectively. As part of the annual self-appraisal, members are asked to identify any training and development needs. Training is then approached in two ways; firstly, there is training undertaken by Council or Committees as a whole and secondly training undertaken on an individual basis. Examples of training provided over the last year to Council and Committees include Chairs' training, Bribery Act training and training on the legal framework of the HCPC. Individual training has included attendance at a training session on impact assessments, attendance at professional body conferences and a day at the HCPC's offices to observe fitness to practise hearings and the work of the Executive.

The attendance of the Council members can be found in the remuneration report.

### **Personal-data-related incidents**

Table 1: Summary of protected personal-data-related incidents formally reported to the Information Commissioner's Office in 2012–13

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Council premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Council premises	Nil
III	Ensure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	3
V	Other	Nil

The three incidents in IV of the above table were as follows.

1. A Panel of our Investigating Committee considered an allegation against a registrant and decided that there was a case to answer in respect of the allegation. In line with our normal practice, the complainant and the registrant in the case were provided with a copy of the Panel's decision. However, this decision letter, which contained information relating to the allegation and the name and registration number of the registrant concerned, was accidentally sent to a registrant involved in another unconnected case.

Whilst we were satisfied that this did not constitute a data protection breach since the identifying data in the decision notice were readily available on the HCPC website, we thought it would be best practice to inform the Information Commissioner's Office of the incident.

2. A Panel of our Investigating Committee considered an allegation against a registrant and decided that there was no case to answer in respect of the allegation. In line with our normal practice, the complainant in the case was provided with a copy of the Panel's decision. However, the decision letter, which contained information relating to the allegation and the name and registration number of the registrant concerned, was also sent to a complainant involved in another case.
3. During the registration and renewal process, our registrants are given the opportunity to pay their registration fee by direct debit. Accordingly, registrants are asked to complete a direct debit mandate which asks for their name, registration details, sort code and account number together with their branch address. A registrant was sent an incomplete direct debit mandate belonging to another registrant and this contained bank details including their account number, sort code and branch address.

Table 2: Summary of other protected personal-data-related incidents in 2012–13

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

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Council premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Council premises	Nil
III	Ensure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	2
V	Other	Nil

The two incidents in IV of the above table were as follows.

1. The HCPC received an allegation about a registrant's fitness to practise. The registrant's employer sent unredacted information to the HCPC in support of the allegations, contrary to their policy. This information was sent by the HCPC to the registrant's previous address, due to a delay in updating the registrant's contact details.
2. Details of an interim order hearing were published in error. As these are interim proceedings, we normally only publish the decision and not the details of the allegation. In this case, the full details of the interim hearing were published due to an administrative error by a HCPC employee.

By order of the Council

**Anna van der Gaag**  
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 2013 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the statements of comprehensive net expenditure, financial position, cash flows, changes in reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### **Respective responsibilities of the Council, its Chief Executive and auditor**

As explained more fully in the Statement of responsibilities of the Accounting Officer, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, 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. 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 who govern them.

### **Opinion on regularity**

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



## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2013 and of retained 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 Privy Council directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the 'Remuneration report' to be audited has been properly prepared in accordance with Privy Council directions issued under the Health and Social Work Professions Order 2001; and
- the information given in the 'Management commentary' part of the Annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

## **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date**

## Financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Income</b>			
Fee income	2	20,152	17,404
Other income		–	15
<b>Total operating income</b>		<u>20,152</u>	<u>17,419</u>
Staff costs	4	7,167	5,813
Depreciation and amortisation		855	507
Other expenditure	6	12,027	11,002
<b>Total operating expenditure</b>		<u>20,049</u>	<u>17,322</u>
<b>Surplus for the year after operational costs</b>		<u>103</u>	<u>97</u>
Grant income received		1,405	229
Costs relating to transfer of General Social Care Council functions		(1,422)	(376)
Costs relating to regulation of herbal medicine practitioners		(6)	(105)
Costs relating to the change in name from HPC to HCPC		(109)	–
Investment income	3	141	77
Impairment of freehold land and buildings		(125)	(70)
Income related to the CPSM pension		46	85
<b>Surplus / (deficit) on ordinary activity before taxation</b>		<u>33</u>	<u>(63)</u>
Taxation	7	(26)	–
<b>Retained surplus / (deficit) for the year</b>		<u>7</u>	<u>(63)</u>
<b>Other comprehensive expenditure</b>			
Total comprehensive expenditure for the year ended 31 March 2013		<u>7</u>	<u>(63)</u>

The notes on pages 28 to 41 form part of these financial statements.

The operating surplus / (deficit) for the year arises from the HCPC's continuing operations.

## Statement of financial position as at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	3,338	3,275
Intangible assets	9	1,218	1,695
<b>Total non-current assets</b>		<u>4,556</u>	<u>4,970</u>
<b>Current assets</b>			
Trade and other receivables	10	561	520
Cash and cash equivalents	11	15,584	8,709
<b>Total current assets</b>		<u>16,145</u>	<u>9,229</u>
<b>Total assets</b>		<u>20,701</u>	<u>14,199</u>
<b>Current liabilities</b>			
Trade and other payables	12	(2,085)	(1,807)
Deferred income	13	(16,138)	(10,473)
<b>Total current liabilities</b>		<u>(18,223)</u>	<u>(12,280)</u>
Liabilities greater than one year	14	(314)	–
<b>Assets less liabilities</b>		<u>2,164</u>	<u>1,919</u>
<b>Reserves</b>			
General reserve		<u>2,164</u>	<u>1,919</u>
		<u>2,164</u>	<u>1,919</u>

The notes on pages 28 to 41 form part of these financial statements.

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

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date

Date

## Statement of cash flow as at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Surplus from operating activities		103	97
Costs relating to the transfer of regulatory functions from the General Social Care Council		(1,422)	(376)
Costs relating to regulation of herbal medicine practitioners		(6)	(105)
Costs relating to the change in name		(109)	–
Income relating to the CPSM pension scheme		46	85
Depreciation and amortisation	8 & 9	855	507
Change in capitalisation threshold		43	–
(Increase) in trade and other receivables	10	(41)	(5)
Increase / (decrease) in trade payables	12	264	(156)
Increase in deferred income	13	5,665	1,129
Increase in liabilities greater than one year	14	314	–
<b>Net cash inflow from operating activities</b>		<u>5,712</u>	<u>1,176</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(365)	(1,043)
Purchase of intangible assets	9	(244)	(642)
Investment income	3	141	77
Net cash flows from investing activities		<u>(468)</u>	<u>(1,608)</u>
<b>Taxation</b>	7	(12)	(50)
<b>Cash flows from financing activities</b>			
Grant income from the Department of Health		1,643	469
		<u>1,643</u>	<u>469</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<u>6,875</u>	<u>(13)</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>8,709</u>	<u>8,722</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>15,584</u>	<u>8,709</u>

The notes on pages 28 to 41 form part of these financial statements.

## Statement of changes in reserves

	<b>Total £'000</b>
<b>Balance at 1 April 2011</b>	<u>1,742</u>
Net loss on revaluation of property, plant and equipment	–
Deficit for the year	(63)
Grant income received	240
<b>Balance at 31 March 2012</b>	<u>1,919</u>
Surplus for the year	7
Grant income received	238
<b>Total recognised income and expense for the year</b>	<u>2,164</u>
<b>Balance at 31 March 2013</b>	<u>2,164</u>

# Notes to the financial statements for the year ended 31 March 2013

## 1 Accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the 2012–13 Government Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Health and Care Professions Council 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.

### Early adoption of IFRS, amendments and interpretations

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

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

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

- IFRS 9 Financial Instruments is a new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement applies when other IFRS require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.
- IFRS 10 Presentation of Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Finance Statements and IAS 28 Investments in Associates and Joint Ventures. is an amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2014.

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

### Going concern

The officers of the Council have reviewed the operations and cash flow forecasts for the period to 31 March 2014. The Council considers that it is appropriate to prepare the Statement of financial position on a going concern basis.

### Grant income

Grants received in a financial year relating to costs incurred in that year are offset

against the related cost. Grants received after the financial year end relating to costs incurred in the previous year are taken to reserves.

### **Tangible assets**

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses in respect of both land and buildings recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued building does not differ materially from its carrying amount. The fair value of freehold properties is determined with a full valuation carried out by professionally qualified Chartered Surveyors. This is done on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. It is done with a minimum interval of five years, and more frequently if open market values are considered to be volatile. The latest valuation was in April 2013. 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. Upon disposal, any revaluation reserve relating to the particular building being sold is transferred to the general reserves.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses. 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. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. Individual assets costing £1,000 or more are capitalised and subsequently depreciated.

Property, plant and equipment 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 2013 is as follows.

- Freehold buildings – over 50 years.
- Office furniture and equipment – over four years.
- Computer equipment – over three years.

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

## **Intangible assets**

Intangible assets are stated at historic cost of acquisition less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Amortisation is not provided for until the asset is fully developed and in use. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

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

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

## **Financial instruments**

### **Financial assets**

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

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

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

### **Financial liabilities**

The HCPC classifies its financial liabilities as follows.

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

**Provisions.** A provision is recognised in the Statement of financial position when the HCPC has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at the HMT discount rate of 1.8 per cent for short term cash flows between 0-5 years, 1 per cent for medium cash flows between 5 to 10 years and 2.2 per cent for long term cash flows over 10 years.



## **Pensions**

The HCPC contributes to a defined contribution pension scheme on behalf of its employees. HCPC contributions are expensed to the statement of comprehensive net expenditure on an accruals basis.

There are no other unfunded employee benefit arrangements.

## **Income**

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

Fee income comprises registration fees, readmission fees, renewal fees, scrutiny fees and pre-registration fees. Scrutiny, registration and readmission fees are charged and collected upon application for registration. Renewal fees are collected in advance and are recognised as deferred income in the Statement of financial position until they become period income. The renewal cycle for each of the 16 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a bi-annual basis by direct debit.

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

## **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.

In preparing the financial statements of the HCPC, transactions in currencies other than the HCPC's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of financial position date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the income and expenditure account for the period.

## **Taxation**

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable.

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

<b>2 Fee income by profession</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Arts therapists	237	258
Biomedical scientists	1,749	1,781
Chiropodists / podiatrists	986	994
Clinical scientists	373	360
Dieticians	628	619
Hearing aid dispensers	142	135
Occupational therapists	2,607	2,563
Operating department practitioners	838	816
Orthoptists	101	92
Paramedics	1,394	1,281
Physiotherapists	3,789	3,797
Prosthetists / orthotics	73	47
Practitioner psychologists	1,619	1,429
Radiographers	2,171	2,201
Social workers in England	2,352	–
Speech and language therapists	1,093	1,031
	<u>20,152</u>	<u>17,404</u>

Regulatory responsibility for social workers in England transferred to us from the General Social Care Council on 1 August 2012. Their two-year registration period started on 1 December 2012 and so only four months' income is recognised in the figures above.

<b>3 Investment income</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposit interest	141	77
	<u>141</u>	<u>77</u>

<b>4 Staff costs</b>			<b>2013</b>	<b>2012</b>
	<b>Permanent staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,492	194	5,686	4,816
Social security costs	587	20	607	519
Pension costs	369	-	369	347
Other payroll expense including recruitment and temporary staff	-	505	505	131
	<u>6,448</u>	<u>719</u>	<u>7,167</u>	<u>5,813</u>

The average number of full time equivalent (FTE) permanent employees during the year was 166 (2012–13, 147). The average number of fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was 11 (2012–13, 11).

## 5 Pension funding arrangements

### The Friends Provident Scheme

This is a designated stakeholder, defined contribution scheme. At 31 March 2013, there were 75 active members in the pension scheme (2011–12, 68 active members). During the financial year to 31 March 2013, the HCPC contributed £367K to the pension scheme.

### The Council for Professions Supplementary to Medicine (CPSM) Scheme

The Scheme was wound up in January 2012 when Scottish Life secured pensions which increase in-line with the requirements of the Scheme rules and the surplus of £46K (2012, £85K) was credited to the statement of comprehensive net expenditure. No further income or cost is expected in any future years.

6 Other operating expenditure	2013	2012
	£'000	£'000
Professional services	4,779	4,336
Partners (agents)	2,648	2,539
Office services	1,389	1,324
Computer services	840	604
Communications	518	531
Other departmental costs	589	496
Property services	463	416
Council and Committee expenses	289	302
Projects	305	252
Travel and subsistence	207	202
	<u>12,027</u>	<u>11,002</u>
<b>Operating expenditure includes:</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
• External audit – National Audit Office	39	39
• Internal audit – Mazars LLP	27	50

<b>7 Taxation</b>	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Current tax:		
UK corporation tax on taxable income of the year	26	12
Adjustment in respect of prior years	–	(12)
Total current tax charge	<u>26</u>	<u>–</u>
Deferred taxation:		
Origination and reversal of timing differences	–	–
Total deferred tax	<u>–</u>	<u>–</u>
Tax on profit on ordinary activities	<u>–</u>	<u>–</u>
Factors affecting tax charge / (credit) for year:		
Surplus / Deficit on ordinary activities before tax	<u>33</u>	<u>(63)</u>
Surplus / Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK – 20% (2011–12, 20%)	1	(13)
Effect of:		
Non-taxable income	(4,319)	(3,547)
Investment income	(28)	(16)
Additional tax on interest received net	3	4
Expenses not deductible for tax purposes	4,317	3,560
Prior year over provision	–	12
Current tax charge for the period	<u>26</u>	<u>–</u>

**8 Property, plant and equipment 2012–13**

	Freehold land £'000	Freehold properties £'000	Assets under construction £'000	Office furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation						
At 1 April 2012	700	1,450	1,022	445	655	4,272
Additions	–	97	83	47	138	365
Disposals	–	–	–	(102)	(314)	(416)
Impairment	–	(155)	–	–	–	(155)
Change in capitalisation threshold	–	–	–	(144)	(157)	(301)
31 March 2013	700	1,392	1,105	246	322	3,765
Depreciation						
At 1 April 2012	–	–	–	389	608	997
Charge for the year	–	30	–	37	67	134
Disposals	–	–	–	(102)	(314)	(416)
Reversal on revaluation	–	(30)	–	–	–	(30)
Change in capitalisation threshold	–	–	–	(144)	(114)	(258)
31 March 2013	–	–	–	180	247	427
Net book value:						
At 31 March 2013	700	1,392	1,105	66	75	3,338
At 31 March 2012	700	1,450	1,022	56	47	3,275

**Freehold properties**

The valuations of freehold land and buildings were made on 3 April 2013 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 6<sup>th</sup> Edition.

Park House, comprising the land and buildings of 184 Kennington Park Road, London SE11 4BU and the adjoining land and buildings of 20 Stannary Street and 22–26 Stannary Street was valued at £2,100,000. The historic cost of the Park House property was £1,764,094 (2012, £1,659,254) and accumulated depreciation based on cost was £546,469 (2012, £511,188).

Stiles Harold Williams did not believe that there was a material difference between existing use value and the market value of the property.

On 8 April 2013, the HCPC completed the purchase of 186 Kennington Park Road and paid £725,000. On completion the financial charge was removed from the property. The total cost of the purchase of the property was £1,725,000.

### Office furniture, equipment and computer equipment

On 28 March 2013 the Council approved a change in the existing capitalisation threshold for individual assets over £1k to be capitalised. This change was to include computers and related equipment. An exercise has been carried to remove individual assets costing under £1K from the asset register.

### 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.

<b>Property, plant and equipment 2011–12</b>	<b>Freehold land £'000</b>	<b>Freehold properties £'000</b>	<b>Assets under construction £'000</b>	<b>Office furniture and equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
Cost or Valuation						
At 1 April 2011	750	1,500	–	468	642	3,360
Additions						
Disposals	–	–	1,022	7	14	1,043
Revaluation	–	–	–	(30)	(1)	(31)
Impairment	(50)	(50)		–	–	(100)
31 March 2012	700	1,450	1,022	445	655	4,272
Depreciation						
At 1 April 2011	–	–	–	389	543	932
Charge for the year	–	30	–	30	66	126
Disposals	–	–	–	(30)	(1)	(31)
Reversal on revaluation	–	(30)	–	–	–	(30)
31 March 2012	–	–	–	389	608	997
Net book value:						
At 31 March 2012	700	1,450	1,022	56	47	3,275
At 31 March 2011	750	1,500	–	79	98	2,427

**9 Intangible assets  
2012–13**

	<b>Software licences £'000</b>	<b>Finance system £'000</b>	<b>HR and partners system</b>	<b>Educatio n system £'000</b>	<b>Fitness to practise case- managemen t system £'000</b>	<b>Registration system £'000</b>	<b>Total £'000</b>
Cost or valuation:							
At 1 April 2012	106	64	–	56	1,066	3,197	4,489
Additions	113	–	18	32	(18)	99	244
31 March 2013	219	64	18	88	1,048	3,296	4,733
Amortisation:							
At 1 April 2012	33	64	–	–	–	2,697	2,794
Charge for the year	56	–	–	–	350	315	721
31 March 2013	89	64	–	–	350	3,012	3,515
Net book value:							
At 31 March 2013	130	–	18	88	698	284	1,218
At 31 March 2012	73	–	–	56	1,066	500	1,695

The negative additions of £18K on the Fitness to practise case management system relate to an over accrual for additions in 2011-12.

<b>Intangible assets 2011–12</b>	<b>Software licences £'000</b>	<b>Finance system £'000</b>	<b>Education system £'000</b>	<b>Fitness to practise case management system £'000</b>	<b>Registration system £'000</b>	<b>Total £'000</b>
Cost or valuation:						
At 1 April 2011	61	64	–	577	3,145	3,847
Additions	45	–	56	489	52	642
31 March 2012	106	64	56	1,066	3,197	4,489
Amortisation:						
At 1 April 2011	9	53	–	–	2,351	2,413
Charge for the year	24	11	–	–	346	381
31 March 2012	33	64	–	–	2,697	2,794
Net book value:						
At 31 March 2012	73	–	56	1,066	500	1,695

At 31 March 2011	52	11	–	577	794	1,434
------------------	----	----	---	-----	-----	-------

## 10 Trade receivables

	2013 £'000	2012 £'000
Prepayments	481	456
Other receivables	80	64
	<u>561</u>	<u>520</u>

All debtors are current and there are no amounts which are past due date. The main element of the other receivables relate to employee season-ticket loans. There are no impaired financial assets.

## 11 Cash and cash equivalents

	2013 £'000	2012 £'000
Balance at 1 April	8,709	8,722
Net change in cash	6,875	(13)
Balance at 31 March	<u>15,584</u>	<u>8,709</u>

The following balances at 31 March were held at:

	2013 £'000	2012 £'000
Commercial banks and cash in hand	7,584	3,823
Short-term investments	8,000	4,886
Balance at 31 March	<u>15,584</u>	<u>8,709</u>

## 12 Trade payables and other current liabilities

	2013 £'000	2012 £'000
Corporation tax	26	12
Other taxation and social security	–	187
Other payables	976	564
Accruals	1,083	1,044
	<u>2,085</u>	<u>1,807</u>

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

## 13

### Deferred income

	2013 £'000	2012 £'000
Registration fees in advance	340	275
Renewal fees in advance	15,798	10,198
	<u>16,138</u>	<u>10,473</u>



## 14

### Liabilities greater than one year

	2013 £'000	2012 £'000
Accruals	141	
Pension provision	172	—
	<u>314</u>	<u>—</u>

### The Capita Federated FlexiPlan Scheme

The Plan is a defined benefit pension scheme. However, because of the non-associated multi-employer nature of the Plan, the Council is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis. Therefore as permitted by FRS 17 'Retirement Benefits', it accounts for the Plan as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the HCPC's contributions payable to the Plan in respect of the accounting period.

The Plan closed to further accrual in January 2010 and all employers' contributions were stopped. Following two Court hearings, for interpretation of the Plan rules, the entitlement of members has been definitively established. An actuarial valuation at 31 March 2009 revealed a significant deficit of £27.7 million and a consequent recovery plan required the HCPC to contribute £162K for the three years commencing 1 April 2010 in respect of its share of the deficit. (£54K per annum)

The next actuarial valuation, at 31 March 2012, is in draft and indicates that the overall deficit at that date is approximately £17.6 million. In line with the approach used for the 2009 valuation, the basis used to calculate the deficit was chosen to produce a level for the liabilities which was anticipated to be broadly in line with the cost of securing the Plan benefits with an insurer.

Following the outcome of the Court case the Trustee of the Plan proposes to adjust each employer's liability in the new Recovery Plan to reflect the extent to which each employer has either underpaid or overpaid contributions during the course of the existing Recovery Plan. In a letter from the Trustee dated 3 May 2013 it is estimated that the HCPC will be required to pay £47K per annum for the three years from 1 April 2014 and £57K per annum for the three years from 1 April 2017 as its share of the deficit.

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

## 15 Operating lease

The HCPC held an operating lease during the year for the rental of office space at units 7 and 8, 33 Stannary Street. The lease is due to expire in July 2016. During the year, the HCPC entered into another operating lease for the rental of additional office space at units 1 and 3, 33 Stannary Street. This lease is due to expire in May 2017.

Total future minimum lease payments under operating leases are:

	2013		2012	
	£'000	£'000	£'000	£'000
	Units 7&8	Units 1&3	Units 7&8	Units 1&3
Less than one year	41	58	37	–
Between two and five years	94	179	83	–
Greater than five years	–	–	–	–

## 16 Related-party transactions

The Council's sponsor is the Privy Council Office, with whom no transactions took place. The main entity with which the HCPC has dealt with during the year was the Department of Health. A grant was received from the Department for £1,643K (2012, £469K) in relation to the regulation of social workers in England and change of organisational name.

Council members and non-Council Committee members receive an attendance allowance when they attend Council or Committee meetings. Such allowances, totalling £202,280 (2011–12, £227,548), were accrued and paid to 35 members, including 11 non-Council Committee members (2011–12, 31 members).

## 17 Post statement of financial position events

On 8 April 2013 the HCPC completed on the purchase of 186 Kennington Park Road. The financial statements are authorised to be signed on . There are no other items to note.

## 18 Financial instruments

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

The HCPC does not use financial instruments that increase its own credit risk profile and has no external debt exposure. It uses a variety of risk mitigations including credit rating assessments to assess credit risk of counter parties including suppliers and financial institutions.

### Currency and liquidity risk

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

The HCPC complied with its reserves policy at all times during the year. The policy is to maintain a reserve level that is a minimum of three months' operating expenditure. The reserves policy was reviewed and approved by Council on 10 May 2012. Due to registration renewal cycles and the payment methods of registrant fees, the HCPC holds

a significant amount of cash in short-term money-market accounts to cover the expenditure expected to be incurred over the payment period.

### **Interest rate risk**

Registrants pay fees in advance for up to two years. Surplus funds are held as follows to maximise returns.

**Business reserve** – all unused funds are transferred from the HCPC's current account to a business reserve account each night to maximise interest earned.

**Deposit** – surplus funds are held in various short-term deposit accounts. Competitive rates are sought and the deposit account earns a preferential interest rate compared to the instant access interest rate.

**Instant saver** – some surplus funds are held in instant access savings accounts with one account offering a bonus on the interest rate.

The Finance and Resources Committee is routinely provided with information outlining the prevailing interest rates for money-market and special interest-bearing account investments. The interest rate risk is not considered to be significant in terms of the HCPC relying on interest income to a sizeable extent to fund its operations.