

Agenda Item 9

Enclosure 5

**Health and Care Professions Council
24 May 2018**

Draft annual report and accounts 2017-18

For discussion

From Tian Tian, Head of Financial Accounting

Council meeting, 24 May 2018

Draft annual report and accounts 2017–18

Executive summary and recommendations

Introduction

At their February meeting, Council approved proposals to produce a more accessible and engaging annual report and accounts for 2017-18, in keeping with the changes made to the Fitness to Practise and Education annual reports.

The structure of the performance review section proposed in February was based on the six objectives in the Strategic Intent. In the course of drafting the content, it became apparent that this did not naturally cover all of our public protection work. We have, therefore, amended the structure of this section to one aligned with our regulatory processes and public protection role.

The 2016-17 Education Annual Report was published as a microsite¹ and has been very well received. We propose to similarly publish the performance review section of the annual report and accounts in this way.

The draft annual report and accounts will be reviewed by the Audit Committee on Tuesday 12 June 2018. It will then be presented to Council for final approval on Wednesday 4 July 2018. Once published, we will undertake proportionate dissemination to highlight specific areas of work to key stakeholders.

Decision

The Council is invited to:

- review the annual report and discuss any changes to the content for final approval at the July 2018 Council meeting

Council is asked to note that the financial statements section is still subject to audit, so the results and disclosures may change prior to final approval.

Resource implications

The resource implications associated with the production of the annual report have been accounted for in the Communication Department work plans for 2018–19.

¹ See <http://hcpc-resources-uk.org/>

Financial implications

The financial implications associated with this plan have been accounted for in the 2018–19 Communication Department budget.

Appendix – Publication production schedule: Annual report and accounts 2017–18

Council review draft annual report	Thurs 24 May 2018
Audit Committee draft	Tues 12 June 2018
Amends to designer	Fri 15 June 2018
Final artwork from designer	Fri 22 June 2018
Council approve final report	Wed 4 or Thurs 5 July 2018
C&AG certifies	TBC – around Tues 10 July 2018
Laying in Parliament	TBC – mid-July 2018
Online publication	TBC – after laying in Parliament

DRAFT

**Annual report and
accounts 2017–18**

Health and Care Professions Council
Annual Report and Accounts 2017-18

Presented to Parliament and the Scottish Parliament pursuant to
Articles 44(2) and 46(7) of the Health and Social Work Professions
Order 2001

Order by the House of Commons to be printed on [date] 2018

Draft

HC [XXX]

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Performance report: overview

Foreword from the Chair and Chief Executive and Registrar

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

A key focus this year has again been to deliver improvements in our fitness to practise processes. In last year's report, we highlighted our efforts to reduce the number of older cases and ensure we made appropriate decisions about new cases in a timely manner. This year, the Professional Standards Authority, in their annual review of our performance, raised concerns about the application of our standard of acceptance, the quality of our investigations and the timely progression of cases. This is a strategic priority for us and we have developed a plan that identifies operational and strategic changes to further improve our performance in these areas.

During the year, the UK Departments' of Health published their consultation on proposals to reform professional regulation. This gave us an opportunity to reinforce the urgent need for legislative reform to enable us to manage fitness to practise cases more flexibly and proportionately. In our response, we also set out our support for fewer regulators as we believe this will extend our own successful model of multi-professional regulation with common standards and processes, economies of scale and equity amongst professionals. We will continue to work with Government to secure these reforms and the legislative change needed to modernise and simplify professional health care regulation.

The role we can play in preventing fitness to practise cases has continued to be a focus of our stakeholder engagement this year. In 2016, we commissioned a team led by the University of Surrey to better understand the fitness to practise cases we receive about paramedics and social workers in England, where we receive the largest volumes. The findings, published this year, have been received positively, particularly by the paramedic profession and by stakeholders at our own events where the topic of prevention of fitness to practise has been discussed. The report's recommendations will guide our work next year. This includes raising awareness amongst registrants, employers and complainants on when to refer; engagement with educators to develop teaching and learning materials; and exploring how employers can best use effective workplace supervision to prevent problems from occurring.

We have continued to work closely with Government over the year. A particular emphasis has been the consultation on the regulation of medical associate professionals and our work to effect a smooth transfer of regulatory functions to Social Work England, the new regulator for social workers in England.

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar

Performance report: overview

What is the HCPC?

We are a regulator of health and care professionals in the UK. Our role is to protect the public. We achieve this by:

- setting standards for the education and training, professional skills, conduct, performance and ethics required to practise in the professions we regulate;
- keeping a register of professionals who meet those standards (known as registrants);
- approving programmes which professionals must complete before they can register with us; and
- taking action when registrants do not meet our standards.

Another key focus of our work is to communicate our role and engage with stakeholders across the UK.

[Make each of the above sections links to the relevant points in the report]

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.

As of 31 March 2018 we had 361,061 registrants on our Register from the 16 professions we regulate.

[Image representing the 16 professions we regulate]

Delivering public protection in 2017–18

Setting standards

Over the course of the year we have introduced the following changes to our standards and disseminated guidance to promote our processes to key stakeholders.

Revisions to the Standards of education and training

We revised the Standards of education and training (SETs) against which we assess education and training programmes. Changes included the addition of new standards requiring inter-professional education, learner involvement and supporting learners to raise concerns. We also strengthened the link between the SETs and the Standards of conduct, performance and ethics.

The changes were informed by key stakeholders, ensuring that the standards are fit for purpose and reflect safe and effective professional practice.

Threshold level of qualification for entry to the Register for paramedics

Following consultation, we changed the threshold level of education and training needed for paramedics to degree level. We will be phasing in this change and from 1 September 2021 new students will only be able to start degree level programmes.

This change applies to pre-registration education and training programmes. Existing registered paramedics who have not completed a degree level qualification will continue to be registered by us.

Disseminating key guidance

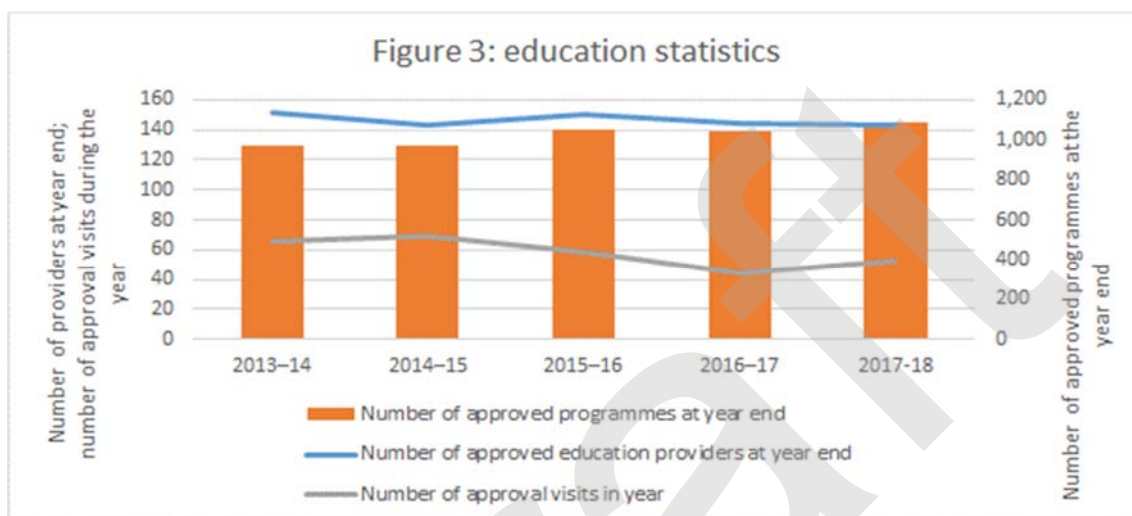
We produce and disseminate guidance explaining our standards and processes to our stakeholders. We published seven guidance documents over the year, which we promoted on our website and through our newsletters, social media channels and through stakeholder mailings. These included:

Social media – Providing top tips on meeting our standards when using social media, we developed the guidance using a crowdsourcing tool, to ensure we included topics that were important to registrants. We produced case studies and a podcast to accompany the guidance and it has been downloaded **1,883 times**.

What you should expect from your health and care professional – We produced this guidance following research with service users to understand their requirements. 112,000 copies of the leaflets are distributed to GP waiting rooms per quarter, with a pick up rate averaging at **96 per cent**. [Can use the guidance stats as an infographic.]

Approving and monitoring education programmes

Over the year we approved 64 new programmes, 326 major changes and 927 programmes through annual monitoring. We held 62 approval visits, 12 annual monitoring assessment days and 10 Education and Training Committee meetings. The number of approved education providers and approved courses has remained fairly constant since social workers in England were transferred into regulation by HCPC in 2012.



Meeting the service user and carer standard

During the year we assessed the last wave of programmes against our new standard, requiring education providers to involve service users and carers in their programme, through annual monitoring. We have also been assessing new programmes against the standard since 2014. One of our most important policy changes in recent years, the standard embeds this vital perspective into the process of developing and delivering programmes.

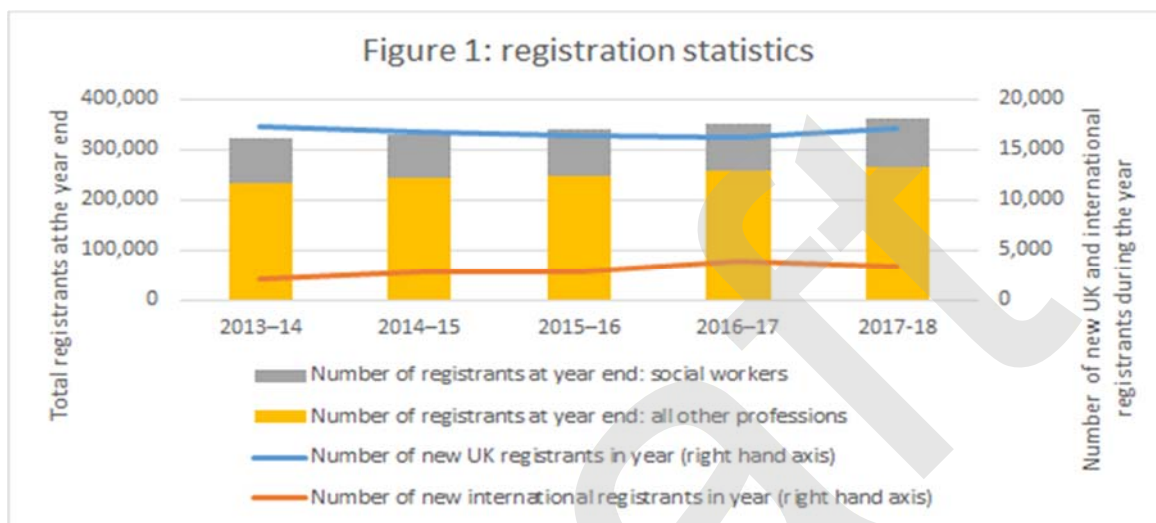
New professions training in prescribing

Legislation introduced in October 2016 enables dietitians and therapeutic radiographers to train in prescribing. We asked education providers to submit adjustments as a major change, for us to assess and approve before they could start. Those that did respond met our standards without any difficulty.

However, providers did not take up the opportunity as we expected. Compared to chiropodist / podiatrists and physiotherapists in 2013-14, there were far fewer new programmes or major changes from these providers.

Keeping a register of health and care professionals who meet our standards

As of 31 March 2018 we regulated 361,061 professionals, of whom 96,497 were social workers in England. The overall number of registrants has grown by approximately 10,000 or 3% a year. Between 15,000 and 17,000 new UK graduates enter the professions each year, and between 2,000 and 4,000 professionals who qualified abroad.



Revised registration renewal process

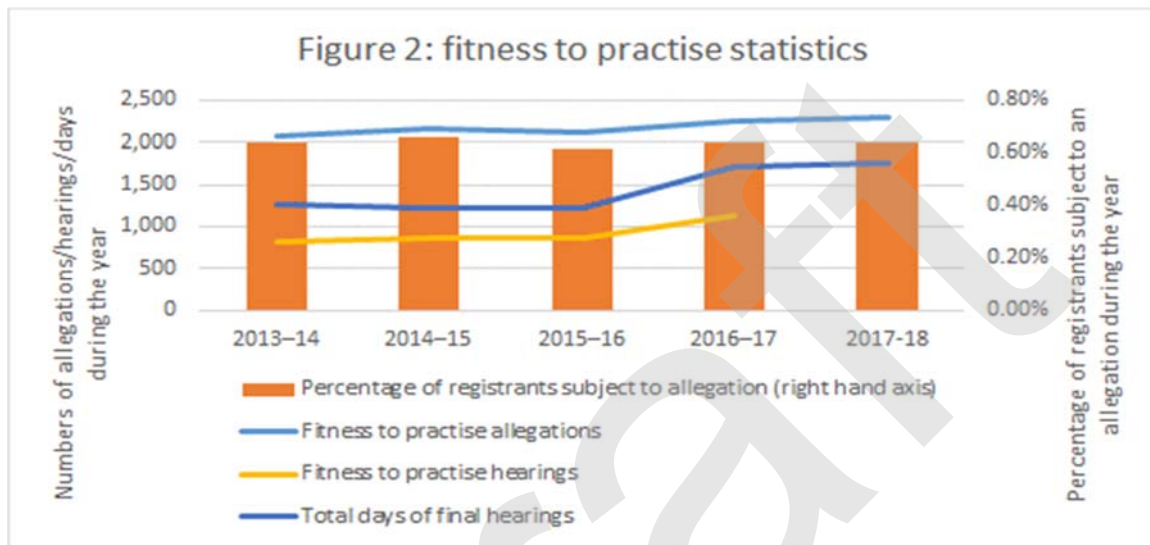
Our focus this year has been on developing an improved renewal process. Changes have included only sending paper renewal forms on request and replacing registration certificates with a letter of registration. As a result of the changes, we have been able to reduce the time it takes to send registration confirmation, increase participation in online renewals and achieve financial savings. We have also introduced an online payment process for all international applicants which has reduced our exposure to credit card fraud.

Registration transformation and improvement project

Work has continued to revise business processes and create online channels that will improve the efficiency of the Registration Department. Phase 1 of the project, to produce an online CPD portal is underway and is expected to be completed in the summer of 2018.

Taking action when professionals fall below our standards

Only a very small percentage of HCPC registrants are subject to a fitness to practise allegation each year. The percentage has remained almost constant over the past four years, at around 0.6 per cent, or 6 registrants in every 1,000. Therefore, the total number of allegations we receive has increased only proportionately to the overall growth in the Register. However, the total number of hearing days, which is a key driver of costs, rose disproportionately since 2016–17 due to increasing complexity of cases.



Improvements to the FTP process

Following the Professional Standards Authority report, we have created a plan identifying operational and strategic changes to our FTP process. This includes reviewing resourcing levels, quality assurance processes and our Standard of acceptance. Longer term, we are also planning to develop key performance indicators, undertake a length of time review of cases that are older than 18 months and develop a process to prioritise high risk cases.

Engaging with stakeholders across the UK

Through the course of the year, the focus of our engagement activities with stakeholders has been to promote our work to prevent fitness to practise concerns and our revised standards for continuing professional development (CPD). Work has also continued on the production of our new website.

Working together to prevent fitness to practise concerns

In addition to holding a dedicated stakeholder event, the focus of our Meet the HCPC and Employer Events were to explore how we can work collectively to prevent fitness to practise concerns. In total we saw **80 delegates** including registrants, educators, employers and service user organisations at our Stakeholder event, **486 registrants** over 12 Meet the HCPC sessions, and **180 employers** at our two employer events. As well as presenting on the role of the HCPC, the focus of these events was to discuss and identify examples around good practise and share ideas on how we can work together to prevent concerns.

Understanding our CPD requirements

We saw **866 registrants** over 15 sessions of our CPD workshops. These provided delegates with the opportunity to explore our CPD process and standards, with examples of activities and evidence. One attendee commented: "I gained ideas from people from different professions on what could be used for CPD that I hadn't thought of before. How to more efficiently keep track of my CPD, be prepared for an audit and feel more relaxed about the process."

Meeting with professional organisations, government ministers and civil servants

Over the year, our Chair of Council and Chief Executive met with **over 90** representatives from different regulatory organisations, professional bodies and charities, as well as various government ministers and civil servants across the UK. These meetings are an important way in which we build effective relationships to ensure that we are able to influence the wider policy agenda.

Creating a new website

Our website is a key communications tool and, as such, we are developing a new site to ensure this resource continues to meet the needs of our stakeholders and is in line with HCPC's technical infrastructure and security needs. The new site will be launched in late Autumn 2018.

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 2018. These statistics among others are captured on a monthly basis by HCPC's management information systems and reported to Council four times a year in the Chief Executive's report. Council meeting papers are available on the HCPC website at www.hcpc-uk.org/aboutus/council/councilmeetings.

Our renewal fee at £90 per year (discounted by 50% for graduates of approved UK programmes for their first two full years on the register) is the lowest of all the nine UK statutory regulators of health and care professionals overseen by the Professional Standards Authority for Health and Social Care.

	2013–14	2014–15	2015–16	2016–17	2017–18
	£000	£000	£000	£000	£000
Registrants' fee income	25,141	26,303	28,310	31,449	33,373
<i>Of which: social workers' fees</i>	6,873	7,106	7,456	8,028	8,641
Payroll costs	8,343	9,481	10,426	11,456	12,777
Non-payroll costs	14,813	16,002	17,038	18,741	20,527
Depreciation and impairment	1,463	682	566	1,097	809
Total expenditure	24,619	26,165	28,030	31,293	34,113
Surplus/(deficit) for the year	852	441	414	285	(740)
Other income, net of tax	330	303	135	130	125
Revaluation gains/(losses)	-	104	486	261	(829)
Total recognised gains/(losses)	852	545	900	546	(1,444)

	2013–14	2014–15	2015–16	2016–17	2017–18
	£000	£000	£000	£000	£000
Depreciation	719	761	822	1,103	809
Other department costs (eg HR and Secretariat)	3,422	3,309	3,446	3,326	4,263
Communications	1,106	1,141	1,374	1,054	1,067
Policy and standards	315	382	434	395	411
Education	874	889	1,047	1,113	1,094
Registration	2,544	3,104	3,211	3,732	3,340
Office services, including premises	1,495	1,465	1,754	2,369	2,529
Information technology	1,466	1,659	1,805	1,951	2,277
Major projects	368	546	616	461	1,569
PSA levy	-	-	589	859	879
Fitness to practise	11,567	12,881	13,189	14,938	15,873
Total operating expenditure	23,876	26,137	28,287	31,301	34,112
	£	£	£	£	£
Total costs per registrant	74.14	78.99	82.77	89.35	94.48

Performance report: performance analysis

In 2017-18, our fee income increased by £2m or 6% on the prior year. This was the product of a 3% growth in the size of the register, together with all professions now paying the £90 registration fee that first took effect in 2015.

Expenditure increased by £2.8m or 9%, and our result for the year was an operating deficit of £0.7m. Two non-recurrent factors contributed to the increase in costs and the deficit:

- The restructuring of the Executive Management Team, as described on page 25. Although the restructuring was not completed until May 2018, it began before the year end so the redundancy and other costs, which totalled £0.4m, were charged in 2017-18; and
- The refurbishment of 186 Kennington Park Road, which completed in June 2018. The total costs of the project in 2017-18 were £2.4m, of which £1.2m were capitalised and £1.2m were charged to operating costs, seen within the major projects line in the table above. The capitalised costs increased the book value of our freehold property before revaluation, and therefore contributed to the £0.8m revaluation loss and the £1.4m total recognised loss.

The third main factor in the increase in our expenditure is fitness to practice costs. The action plan in response to the PSA report described on page 10 requires increased resources, which have pushed up costs further in 2017-18, in addition to the increase in the previous year resulting from the increasing complexity of cases referred to above. To complete the action plan, we have budgeted for a further increase in the department's budget in 2018-19.

	2013-14	2014-15	2015-16	2016-17	2017-18
	£000	£000	£000	£000	£000
Fixed assets	4,746	5,205	6,454	6,943	7,213
Cash and deposits	16,038	18,048	17,615	19,529	18,892
Deferred income	(15,815)	(17,332)	(18,800)	(20,749)	(21,311)
Other working capital, net	(1,687)	(2,199)	(554)	(734)	(1,012)
Total reserves	3,016	3,561	4,461	5,006	3,562
Free reserves	(1,730)	(1,644)	(1,993)	(1,937)	(3,651)
Capital expenditure	1,653	1,040	1,330	1,325	1,909
Net flow of cash plus deposits	454	2,010	(433)	1,914	(637)
	£	£	£	£	£
Total reserves per registrant	9.37	10.76	13.05	14.29	9.87

As a result of the requirement for registrants to pay their fees in advance, we hold relatively large cash balances. The aggregate of cash at bank and short term deposits was £18.9m at 31 March 2018 (2017, £19.5m). These are not surpluses or profits: the element of fees received in advance is reflected in the deferred income balance of £21.3m (2017, £20.7m), and fee income is recognised evenly through the renewal cycle.

Our total accumulated reserves are £3.6m at 31 March 2018, which represents approximately £10 per registrant. The decline in total reserves and free reserves in 2017-18 is the consequence of our deficit for the year and (in relation to the free reserves) our capital expenditure. See also our reserves policy, set out below.

Performance report: performance analysis

Out of total fixed assets of £7.2m (2017, £6.9m) £5.0m is our freehold offices in Kennington, London. In June 2018, we completed the refurbishment of the 186 Kennington Park Road building that was purchased in 2013 in a dilapidated condition. The refurbishment provides a modern and efficient working environment in the 186 building, to the same standard as the 184 building, and joins the 184 and 186 buildings together. We carry our land and buildings on our balance sheet at valuation, and because the increase in the value of the property during the year is less than the capital cost of the refurbishment, there has been an impairment charge. Details of the annual revaluation of the properties are set out in note 8 to the financial statements.

Impact of the creation of new regulator for social workers in England

The Children and Social Work Act 2017, which received Royal Assent on Thursday 27 April 2017, provides for the creation of a new body, Social Work England (SWE), which will regulate social workers in England.

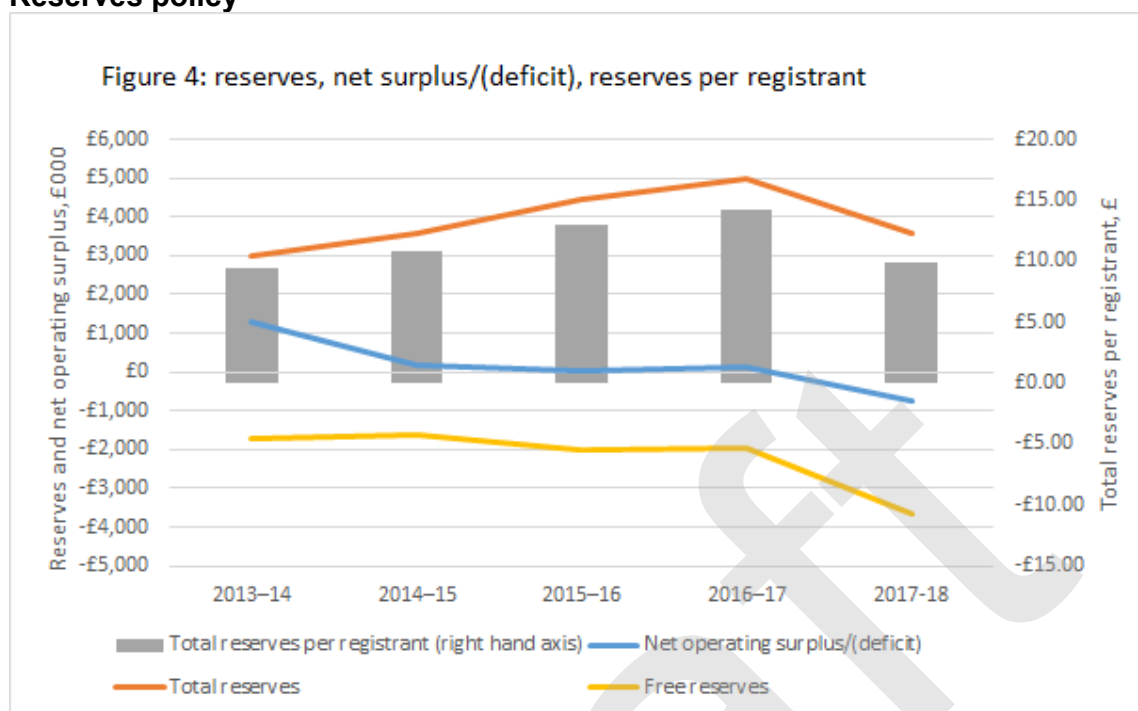
During 2017-18, we continued to liaise with colleagues in the Department for Health and Social Care and the Department for Education on the establishment of the new regulator. In 2018-19 we will begin closer working with the departments and SWE on the practicalities of the transfer of data and regulatory responsibilities and functions. In April 2018, we signed a grant agreement with the Department for Education under which the department will fund the costs we incur on the transfer, so that those costs are not borne by our remaining registrants.

The transfer of regulation of social workers in England to SWE will have a significant impact on the HCPC's operations, income and expenditure from 2019-20 onwards. Social workers represent over a quarter of our total registrants; income from social workers was £8.6m in 2017-18 and is budgeted to be £8.9m in 2018-19.

The loss of income will be offset by a reduction in our direct, variable costs, including the fees and travel costs of the members of FTP panels hearing social workers' cases, and related legal costs. However, the reduction in direct variable costs will be significantly less than the reduction in income, so the key financial impact of the transfer of regulation of social workers to SWE is a loss of contribution to the HCPC's fixed costs.

Now that the timetable for the transfer has been established, we are undertaking further analysis to determine the extent to which the lost contribution can be covered by cost reductions, and whether a fee increase may be necessary. Any increase in HCPC's fees is subject to a public consultation and approval by the Privy Council and the Scottish and Westminster parliaments.

Reserves policy



Our reserves policy was revised and approved at the Council meeting in May 2017 and will be reviewed every three years, or more frequently if there are significant changes in our operating or financial environment. Our legislation requires us to meet our costs out of our income from registrants' fees. Our annual budgeting and five year planning process, and periodic fee reviews, are conducted with the aim of managing our finances on a sustainable basis. We do not aim to hold or accumulate excessive surpluses or deficits, as that would imply current registrants subsidising future registrants or vice versa.

The policy sets a target range of free reserves. Free reserves are reserves that are not tied up in fixed assets. They are available to use as a source of working capital or to fund new investment. The target range for the period to 31 March 2022 recognises the likely financial impact on HCPC of the transfer of regulation of social workers in England to SWE. 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 2018 are negative **£3.7m**, which is equivalent to **over one** month's expenditure in the 2018-19 budget, and within the target range. Each subsequent year's budget setting process will include, and be informed by, a recalculation of the target range of free reserves.

Investment policy

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

Performance report: performance analysis

framework for the management of funds that are surplus to immediate requirements. The objectives of the policy, in order of priority, are to:

- ensure that our funds are held safely;
- ensure that we have sufficient liquidity to fund our operations; and
- achieve a return on surplus funds.

Surplus funds may be invested in sterling bank deposits with terms of up to 24 months in UK registered banks that have “investment grade” long term credit ratings from both Standard and Poor’s and Moody’s, and short dated UK government issued bonds (gilt edged securities).

Going concern

Council are required to consider whether HCPC is a going concern: that is, whether we are able to continue our operations, meeting our liabilities as they fall due, for at least twelve months from the date of approval of the financial statements. Council’s going concern review is based on the budget for 2018-19, the corporate plan for 2018–20 and the five year plan, all considered by Council at the March 2018 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, SWE is expected to replace the HCPC as the regulator for social workers in England with effect from [date TBC] 2019, leading to a loss of around £9m a year in income. Without the income from social workers and in the absence of a fee increase, our cost base would not be sustainable in the long term. We will need to take action to reduce our cost base, and possibly to increase our fees, but these actions are in progress, and pending these actions we remain a going concern.

Future developments [make this stand out in the design version]

In March 2018, Council approved the corporate plan for 2018-20, which identifies four strategic priorities:

Improve our performance to achieve the Professional Standards Authority’s Standards of Good Regulation.

This priority will be delivered through the FTP improvement project, started before the year end and continuing through 2018-19;

- **Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders.** We intend to be more proactive in influencing the regulatory policy agenda. We will commission research to better understand the views and expectations of our stakeholders. We will put in place an action plan as a result of the findings, and a new plan to guide our engagement with stakeholders across the four countries;
- **Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment.** This includes the review of our cost base and financial sustainability noted above; continuing investment in people, processes and systems; and continuing to prepare for the transfer of regulation of social workers in England to SWE, working with the government
- **Make better use of data, intelligence and research evidence to drive improvement and engagement.** To deliver this priority we will develop a

Performance report: performance analysis

classification system for capturing the characteristics of fitness to practise cases, and deliver further research on the characteristics of fitness to practise cases

Principal risks and uncertainties [make this stand out in the design version]

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). A project has been established to manage the transfer, with its own risk register, and progress is being reviewed by the Audit Committee on a regular basis;
- other legislative changes affecting the scope of our work;
- the risk of poor operational performance, with associated reputational damage, for example the risk of inability to meet call handling standards in our Registration Department;;
- the risk of rapid increase in the number of FTP allegations and resulting legal costs;
- the risk of rapid increase in the number of required education programme approvals, due to legislative, service, commissioning or funding changes;
- the risk of failure in the completion of major projects, for example the delivery of new IT systems;
- business continuity risks, for example interruption to the electricity supply to our offices; or a postal strike; and
- financial risks such as budgetary overspends or errors leading to a shortage of funding, or the financial failure of a key supplier.

The HCPC's risk management processes are described in the governance statement on page 21. [The full Risk Register is presented to Audit Committee and Council twice a year] and is available on the HCPC website within the papers for Audit Committee and Council meetings.

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

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

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

Accountability report: Corporate governance report

Council's report

The membership of our Council and Committees at 31 March 2018 is as follows. Attendance at meetings is shown in the table on page 30.

	Council	Education & Training Committee	Audit Committee	Remuneration Committee	Tribunal Advisory Committee
Elaine Buckley	✓ R, Chair				
Graham Aitken					✓
Catherine Boyd					✓
Stephen Cohen	✓ L		✓ Chair		
Maureen Drake	✓ R	✓			
Kathryn Foreman	✓ L				
Sue Gallone	✓ L		✓		
Philip Geering					✓
Sheila Hollingsworth					✓
Luke Jenkinson		✓			
Penny Joyce		✓			
Alan Kershaw					✓
Sonya Lam	✓ R	✓			
Eileen Mullan	✓ L		✓		
Joanna Mussen	✓ L	✓		✓	
Julie Parker			✓		
Marcia Saunders					✓
Gavin Scott	✓ L			✓	
Nicola Scrivings				✓	
Robert Templeton	✓ R				
Graham Towl	✓ R			✓ Chair	
Stephen Wordsworth	✓ R	✓ Chair			

For Council members, R denotes Registrant members, L denotes Lay members

The membership of the Executive Management Team at 31 March 2018 was as follows:

Marc Seale	Chief Executive and Registrar; Accounting Officer
John Barwick	Acting Director of Fitness to Practise
Guy Gaskins	Director of Information Technology
Andy Gillies	Director of Finance
Abigail Gorringe	Director of Education
Teresa Haskins	Director of Human Resources
Kelly Holder	Director of Fitness to Practise
Jacqueline Ladds	Director of Communications
Louise Lake	Director of Council and Committee Services
Greg Ross-Sampson	Director of Operations
Katherine Timms	Acting Director of Policy and Standards

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

Accountability report: Corporate governance report

certification under ISO27001:2013¹ in June 2015. We were audited by BSI in April 2017 and our certification under ISO27001:2013 was reconfirmed in April 2017.

The HCPC has policies in place which require all information security incidents, including any loss of personal data, to be reported and we encourage an open reporting culture. All incidents are assigned a risk score and are reported to the Executive Management Team along with any learning points and possible future mitigations. In 2017–18 the HCPC recorded 66 personal information security incidents (2016–17: 68); one incident was reported to ICO, but was deemed below regulatory threshold and closed at the first stages. Given the volume of data processed by the HCPC, occasional errors in processing are to be expected, with human error being the leading cause of data incidents across all sectors. We are encouraged to see that the number of incidents has reduced from last year and we will continue to focus on enhancing our safeguards over the coming financial year.

Key relationships

We 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 are vital to our work.

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. Two health and safety incidents were reported during the year. The total number of employee sick leave days in 2017–18 was 1,533 (2016–17, 1,757). The average number of sick days per full time equivalent employee in 2017–18 was 6.2 days or 2.4% of working days (2016–17, 7.0 days, 2.7% of working days).

Payment of suppliers

88 per cent of purchase invoices were paid within 30 days (2016–17, 88 per cent) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2016–17 nil).

Information on anticipated future developments is set out in the Performance report on page 16.

Arrangements for managing potential conflicts of interest are set out in the Governance statement on page 21.

¹ 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.

Statement of Accounting Officer's responsibilities

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

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

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

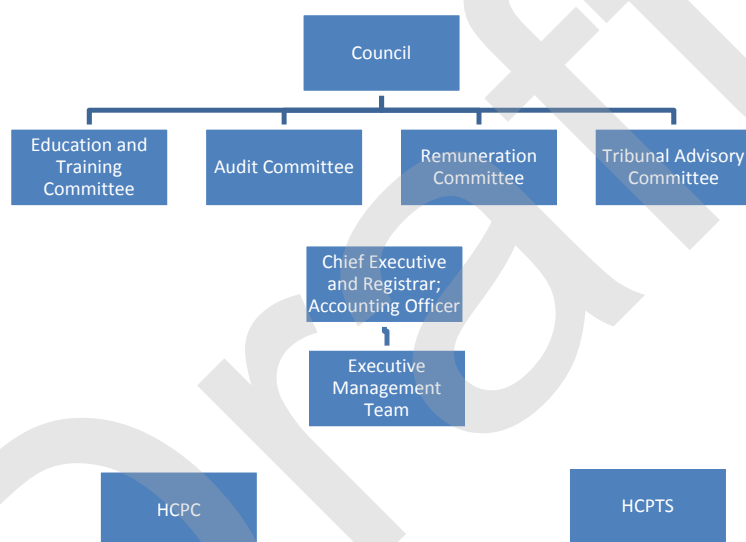
The Privy Council has appointed the Chief Executive as Accounting Officer of the Health and Care Professions Council. The responsibilities of the Accounting Officer for keeping proper records and for safeguarding the Health and Care Professions Council's assets, including responsibility for the propriety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

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

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.

Governance structure



Membership of the Council and Committees is shown on page 18 and attendance at meetings during the year is shown on page 30.

Increase in the number of independent committee members

In order to further strengthen governance, we have increased the number of independent members on the Remuneration Committee and the Education and Training Committee (ETC). Two appointments were made to the ETC, giving a quality assurance and newly-qualified perspective. There was also one independent appointment made to the Remuneration Committee.

The Health and Care Professions Tribunal Service (HCPTS)

The HCPTS is the fitness to practise adjudication service of the HCPC. The HCPTS was launched in April 2017, in response to the government's recommendation that regulatory

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bodies adopt systems with a greater separation between the investigation and adjudication of fitness to practise hearings.

Creation of the Tribunal Advisory Committee (TAC)

The Tribunal Advisory Committee (TAC) has been created as an advisory body to provide independent advice on matters such as the recruitment and training of tribunal panel members. It also provides guidance on Tribunal procedure and practice, so that proceedings are conducted efficiently and effectively.

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 has twelve members including the Chair (six registrant members and six lay members). The Chair may be either a registrant or a lay member. There must be at least one member (lay or registrant) from each country of the United Kingdom. Appointments to the Council are made by the Privy Council, based upon recommendations made by the HCPC (which conducts the recruitment exercise). The Professional Standards Authority for Health and Social Care has oversight of the recruitment process and advises the Privy Council as to whether it is satisfied about the process that has been followed. Council Members hold office for a term of up to four years and they may serve a maximum of eight years in any 20 year period. Whilst re-appointments can be made, subject to a satisfactory performance appraisal and the needs of the HCPC, a degree of change is often sought and there should be no expectation of automatic reappointment.

During the year, the Council has reviewed and updated its planning and performance monitoring frameworks with a view to ensuring more strategic oversight of the performance of the organisation, leaving operational detail to the Executive. High level management information is now reviewed by Council four times a year, and for the two years 2018-20, the Council commissioned the Executive to prepare a corporate plan including milestones and key performance indicators (KPIs), derived from the six objectives in the strategic intent 2016-20 and drawing together the work of the various departments. In 2018-19, performance against the corporate plan and the KPIs will be reported by the Executive to the Council.

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.

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

The most recent assessment in relation to the collective performance of Council was conducted in [month year]. Council and Committees were found to be operating effectively, with an appropriate balance on the agenda between strategic and operational issues, good quality papers and presentation from the Executive Management Team, and open discussion by Council and Committee members. In relation to individual performance, appraisals were conducted in spring 2017 and the summary report will be considered by Council in July 2017, in line with the normal timetable for this process.

The Council sets standards of education and training for Council and Committee members, not simply to meet its statutory obligations but also in order to ensure, among other things, that members are given the opportunity to gain the skills and knowledge necessary to perform their functions effectively. As part of the annual self-appraisal, members are asked to identify any training and development needs. Training is then approached in two ways; training undertaken by Council or Committees as a whole and also training undertaken on an individual basis.

Education and Training Committee

The Education and Training Committee advises the Council on matters relating to education, training and registration. The Committee consists of eight members, three lay and three registrant members drawn from the Council, plus two independent members.

Audit Committee annual report to the Council and the Accounting Officer

The Audit Committee is made up of three members appointed by and from the Council, plus one independent member, all with recent, significant and relevant financial experience. Members of the Executive Team, other employees, the internal auditors (Grant Thornton LLP) and the external auditors (Hays MacIntyre and the National Audit Office) attend Audit Committee meetings by invitation.

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 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;
- making recommendations to the Council on the HCPC's accounting policies, anti-fraud policies and 'whistle-blowing' processes; and

Accountability report: Corporate governance report

- reviewing the internal auditors' programme, receiving reports on their work, and considering appropriate actions arising from those reports.

Grant Thornton LLP are the HCPC's internal auditors and their contract was extended for a further year to 31 March 2019. Internal audit emphasis is focused on providing assurance on the integrity of our internal control, governance and risk management processes while also providing forward-looking and value adding advice to the Executive where possible. The internal auditors undertake an approved programme of audits, reporting to the Committee on the effectiveness of controls and making recommendations where appropriate.

During 2017–18 the Committee considered internal audit reports on:

- HCPC's core financial controls;
- Property management, including the use of the tribunal suite at 405 Kennington Road;
- Continuing professional development; and
- Cyber security.

[number] priority two (significant) and [number] priority three (housekeeping) recommendations were made. No priority one (fundamental) recommendations were made. The internal auditors' annual report, delivered to the June 2018 Audit Committee meeting, provided substantial assurance in respect of the HCPC's corporate governance, risk management and internal controls.

Remuneration Committee

The Remuneration Committee determines the annual salary review for HCPC employees including the Executive Management Team and the Chief Executive and Registrar. The Committee's terms of reference were formalised in May 2017 to include the making of recommendations to Council on remuneration policy and Council members' and partners' remuneration levels, and the approval of expenses policies.

Tribunal Advisory Committee

The Tribunal Advisory Committee was established as part of the establishment of the Health and Care Professions Tribunal Service (HCPTS). The Committee comprises six members, three who are existing Panel Chairs and three members who are independent of the tribunal process, and advises 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 also provides guidance to HCPTS Panels on matters of practice and procedure.

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 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 and Senior Management Team

During 2017-18, the Executive Management Team comprised the Chief Executive and Registrar together with the nine departmental director roles identified in the table on page 34, and was responsible for the day-to-day running of the HCPC, subject to the overall direction, reserved powers and control of the Council.

In February 2018, a consultation began on a restructure of the executive leadership of the HCPC, proposing the replacement of the nine departmental director roles with three new executive director roles. The drivers for the change were

- the need to position the organisation to respond quickly and strategically to current and future challenges including the transfer of regulation of social workers to Social Work England, other changes that may arise from the government's consultation on regulatory reform, and the need to improve our performance against the Professional Standards Authority's (PSA) Standards of Good Regulation;
- the need to develop and maintain increasingly complex IT systems and to deliver large scale projects; and
- the need to reduce the costs of the senior leadership structure.

The three new senior leadership roles are Executive Director of Regulation, Executive Director of Policy and External Relations and Executive Director of IT and Resources, and together with the Chief Executive and Registrar, they will make up the Senior Management Team in 2018-19. The senior leadership restructuring process concluded in **May** 2018. The costs of the restructure have been charged in the 2017-18 accounts.

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

Accountability report: Corporate governance report

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 the year, in line with the changes to the Council's planning and performance management frameworks, the Audit Committee reviewed the approach to risk management. The Committee and the Executive Management Team worked together to identify strategic risks. In 2018-19, the Committee will review a strategic risk register, with operational risks managed by the Executive, subject to an escalation process. The strategic risks are as follows:

- Failure to deliver effective regulatory functions
- Failure to anticipate, influence or respond to external change/environment
- Failure to be a trusted regulator and meet stakeholder expectations
- Failure to protect public
- Failure to be an effective, efficient and agile regulator
- Failure of governance, leadership or culture

For each of these risks, a range of mitigating controls is already in place.

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 2017–18 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.

Accountability report: Corporate governance report

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 2017–18, reported to the June 2018 Audit Committee meeting, **provided substantial assurance** in respect of the HCPC's governance, risk management and internal control arrangements.

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

The Professional Standards Authority for Health and Social Care (PSA) undertakes an annual performance review of the HCPC against its standards of good regulation and reports its findings to Parliament. The PSA's annual performance review for 2016–17 concluded that the HCPC had met 18 of the 24 standards. Improvement plans are in place which are addressing the PSA's findings in respect of the six standards which were deemed not met. At the time of writing, the performance review for 2017–18 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 2018 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.

Auditors and audit information

The Health and Social Work Professions Order 2001 requires that the annual accounts are audited by "persons the Council appoints", and then examined and certified by the Comptroller and Auditor General, who reports to Parliament. In previous years the

Accountability report: Corporate governance report

National Audit Office has performed a dual role, auditing the accounts on behalf of Council and supporting the Comptroller and Auditor General's certification to Parliament. For 2017-18 onwards, the Council has appointed haysmacintyre to audit the accounts, reporting to the Council, alongside the National Audit Office, who will continue to audit the accounts, relying where appropriate on the work of haysmacintyre, and supporting the Comptroller and Auditor General's certification to Parliament. The auditors have audited the financial statements and certain sections of the remuneration report. The cost of providing audit services was £29,000 (£24,000 including VAT charged by haysmacintyre and £5,000 charged by the National Audit Office). 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 auditors are aware of that information. So far as he is aware, there is no relevant audit information of which the auditors are unaware.

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

Accountability report: remuneration and staff report

Council and Committee members' 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 2017–18 was £334. 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.

Council and Committee member fees totalling £169,418 (2016–17, £163,165) were paid and accrued to 20 members (2016–17, 15 members), including the independent members who are not also members 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 £49,900 (2016–17, £34,900) were paid to Council and Committee members. The only benefits are travel and expenses claimed by Council and Committee members for travelling to meetings at HCPC's offices in London, which are covered by a PAYE Settlement Agreement with HMRC. The gross taxable value of home to London travel and expenses is disclosed (to the nearest £100) in the following table in the column headed "Expenses". This column does not include Council members' expenses for travel to other locations, which are paid by HCPC in accordance with the Council and Committee members' expenses policy, and are not a taxable benefit.

Accountability report: remuneration and staff report

The fees for the period 1 April 2017 to 31 March 2018 for Council and Committee members paid and accrued were as follows:

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2017–18		2017–18				2016–17			
			Number of days	Fees £'000	Expenses* £'000	Total £'000	Number of days	Fees £'000	Expenses* £'000	Total £'000
Elaine Buckley ¹	Council (Chair)	11/11	N/A	65–70	12.5	80–85	N/A	65–70	12.3	80–85
	Remuneration (Chair to 2 May 2017)	1/1								
Stephen Cohen	Council	7/11	24	5–10	–	5–10	32	10–15	0.4	10–15
	Audit (Chair)	6/6								
Maureen Drake	Council	11/11	22	5–10	5.1	10–15	25	5–10	3.6	10–15
	Education and Training	5/6								
Kathryn Foreman (from 01 January 2018)	Council	3/3	7	0–5	1.1	0–5	N/A	N/A	N/A	N/A
Sue Gallone	Council	10/11	31	10–15	2.7	10–15	7	0–5	0.9	0–5
	Audit	6/6								
	Education and Training (to 18 January 2018)	5/5								
Sheila Hollingworth	TAC (from 1 March 2017)	4/4	4	0–5	1.4	0–5	–	–	–	–
Luke Jenkinson	Education and Training (from 1 February 2018)	1/1	3	0–5	0.8	0–5	–	–	–	–
Penny Joy	Education and Training (from 1 February 2018)	1/1	2	0–5	0.1	0–5	–	–	–	–
Richard Kennett (to 31 December 2016)	Council	N/A	N/A	–	–	–	30	5–10	0.7	10–15
	Audit	N/A								
Alan Kershaw	TAC (from 1 March 2017)	4/4	10	0–5	–	0–5	–	–	–	–
Sonya Lam	Council	11/11	30	10–15	4.9	10–15	41	10–15	3.0	15–20
	Education and Training	6/6								
Eileen Mullan	Council	7/11	20	5–10	4.3	10–15	18	5–10	3.5	5–10
	Audit	4/6								

Accountability report: remuneration and staff report

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2017–18	2017–18				2016–17			
		Number of days	Fees £'000	Expenses* £'000	Total £'000	Number of days	Fees £'000	Expenses* £'000	Total £'000
Joanna Mussen	Council 8/11 Education and Training 4/6 Remuneration (from 9 October 2017) 4/4	25	5–10	2.9	10–15	26	5–10	2.1	10–15
Julie Parker	Audit 5/6	9	0–5	0.3	0–5	7	0–5	0.3	0–5
Marcia Saunders	TAC (from 1 March 2017) 4/4	8	0–5	–	0–5	–	–	–	–
Nicola Scrivings	Remuneration (from 21 September 2017) 4/4	6	0–5	0.2	0–5	–	–	–	–
Gavin Scott	Council 11/11 Education and Training (to 18 January 2018) 4/5 Remuneration (from 9 October 2017) 3/4	24	5–10	4.7	10–15	6	0–5	1.9	0–5
Robert Templeton	Council 10/11 Remuneration (to 20 September 2017) 1/1	20	5–10	–	5–10	23	5–10	–	5–10
Graham Towl	Council 5/11 Remuneration (Chair from 9 October 2017) 5/5	18	5–10	5.5	10–15	17	5–10	3.9	5–10
Joy Tweed (to 31 December 2016)	Council N/A Education and Training Remuneration	N/A	–	–	–	22	5–10	0.4	5–10
Nicola Wood (to 31 December 2017)	Council 5/8 Remuneration (to 2 May 2017) 1/1	6	0–5	0.4	0–5	14	0–5	1.0	5–10
Stephen Wordsworth	Council 10/11 Education and Training (Chair) 5/6	29	5–10	3.0	10–15	17	5–10	0.9	5–10

Accountability report: remuneration and staff report

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 2017–18 disclosed in the table is the fee of £69,900 including VAT payable to the University under the secondment agreement.
 - * As discussed on page 29, these figures relate solely to expenses designated as a benefit in kind by HMRC

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

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

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

Remuneration of the Chief Executive and Executive Management Team

The Chief Executive's post is the equivalent of Senior Civil Service (SCS) pay band 3. The nine other Executive Management Team (EMT) posts are the equivalent of SCS pay band 1. There are no other SCS-equivalent posts outside the EMT. The salary levels for the Chief Executive and 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.

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.

Chief Executive and Registrar's remuneration

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

	2017–18	2016–17
Salary	£193,660	£190,049
Taxable benefits	£4,339	£4,151
Employer's pension contributions	–	–
Total remuneration	£197,999	£194,200

The Chief Executive has waived his entitlement to employer pension contributions to his personal pension plan for 2016–17 and 2017-18.

The information in the above table was subject to audit.

Accountability report: remuneration and staff report

EMT remuneration

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

Name	Position	2017-18			2016-17		
		Salary	Employer's pension contribution	Total	Salary	Employer's pension contribution	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Claire Amor ³	Acting Director of Council and Committee Services (from March 2016 to March 2017)	N/A	N/A	N/A	45-50	0-5	50-55
John Barwick ¹	Acting Director of Fitness to Practise (from April 2017 to March 2018)	95-100	5-10	100-105	80-85	5-10	85-90
Guy Gaskins	Director of Information Technology	95-100	5-10	100-105	90-95	5-10	95-100
Andy Gillies	Director of Finance	85-90	5-10	90-95	80-85	5-10	85-90
Abigail Gorringe ²	Director of Education	80-85	10-15	95-100	80-85	10-15	90-95
Michael Guthrie ⁴	Director of Policy and Standards (to March 2018)	80-85	10-15	95-100	80-85	10-15	95-100
Teresa Haskins ⁵	Director of Human Resources	90-95	5-10	95-100	90-95	5-10	95-100
Kelly Holder ^{1,5}	Director of Fitness to Practise	65-70	15-20	80-85	120-125	15-20	135-140
Jacqueline Ladds ⁵	Director of Communications	80-85	5-10	90-95	85-90	5-10	90-95
Louise Lake ³	Director of Council and Committee Services	65-70	0-5	70-75	50-55	0-5	55-60
Greg Ross-Sampson	Director of Operations	100-105	5-10	105-110	95-100	5-10	105-110
Katherine Timms ⁴	Acting Director of Policy and Standards (from March 2018)	0-5	0-5	0-5	N/A	N/A	N/A

1. Kelly Holder was on leave from January 2017, and during that time John Barwick was Acting Director of Fitness to Practise. Kelly Holder's full time equivalent (FTE) salary for 2017-18 was in the band of £110k-£115k (2016-17: £120k-£125k).
2. Abigail Gorringe works reduced hours; her FTE salary for 2017-18 was in the band of £100k-£105k (2016-17: £95k-£100k).
3. Louise Lake works reduced hours; her FTE salary for 2017-18 was in the band of £75k-£80k (2015-16: £70k-£75k). 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.
4. Michael Guthrie left HCPC in March 2018, his FTE salary for 2017-18 was in the band of £85k-£90k, since then Katherine Timms is Acting Director of Policies and Standards.
5. During 2016-17, Teresa Haskins, Jacqueline Ladds and Kelly Holder received temporary acting up allowances for additional responsibilities which are included in the figures shown above.

Accountability report: remuneration and staff report

EMT remuneration (continued)

No benefits-in-kind were paid to EMT members during the year, except for the Chief Executive. The EMT employer's pension contributions are paid into the Friends Life pension scheme. There were no payments to past EMT members, and no exit packages or payments for loss of office were made during the year. The restructuring of the EMT referred to on page 25 resulted in payments for loss of office with a total value of £395k being made to five of the previous members of the EMT in May and June 2018. The individual amounts will be disclosed in the remuneration report in the 2018-19 annual report and accounts.

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:

	2017-18	2016-17
Remuneration band of highest paid executive (£'000)	£195-£200	£190-£195
Median total	£33,000	£31,265
Remuneration ratio	6.0	6.2
Range of remuneration: difference between highest and lowest paid employee (full time equivalent, excluding apprentices, £'000)	£175-£180	£170-£175

Employee numbers and costs

Employee numbers and costs are shown in note 4 to the financial statements on page 50, together with the cost of agency and contract workers.

The information on this page was subject to audit.

Accountability report: remuneration and staff report

Equality and diversity

We are committed to meeting our obligations under the Equality Act 2010 and continuing to ensure that we are an organisation that values diversity and promotes inclusion. This includes ensuring Council members, partners and employees receive regular training in equality and diversity matters, and ensuring that the organisation values participation and respectful working relationships.

We are an equal opportunities employer and provide employment opportunities and advancement for all suitably qualified persons regardless of age, disability, gender (including gender reassignment), race, marriage or civil partnership status, pregnancy and maternity, religion, belief (or non-belief) or sexual orientation. We are recognised as a positive place to work for disabled people, and are a Disability Confident Employer under the government Disability Confident Scheme.

Our diversity at 31 March 2018 was as follows:

Gender analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Female	7				
Male	5				
Total	12				

Age analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
18–30	-				
31–40	-				
41–50	2				
51–60	8				
61+	2				
Total	12				

Ethnic background analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Asian	-				
Black	-				
Mixed	-				
Other	-				
Prefer not to say (PNS) / not stated	-				
White	12				
Total	12				

Disability analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Disabled	-				
Not disabled*	12				
Total	12				

* Includes prefer not to say and not stated

Accountability report: remuneration and staff report

Sexual orientation analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Bisexual	-				
Gay man	-				
Gay woman	1				
Heterosexual	7				
PNS/not stated	4				
Total	12				

Marital status analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
Civil Partner	-				
Divorced	1				
Married	9				
Partner	2				
Single	-				
PNS/not stated	-				
Total	12				

Religion analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
No religion	3				
Christian	6				
Buddhist					
Hindu					
Jewish					
Muslim					
Sikh					
Any other religion	1				
PNS/not stated	2				
Total	12				

Dependents analysis	Council members	Executive Management Team	Middle management	All other employees	Total employees
One or more dependents	Data not held				
No dependents*					
Total					

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

Gender pay gap

As at 5 April 2017, our mean gender pay gap for employees was 14.8% and our median gender pay gap was 5.28%². We are committed to reducing our gender pay gap, by attracting more women into senior and managerial roles. Steps already taken or planned for 2018-19 to achieve this aim include enhancing our flexible working policies and

² Our full gender pay gap report is available at <http://www.hcpc-uk.org/assets/documents/10005740HCPCGenderpaygapreport2018.pdf>

Accountability report: remuneration and staff report

reviewing the language of recruitment materials to ensure roles are attractive to women, a career development programme, and providing recruiting managers with anonymised applications so as to avoid unconscious bias.

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 2017–18 [number] meetings were held by the Employee Consultation Group. These meetings included discussions and consultations with employees about the:

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

Corporate, social and environmental responsibility

A cross directorate working group organises our CSR activities, aiming to ensure that we make a positive contribution to our community, we behave ethically towards our suppliers, we minimise our impact on the environment, and we are safe place and a great place to work for our employees and partners.

In 2017–18 activities relating to corporate and social responsibility have included:

- a walking challenge for Sport Relief, which raised £291;
- a gift collection for the St Mungo's homelessness charity;
- working with Beanstalk to provide literacy support at a local school;
- raising £3,400 for South London Cares <https://southlondoncares.org.uk/our> Charity of the Year, through an auction, bake sale and sponsored half marathon, and volunteering at the charity's befriending social clubs;
- encouraging health and wellbeing at work (Pilates, tips, Learning Hub etc); and
- raising awareness of environmental issues (recycling, energy saving, water saving).

Independent auditors' report to the members of the Health and Care Professions Council

We have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2018 under Article 46(2) 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. We have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of the Accounting Officer, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with Article 46(2) of the Health and Social Work Professions Order 2001. We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require us 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 we 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our 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 2018 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.

Independent auditors' report to the members of the Health and Care Professions Council

Opinion on other matters

In our 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 we report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; 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
- we have not received all of the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

haysmacintyre
Statutory Auditor

26 Red Lion Square
London WC1R 4AG

Da te

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

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2018 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2018 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
Comptroller and Auditor General

Date

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

Financial statements

Statement of comprehensive net expenditure for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Income			
Fee income	2	33,373	31,449
Total operating income		33,373	31,449
Staff costs	4	12,777	11,638
Depreciation and amortisation		809	1,103
Other expenditure	6	20,527	18,561
Total operating expenditure		34,113	31,302
(Deficit) / surplus for the year after operational costs		(740)	147
Investment income	3	154	164
Reversal of previous impairments on land and buildings	8	-	6
(Deficit) / surplus on ordinary activity before taxation		(586)	317
Taxation	7	(29)	(33)
Retained surplus for the year		(615)	284
Other comprehensive net income			
Revaluation (loss) / gain on freehold property	8	(829)	261
Total comprehensive net (expenditure) / income		(1,444)	545

The notes on pages 47 to 57 form part of these financial statements.

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

Statement of financial position as at 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	8	5,645	5,502
Intangible assets	9	1,568	1,441
Total non-current assets		7,213	6,943
Current assets			
Trade and other receivables	10	2,167	1,994
Short term deposits	12	12,665	13,600
Cash and cash equivalents	11	6,227	5,929
Total current assets		21,059	21,523
Total assets		28,272	28,466
Current liabilities			
Trade and other payables	13	(3,179)	(2,548)
Deferred income	14	(21,311)	(20,749)
Total current liabilities		(24,490)	(23,297)
Liabilities greater than one year	15	(220)	(163)
Assets less liabilities		3,562	5,006
Reserves			
General reserve		3,540	4,155
Revaluation reserve		22	851
		3,562	5,006

The notes on pages 47 to 57 form part of these financial statements.

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

Elaine Buckley
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

Cash flow statement for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
(Deficit) / surplus for the year		(740)	147
Depreciation and amortisation	8 and 9	809	1,104
(Increase) in trade and other receivables	10	(168)	(396)
Increase in trade payables	13	630	210
Increase in deferred income	14	562	1,949
Increase in liabilities greater than one year	15	57	89
Net cash inflow from operating activities		1,150	3,103
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,264)	(477)
Purchase of intangible assets	9	(644)	(848)
Net disposal / (acquisition) of short term deposits	12	935	(4,080)
Investment income	3	154	164
Net cash flows from investing activities		(819)	(5,241)
Taxation	7 and 13	(33)	(28)
Net increase / (decrease) in cash and cash equivalents in the period		298	(2,166)
Cash and cash equivalents at the beginning of the period	11	5,929	8,095
Cash and cash equivalents at the end of the period		6,227	5,929

The notes on pages 47 to 57 form part of these financial statements.

Statement of reserves for year ended 31 March 2018

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
Balance at 1 April 2016		590	3,871	4,461
Surplus for the year		–	284	284
Gain on revaluation of property		261	–	261
Balance at 31 March 2017		851	4,155	5,006
Deficit for the year		–	(615)	(615)
Loss on revaluation of property	8	(829)	–	(829)
Total recognised income and expense for the year		(829)	(615)	(1,444)
Balance at 31 March 2018		22	3,540	3,562

The notes on pages 47 to 57 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the HCPC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HCPC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Accounting Convention

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

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

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

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

Going concern

The Council has reviewed the budget and corporate plan for the year ending 31 March 2019, and the five year plan for the period ending 31 March 2023. The budget for 2018–19 assumes that social workers in England remain on the HCPC Register throughout 2018–19, and at the time of writing, we continue to regard this as an appropriate assumption given the time that the transfer of functions to Social Work England (SWE) is likely to take. The five year plan modelled the possible financial impact of the transfer of functions to SWE over the long term. Based on this information, the Council considers that it is appropriate to prepare the Statement of financial position on a going concern basis.

Accounting judgement and estimation

Estimates and the underlying assumptions are reviewed on a regular basis by the Council. Areas of significant judgement made by management are:

- IAS16 – Property, Plant and Equipment: judgement is made on fixed asset lives, revaluation of land and buildings and the capitalisation threshold as discussed below.
- IAS36 – Impairments: the Council makes judgements on whether there are any indications of impairments to the carrying amounts of the HCPC's assets.
- IAS37 – Provisions: judgement is made on the best estimate that can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.
- IAS38 – Intangible Assets: note 9 shows the HCPC's intangible assets. Recognition and measurement of Intangible Assets is in line with IAS38.

Financial statements

Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses in respect of both land and buildings recognised after the date of the revaluation. Valuations are performed with a maximum interval of five years, and more frequently if open market values are considered to be volatile, to ensure that the fair value of a revalued building does not differ materially from its carrying amount. The fair value of freehold properties is determined with a full valuation carried out by professionally qualified Chartered Surveyors. This is done on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. The latest valuation was as at 31 March 2018. 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 2018 is as follows.

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

Intangible assets

Intangible assets are stated at historic cost of acquisition less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Individual assets costing £5,000 or more are capitalised and subsequently amortised. Amortisation is not provided for until the asset is fully developed and in use. The annual rate of depreciation for each class of intangible asset held at 31 March 2018 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 current accounts and instant access deposit accounts.

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

Financial instruments: Financial liabilities:

The HCPC classifies its financial liabilities as follows.

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

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

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

Pensions

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

Income

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

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

Government grants

Grant income received in a financial year relating to costs incurred in that year is offset against the related cost. Grant income received after the financial year end relating to costs incurred in the previous year is taken to reserves. Grant income received in a financial year relating to costs to be incurred in future years is deferred in the Statement of financial position.

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.

Taxation

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

Financial statements

2 Fee income by profession		2018	2017
		£'000	£'000
Arts therapists		375	345
Biomedical scientists		2,134	2,116
Chiropodists / podiatrists		1,181	1,141
Clinical scientists		509	465
Dietitians		929	858
Hearing aid dispensers		257	225
Occupational therapists		3,537	3,479
Operating department practitioners		1,184	1,073
Orthoptists		124	115
Paramedics		2,263	2,043
Physiotherapists		5,305	5,125
Prosthetists / orthotists		97	90
Practitioner psychologists		2,087	1,880
Radiographers		3,343	3,141
Social workers in England		8,641	8,028
Speech and language therapists		1,408	1,325
		33,373	31,449
3 Investment income		2018	2017
		£'000	£'000
Bank deposit interest		154	164
4 Staff costs		2018	2017
	Permanent staff	Total	Total
	£'000	£'000	£'000
Wages and salaries	8,234	9,679	9,105
Social Security costs	898	1,027	972
Pension costs	515	548	508
Temporary staff costs	—	907	897
Other payroll expense including recruitment costs	20	200	156
Redundancy cost	—	416	—
	9,667	12,777	11,638

The average number of full time equivalent (FTE) permanent employees during the year was 246 (2016–17, 242). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 64 (2016–17, 36).

5 Pension funding arrangements

The Friends Provident Scheme is a designated stakeholder, defined contribution scheme and HCPC's auto-enrolment staging date was 1 April 2014. At 31 March 2018, there were 231 active members in the pension scheme (2017, 226 active members). During the financial year to 31 March 2018, the HCPC contributed £495k to the pension scheme (2016-17, £508k).

Financial statements

6 Other expenditure	2018	2017
	£'000	£'000
Professional services	6,331	6,076
Partners	5,661	5,288
Office services	1,611	1,828
Computer services	1,145	1,059
Communications	316	411
Other departmental costs	1,093	735
Property services	1,778	1,592
Projects	1,278	252
Council and Committee expenses	262	270
Travel and subsistence	173	191
PSA levy	879	859
	20,527	18,561

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 **£2.3m** in 2017–18 and £2m in 2016–17.

Operating expenditure includes:	2018	2017
	£'000	£'000
Auditors' remuneration:		
• External audit – haysmacintyre	24	–
• External audit – National Audit Office	5	39
• Internal audit – Grant Thornton LLP	43	24
• Other non-audit services – Grant Thornton	14	36
Operating lease rentals:		
• Land and buildings	795	812
7 Taxation on investment income	2018	2017
	£'000	£'000
UK corporation tax on taxable income for the year	29	33
Tax charge for the year :	29	33

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8 Property, plant and equipment 2017–18	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 2017	2,308	2,308	1,029	154	500	6,299
Additions	–	1,235	–	–	29	1,264
Disposals	–	–	–	–	(44)	(44)
Revaluation ¹	180	(1,055)	–	–	–	(875)
At 31 March 2018	2,488	2,488	1,029	154	485	6,644
Depreciation:						
At 1 April 2017	–	–	290	124	383	797
Charge for the year	–	46	164	8	74	292
Disposals	–	–	–	–	(44)	(44)
Reversal on revaluation ¹	–	(46)	–	–	–	(46)
At 31 March 2018	–	–	454	132	413	999
Net book value:						
At 31 March 2018	2,488	2,488	575	22	72	5,645
At 31 March 2017	2,308	2,308	739	30	117	5,501

1. Net revaluation losses for 2017–18 amount to £829k (2016–17 net gains £185k). The 184 and 186 Kennington Park Road buildings were previously valued separately, but since the refurbishment of 186 Kennington Park Road includes the joining of the two buildings, the valuation and any resulting gains or losses are now accounted for on a net basis.

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

Freehold properties

The valuations of the freehold land and buildings were made on 31 March 2018 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the RICS Valuation – Professional Standards January 2014. Stiles Harold Williams advised that there was no material difference between existing use value and the market value of the properties, and that for accounting purposes, it is reasonable to split the valuation equally between land and buildings. HCPC accepts this advice.

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Park House including 20–26 Stannary Street and 186 Kennington Park Road

Park House was valued at £4.98m. The combined historic cost of the Park House property, which now includes 186 Kennington Park Road, was £5,135,848 (2017 – £3,900,976).

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

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9 Intangible assets

	Software licences	Other systems ¹	HR and Partner Build	Education system	Fitness to practise case management	Registration system ²	Total
2017-18							
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	496	236	269	887	1,048	4,183	7,119
Additions	56	323	87	–	–	178	644
Disposals	(236)	–	–	–	–	–	(236)
At 31 March 2018	316	559	356	887	1,048	4,361	7,527
Amortisation:							
At 1 April 2017	441	103	24	593	1,048	3,469	5,678
Charge for the year	41	99	83	294	–	–	517
Disposals	(236)	–	–	–	–	–	(236)
At 31 March 2018	246	202	107	887	1,048	3,469	5,959
Net book value:							
At 31 March 2018	70	357	249	–	–	892	1,568
At 31 March 2017	55	133	245	294	–	714	1,441
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	66	132	4	–	615	848
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	496	236	269	887	1,048	4,183	7,119
Amortisation:							
At 1 April 2016	379	47	–	320	1,048	3,405	5,199
Charge for the year	62	56	94	335	–	223	770
Disposals	–	–	(70)	(62)	–	(159)	(291)
At 31 March 2017	441	103	24	593	1,048	3,469	5,678
Net book value:							
At 31 March 2017	55	133	245	294	–	714	1,441
At 31 March 2016	86	123	207	625	–	322	1,363

1. Other systems include HCPC's external website

2. This includes the development of the new registration system.

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10 Trade and other receivables	2018 £'000	2017 £'000
Prepayments	2,035	1,789
Other receivables	132	205
	<u>2,167</u>	<u>1,994</u>

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

11 Cash and cash equivalents	2018 £'000	2017 £'000
Balance at 1 April	5,929	8,095
Net change in cash	298	(2,166)
Balance at 31 March	<u>6,227</u>	<u>5,929</u>

12 Short term deposits	2018 £'000	2017 £'000
Balance at 1 April	13,600	9,520
Net change in deposits	(935)	4,080
Balance at 31 March	<u>12,665</u>	<u>13,600</u>

Short term deposits are entered with banks and have a term of up to two years. The deposits comply with the HCPC investment policy. As at 31 March 2018, £nil (2016–17: £8,550k) of the total short term deposits are maturing after more than one year.

13 Trade and other payables	2018 £'000	2017 £'000
Corporation tax	29	33
Other taxation and social security	287	275
Trade and other payables	819	431
Accruals	2,043	1,808
	<u>3,179</u>	<u>2,548</u>

Within accruals is a grant of £5,000 from The Scottish Government to support a stakeholder event based on the findings of a research project which they have co-funded with HCPC.

14 Deferred income	2018 £'000	2017 £'000
Fees received in advance	<u>21,311</u>	<u>20,749</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 2018, approximately £2.0m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2019, which will be recognised as income in the financial year 2019–20.

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15 Liabilities greater than one year	2018	2017
	£'000	£'000
Dilapidation Provision	163	163
Retention Fee Provision	57	–
	<u>220</u>	<u>163</u>

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 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.

	£'000		2018			2017	
	Kennington Road	Stannary Street	£'000 Total	£'000 Kennington Road	£'000 Stannary Street	£'000 Total	
Payments due:							
In less than one year	701	141	842	701	136	837	
In the second to fifth years	1,869	564	2,433	2,570	543	3,113	
After more than five years	–	688	688	–	798	798	
	<u>2,570</u>	<u>1,393</u>	<u>3,963</u>	<u>3,271</u>	<u>1,477</u>	<u>4,748</u>	

17 Capital commitments

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

	2018	2017
	£'000	£'000
HR and Partners system build project	–	178
Registration transformation and improvement project	–	77
Website review and build project	260	–
CPD online migration project	201	–
	<u>461</u>	<u>255</u>

Due to the time and materials nature of the contracts, the information in the above table was taken from the approved budget for 2018–19 as the best estimate of HCPC's commitment at 31 March 2018.

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

	2018	2017
	£'000	£'000
Registration transformation and improvement project	882	566
Refurbishment of 186 Kennington Park Road	630	1,851
Website review and build project	88	377
Other projects	80	104
CPD online migration project	10	–
FTP CMS review project	275	–
Sage and WAP replacement project	138	–
Education System Change project	169	–
	<u>2,272</u>	<u>2,898</u>

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18 Related party transactions

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

During the year, a payment of £924,000 (2016–17, £878,682) was made to the Professional Standards Authority for Health and Social Care, which is a levy relating to 2018-19. As at the Statement of financial position date, this is held within prepayments.

For accounting purposes, the Department of Health treats the HCPC and the Nursing and Midwifery Council as part of its group. No grants or fees from the Department of Health were received in the financial year (2016–17, £nil), and no transactions took place (2016–17; £nil) between the HCPC and the Nursing and Midwifery Council.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £169,418 (2016–17, £163,165) were accrued and paid to 20 members, including seven non-Council Committee member (2016–17, 15 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 2018**.

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 2018**.

20 Financial instruments

The details of the various categories of financial assets are outlined in note 10 (Trade receivables). The details of the various categories of financial liability are outlined in note 13 (Trade payables and other current liabilities).

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

Currency and liquidity risk

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

The reserves policy in place during the year was to hold free reserves in the range between negative free reserves equivalent to three months of budgeted operating expenses, and zero free reserves. The HCPC complied with the policy at all times during the year.

Interest rate risk

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

Accounts determination



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

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

This determination has effect from 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: