

Audit Committee, 4 June 2019

Draft Annual Report and Accounts 2018-19

Executive summary and recommendations

Introduction

The draft Annual Report and Accounts for the year ended 31 March 2019 is attached. The National Audit Office and Haysmacintyre (HM) have substantially completed their audit and expect to give an unqualified audit report.

Decision

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

Background information

The annual report and accounts is made up of the performance report, the accountability report and the financial statements.

The performance report provides information about the HCPC, our work during the year and our plans for the future. The accountability report explains how we are structured and managed. The financial statements set out our income and expenditure and assets, liabilities and reserves.

Next Steps

The attached report is in draft form and undergoing review by the Auditors. Minor changes to disclosures may still need to be made at request of auditors and /or the Audit Committee.

The annual report will be considered for approval by Council in July 2019.

Resource implications

None

Financial implications

None

Date of paper

29 May 2019

Annual report and accounts 2018–19

The Health and Care Professions Council
Annual Report and Accounts 2018–19

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] 2019

HC [XXX]

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This publication is available at www.gov.uk/government/publications

Print ISBN [XXXX]

Web ISBN [XXXX]

ID [XXXX]

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the [name] on behalf of the Controller of Her Majesty's Stationery Office

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Performance report: performance analysis

Foreword from the Chair

I joined the Health and Care Professions Council (HCPC) in March 2019, inspired by the importance of the HCPC's role to protect the public by setting and upholding standards for professions and those who train them.

The HCPC is unique in that it regulates 16 different professions, keeping costs low for registrants by virtue of volume efficiencies. Within legislative boundaries, the HCPC strives to make regulation as simple, accessible, consistent, fair and streamlined as possible – a constant work in progress. Significant efforts are made to ensure that standards are upheld and developed in a way that truly appreciates the differences between professions. There are separate standards of proficiency, produced in collaboration with professional bodies; and registrant and lay partners make decisions on assessing the quality of continuing professional development (CPD) undertaken and fitness to practise when complaints are made.

A focus on cost efficiency does not, however, dampen ambitions. The HCPC is determined to do its utmost to prevent harm to the public. That means taking a proactive stance by more effectively engaging with our professionals and their employers, and turning the information we gather through our regulatory processes into practical insights.

This is a strategically important time for regulation with government proposing reforms to how regulation is delivered. The HCPC, service-user complainants and our registrants would certainly benefit from modernised legislation as this would allow us to decrease the adversarial elements in the system we manage in favour of increasing alternative means of resolving issues.

I am pleased that regulators are keen to move away from the current reactive model to one which actively supports professionals' practice to help prevent harm to service users. I believe that if we work together, system wide, with professional bodies and other regulators, we can transform the positive impact we have.

I'm excited by the possibilities and looking forward to deeper and more meaningful collaboration to this end. Over the next year I will be engaging with all our key stakeholders to review and refresh the HCPC's strategy, and I know that HCPC employees have the passion and dedication to deliver it.

Christine Elliott
Chair

Foreword from the Chief Executive and Registrar

The HCPC is committed to delivering value to our registrants and protecting the public. Over the last year the HCPC has been focused on creating efficiencies, making significant strides in streamlining, cutting costs and improving the way we work internally and with registrants.

This year saw the completion of the first phase of our Fitness to Practise Improvement Plan to reduce the time it takes to complete cases and the number of cases going to tribunal without action being required as a result. A root and branch review of this regulatory function has delivered a restructure, tightened roles and processes and the introduction of a new Threshold Policy. Changes to this policy ensure that decisions made in the initial stages of the fitness to practise (FTP) process are proportionate, risk based and consistent so that resources are focused on investigating complaints that raise FTP concerns. This work will address the six of 24 PSA standards HCPC did not meet in the latest review.

These efficiencies have been essential, as over the last year the HCPC has seen a 24% increase in the number of FTP complaints being raised each month, from 186 in April to 230 a month since October. Cases have also become more complex requiring more time for investigation. The most significant change was in complaints about our social work registrants, but this trend is not exclusive to them. It is one the HCPC will need to continue to respond to going forward.

A strategic view of our finances was completed to ensure the HCPC could continue to deliver a progressive form of regulation. This forecast reflected requirements to respond to the changing needs of the public, digital expectations of our registrants, and our desire to be proactive in public protection. We need to invest to achieve this.

The forecast also prepared the organisation for the loss of income from social workers as regulation passes to the newly formed Social Work England – a regulator with an expanded remit to manage the significant challenges for this profession. Our project team has worked diligently over the last year to ensure the transfer will be timely and effective.

This work determined our need to raise the fees from £90 to £106 – an increase that is not supported by all our registrants and their trade union representatives. The fee increase, at time of writing, is subject to parliamentary process.

We are now focused on embedding learning from the last year and continual improvement projects in order deliver even better value. Our desire to become ever more efficient and sufficiently agile to respond to the changes that will come is still strong.

We continue to advocate for regulatory reform that would allow us to move more swiftly and efficiently. We are looking forward to the outcome of the government's consultation on regulatory reform, which could make a big difference to our effectiveness and efficiency, and the experience of our registrants and service users.

Marc Seale
Chief Executive and Registrar

Performance report: performance analysis

About us

We regulate:

- Arts therapists
- Biomedical scientists
- Chiropodists / podiatrists
- Clinical scientists
- Dietitians
- Hearing aid dispensers
- Occupational therapists
- Operating department practitioners
- Orthoptists
- Paramedics
- Physiotherapists
- Practitioner psychologists
- Prosthetists / orthotists
- Radiographers
- Social workers in England
- Speech and language therapists

As a regulator of 16 health and care professionals in the UK our role is to protect the public. We achieve this by:

- setting the standards for education and training, professional skills, conduct, performance and ethics;
- keeping a Register of professionals who meet these standards;
- approving education programmes that professionals must complete prior to registration; and
- taking action when registrants do not meet our standards.

As of 31 March 2019 we had 369,139 registrants on our Register from the 16 professions we regulate.

Purpose of this report

The Annual report and accounts is made up of the Performance report, the Accountability report and the Financial statements. The Performance report provides information about the HCPC, our work during the year and our plans for the future; the Accountability report explains how we are structured and managed; and the Financial statements set out our income and expenditure and assets, liabilities and reserves in detail. Our performance in our Education and FTP functions is also set out in more detail in separate reports which are published annually and available from our website.

Our work at a glance

In the last year the HCPC has:

Set new standards for prescribing

Developed information on self-referral which will inform new guidance

Revised the indicative sanctions policy

Revised guidance on confidentiality

Planned for the review of our standards of proficiency

Registered 20,701 professionals

Approved 82 new education programmes

Approved 160 major changes to education programmes

Reviewed 210 existing education programmes

Received 2,424 complaints about registrants

Delivered 420 cases to Fitness to Practise hearings

Delivering by our strategic priorities

In March 2018, the Council agreed the Corporate Plan for 2018-2020. This articulates our strategic priorities over the coming years and is underpinned by the vision, values and strategic objectives set out in the Strategic Intent 2016-2020. The document identifies four strategic priorities and the key deliverables for the 2018-19 financial year. Much of the work we have undertaken to date on these specific activities is reported below. This list is not exhaustive and references ongoing and future work where relevant.

Strategic priority 1: Improve our performance to achieve the Professional Standards Authority's Standards of Good Regulation

At our last review the Professional Standards Authority for Health and Social Care (PSA) found that the HCPC met 18 out of 24 of its standards. Our Fitness to Practise Improvement Plan was immediately launched to address concerns raised and work to address them has already been completed. This was quality-assured by our Quality Assurance Department as fully addressing the concerns raised. As part of the annual PSA performance review process, we have provided evidence to the PSA of the work we have undertaken to address its standards of good regulation.

The plan implemented a new threshold policy, revised job descriptions, tighter processes and improved guidance for teams to enable more effective triage, case preparation and

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scheduling of FTP cases. An investment was also made to reduce the number of older cases, which has brought the age profile of our cases down significantly.

Whilst considerable efforts have gone into streamlining this function, the total number of new concerns received has grown, exceeding our expectations. In April 2018 the HCPC was seeing on average 186 new concerns being raised per month, but since October 2018 the average has grown to 230 per month. The cases have also become more complex requiring more investigation and time.

Cases relating to social workers are the most frequent and most complex. However, we are seeing an increase from all professions. We are monitoring carefully as to whether the improvements made are sufficient to manage the increase in demand and reduce the case load.

Strategic priority 2: Ensure our communication and engagement activities are proactive, effective and informed by stakeholder views and expectations

This year the HCPC undertook stakeholder market research to understand perceptions of the HCPC. The multi-method research uncovered high levels of confidence in, and awareness of, the HCPC and our standards and reported feedback that the HCPC was effective in its communications and collaboration.

Areas for development identified from the research are informing our communications strategy and stakeholder engagement plans. The research uncovered a need to differentiate the role of a regulator from professional bodies and continue to promote the need for employers to check the registration of their employees. Further work to build understanding of our CPD and FTP processes, and when and how to raise a concern or self-refer, is also needed.

A desire among stakeholders in Scotland, Wales and Northern Ireland for continued and increased engagement was also found. Indeed, in February we undertook a pilot stakeholder engagement event in Edinburgh on the strategic direction of the HCPC. The event and discussion topics were well received by attendees and there was support for similar events in the future.

With regulators moving from a reactionary to a preventative approach, promoting professionalism and understanding triggers for disengagement are key areas of focus for the HCPC. We are scoping a new professional liaison service which might engage employers face to face, focusing on the impact of working cultures on a professional's practice, the triggers that may lead to impaired fitness to practise and how and when to raise concerns. This service may also engage students directly and through educators to promote an understanding of what it means to be a registered professional.

The Education Department has been working in partnership with the Council of Deans of Health, Deans of Allied Health from across the UK and professional body representatives from the Chartered Society of Physiotherapy to establish a working group to review our approach to the quality assurance of education and training programmes. The working group has met in February and March. Engagement and consultation will continue through 2019–20 on a revised quality assurance model.

Strategic priority 3: The organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment

The HCPC undertook a detailed financial analysis to build a five-year plan, taking into account the loss of income as social work registration moves to the newly formed Social Work England, and in order to determine the fees it needed to charge from October 2019.

At its meeting on 14 February 2019, the HCPC Council agreed to increase the registration renewal fee by £16 from £90 to £106 per year. Subject to parliamentary approval, this will take effect in October.

This decision was carefully considered and followed an in-depth analysis of the responses to the consultation. Council recognised that the majority of respondents disagreed with proposals to increase the renewal fee and explored the concerns of many organisations and the individual registrants who responded. However, Council agreed the need to safeguard the HCPC's financial sustainability, to ensure that it can continue to fulfil its statutory role to protect the public and its commitment to meet the expectations of stakeholders.

The HCPC has committed investment into processes and systems to improve stakeholder experience over the last year. This included the launch of a new user-journey focused website, tendering for an improved FTP case management system, agreeing an investment plan for an essential change of Registration management system and the implementation of ongoing upgrades to the Education provider management system.

Strategic priority 4: Make better use of data, intelligence and research evidence to drive improvement and engagement

In response to feedback from the 2017 People Like Us research, materials have been developed and promoted to registrants to help them understand when and how to self-refer. These will be further promoted to registrants and their employers in 2019–20.

The Policy Department has commissioned literature reviews on the characteristics of effective clinical and peer supervision in the workplace and into factors affecting fitness to practise among registrants who return to work after not practising for a while. It has also commenced in-house research to consider characteristics of FTP cases, particularly those ending in no action. This work will continue in 2019–20 as part of our prevention agenda, informing engagement by our proposed new Professional Liaison Service and content for a Return to Practise event pilot.

In addition, the Policy Department has commissioned a film showing the benefits of Schwartz Rounds, a form of group reflection on the emotional and social aspects of health and care practice, together with research about the impact of FTP processes on registrant wellbeing. This is the starting point of a suite of work on registrant health and wellbeing, and the role the HCPC has in supporting registrants in this regard.

Determined to learn from others, the HCPC also scrutinises recommendations from inquiries involving other regulators to ensure we learn necessary lessons. Sector insight also informed the development of the HCPC equality, diversity and inclusion policy and

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action plan which demonstrate our commitment to equality of opportunity for our registrants and for our employees.

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 2019. These statistics among others are captured on a monthly basis by the 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

Income and expenditure summary	2014–15	2015–16	2016–17	2017–18	2018–19
	£000	£000	£000	£000	£000
Registrants' fee income	26,303	28,310	31,449	33,372	34,425
<i>Of which: social workers' fees</i>	<i>7,106</i>	<i>7,456</i>	<i>8,028</i>	<i>8,640</i>	<i>8,796</i>
Payroll costs	9,636	10,539	11,638	12,810	13,777
Non-payroll costs	15,739	16,926	18,561	20,493	20,331
Depreciation	762	822	1,103	809	849
Total operating expenditure	26,137	28,287	31,302	34,112	34,957
Operating surplus / (deficit)	166	23	147	(740)	(532)
Other costs	110	–	–	–	–
Other income, net of tax	303	135	131	125	949
Impairment (loss) / reversal	80	256	6	–	185
Retained surplus / (deficit)	441	414	284	(615)	232
Revaluation gains / (losses)	104	486	261	(829)	276
Total recognised gains / (losses)	545	900	545	(1,444)	508

In 2018–19, our fee income increased by £2m or 6% on the previous year. This was the product of a 2.2% growth in the size of the Register.

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Operating expenditure increased by £0.85m or 2.5%. The table below shows the operating expenditure by department from 2014–15 to 2018–19.

Expenditure by department	2014–15	2015–16	2016–17	2017–18	2018–19
	£000	£000	£000	£000	£000
Education	889	1,047	1,113	1,094	935
Registration	3,104	3,211	3,732	3,340	3,253
Fitness to practise	12,881	13,189	14,939	15,874	16,361
Communications	1,141	1,374	1,054	1,067	811
Policy and standards	382	434	395	411	338
Information technology	1,659	1,805	1,951	2,277	2,312
Major projects	546	616	461	1,569	1,759
Office services, including premises	1,465	1,754	2,369	2,529	3,053
Other department costs (for example, HR and Governance)	3,309	3,446	3,326	4,263	4,361
Depreciation	761	822	1,103	809	849
PSA levy	–	589	859	879	924
Total operating expenditure	26,137	28,287	31,302	34,112	34,957
	£	£	£	£	£
Total cost per registrant	78.99	82.77	89.35	94.48	94.70

As can be seen from the table the decrease in education, registration and communication and policy expenditure is mainly as a result of the restructuring done last year.

The increase in FTP costs is due to a combination of factors, including an increase in number of FTP cases received in year from 2,302 in 2017–18 to 2,424 in 2018–19 and a change in Council-approved threshold for investigations, resulting in more investigating committee panel activity. A major review of roles within FTP as part of our wider Improvement Plan has developed new roles, and there have been additional costs to maintain activity during this review and recruitment process.

Increase in office services is due to increase in rent and business rate and planned equipment purchases. Other increase in costs is mainly inflation or increased activity such as but not limited to the increase in number of projects.

The increase in levy we pay to the PSA is due to the growth of our Register.

Our operating deficit has reduced by £205k, 27% mainly due to growth in the Register and saving realised from the restructure of the senior management team and departments in the previous financial year.

Other income (net of tax) of £949k, is made up of interest income of £94k (2017–18, £125k) rental income £106k (2017–18, nil) and a grant income of £749k from the Department of Education to support the transfer of social workers to Social Work England.

In 2017–18, we suffered an impairment loss of £829k as we undertook a refurbishment of the 186 Kennington Park Road building. The result of the refurbishment has resulted in

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the revaluation gain of £276k in this financial year. Details of the annual revaluation of the properties are set out in note 8 to the Financial statements.

Balance Sheet (summary)	2014–15	2015–16	2016–17	2017–18	2018–19
	£000	£000	£000	£000	£000
Fixed assets	5,205	6,454	6,943	7,213	7,898
Cash and deposits	18,048	17,615	19,529	18,892	18,663
Deferred income	(17,332)	(18,800)	(20,749)	(21,311)	(22,148)
Other working capital, net	(2,199)	(734)	(554)	(1,012)	(179)
Liabilities greater than one year	(161)	(74)	(163)	(220)	(163)
Total reserves	3,561	4,461	5,006	3,562	4,071
Free reserves	(1,644)	(1,993)	(1,937)	(3,651)	(3,828)
Capital expenditure	1,040	1,330	1,325	1,908	1,443
Net flow of cash plus deposits	2,010	(433)	1,914	(637)	(996)
	£	£	£	£	£
Total reserves per registrant	10.76	13.05	14.29	9.87	11.03

Out of total fixed assets of £7.9m (2018, £7.2m), £5.7m is our freehold offices in Kennington, London. We carry our land and buildings on our balance sheet at valuation. This year the value of the building has increased by £276k.

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 £18.6m at 31 March 2019 (2018, £18.9m). These are not surpluses or profits; the element of fees received in advance is reflected in the deferred income balance of £22.1m (2018, £21.3m), and fee income is recognised evenly through the renewal cycle.

Our total accumulated reserves are £4m at 31 March 2019, which represents approximately £11 per registrant. The increase in total reserves and free reserves in 2018–19 is the consequence of our surplus for the year and (in relation to the free reserves) our capital expenditure. Our reserves policy, set out below, explains the importance of free reserves.

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

The Children and Social Work Act 2017 established a new body, Social Work England (SWE), which will regulate social workers in England. SWE aims to take over regulation of social workers from the HCPC in 2019, but this is subject to regular readiness reviews.

In 2018–19, we began 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. Grant income of £749k has been received in this financial year.

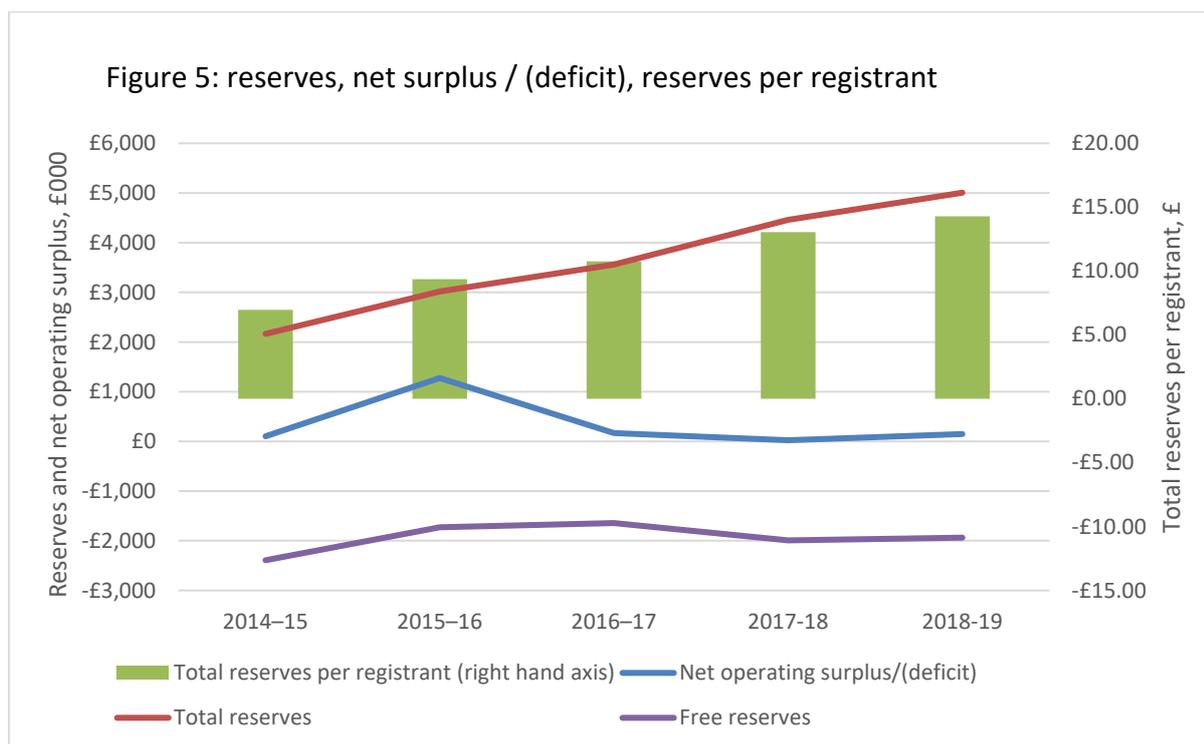
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The transfer of regulation of social workers in England to SWE will have a significant impact on the HCPC's operations, income and expenditure from 2019–20 onwards. Social workers represent over a quarter of our total registrants; income from social workers was £8.8m in 2018–19 and is budgeted to be £5.6m in 2019–20.

The loss of income will be partly 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.

Alongside the cost of inflation, essential systems changes and the HCPC's desire to be even more proactive in our prevention of harm, this reduction in income contributed to Council determination that an increase our fees to £106 was required to allow the HCPC to continue to perform effective public protection. At time of writing, the proposed rules which outline fee increase are subject to approval by the Privy Council and the Scottish and Westminster Parliaments. The aim is to introduce the fee rise in October, but HCPC will not see the full benefit of the rise for some time due to the two year renewal cycle.

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

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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 expected financial impact on the 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, the 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 2019 are negative £3.8m, which is equivalent to over one month's expenditure in the 2019–20 budget, and within the target range. The budget setting process includes a recalculation of the target range of free reserves. If free reserves were expected to fall below the lower limit of the target range, an increase in our fees may be necessary.

Investment policy

Our investment policy was approved at the Council meeting in May 2017 and will be reviewed at least every three years. The policy provides the framework for the management of funds that are surplus to immediate requirements. The objectives of the policy, in order of priority, are to:

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

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

Going concern

Council is required to consider whether the 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 2019–20, the corporate plan for 2019–21 and the five-year plan.

As noted above, SWE is expected to replace the HCPC as the regulator for social workers in England in December 2019, leading to a loss of around £9m a year in income. We have to take action to reduce our cost base and continue to seek further cost efficiencies and income generating opportunities. We have made the decision to increase our fees to £106. At time of writing, the fee is subject to parliamentary process.

Performance report: performance analysis

Council will continue to regularly review options in order to take appropriate steps. In the meantime, our cash balance ensures that we remain a going concern.

Future developments

The HCPC will continue to deliver by its corporate plan for 2018–20, which identifies four strategic priorities, whilst engaging stakeholders such as the Department of Health and Social Care, the PSA, professional bodies and our registrants in the redevelopment of our corporate strategy and plan.

Our current strategic priorities are:

1. **Improve our performance to achieve the PSA's Standards of Good Regulation.** The focus will be on embedding the new working structures and processes in the FTP teams. We will scope out and look to implement a new quality assurance model for education and training programmes.
2. **Ensure our communication and engagement activities are proactive, effective and informed by stakeholder views and expectations.** We will develop and deliver by a refreshed communications strategy and stakeholder engagement plan informed by our stakeholder research. We will scope out and propose a professional liaison service.
3. **The organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment.** We will monitor developments in the transfer of regulation of social workers and the parliamentary approval process for our new fees and adjust our financial forecasts and operations as required. We will also deliver the FTP case management system, new Registration management system and ongoing upgrades to the Education-provider management system.
4. **Make better use of data, intelligence and research evidence to drive improvement and engagement.** We will scope out and recruit, as finance allows, greater resource to allow us to interrogate and make accessible and more insightful the data and intelligence we currently store.

Principal risks and uncertainties

Our strategic risk register recognises and prepares mitigating actions meeting the risk management processes described within the governance statement. The risks captured are:

- **Failure to deliver effective regulatory functions** due to a lack of resources to deliver to PSA standards or as a result of the effort required to transfer the regulation of social work to SWE. The proposal to increase our fees is subject to parliamentary approval. The transfer of social work regulation has required, and will continue to require, careful planning and collaboration and sufficient resources funded by government. The costs of the transfer will be covered by a grant from government.

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- **Failure to anticipate and respond to changes in the external environment** such as Brexit, continued devolution of healthcare, addition and deletion of professions to regulate and potential regulatory reform. Preparations for a no-deal Brexit have been made and will be implemented if required. The HCPC has responded to the consultation on regulatory reform and will continue to engage with stakeholders to encourage reform and refine any future legislative changes.
- **Failure to be a trusted regulator and meet stakeholder expectations**, which includes the management of stakeholder engagement and key relationships as well as reputation management. Regular opinion polling helps the HCPC to understand stakeholders' needs and expectations. The stakeholder communications and engagement plan will be updated, and complemented by personal engagement plans for senior managers.
- **Failure to be an efficient regulator** due to the operational failure of processes or the inability to manage data as well as the vulnerability of IT security. This risk also includes financial security, timely and accurate reporting, and the recruitment, retention and training of Partners, Council and employees. Effective IT system design, maintenance of ISO27001 Information Security certification and development of a Quality Assurance function are helping to mitigate this risk, alongside the proposal to increase our fees.
- **Failure of leadership, governance or culture** including the effectiveness of Council, strategy setting, risk management and business planning, and the existence of relevant policies for whistleblowing, for example, and processes for performance development. Recruitment processes for Council are robust, and Council and Committee papers include well-reasoned decision making. An organisation-wide equality, diversity and inclusion policy has been approved and will bring long-term benefits for employees, stakeholders and the organisation. Training and internal communications ensure Partners, Council and employees are aware of such policies and that appropriate practise is embedded.

Christine Elliott
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 2019 was as follows. Attendance at meetings is shown in the table on pages 30–31.

	Council ¹	Education and Training Committee	Audit Committee	Remuneration Committee	Tribunal Advisory Committee
Elaine Buckley ²	✓ R, Chair				
Graham Aitken					✓
Catherine Boyd					✓
Stephen Cohen ³	✓ L		✓ Chair		
Maureen Drake	✓ R	✓			
Christine Elliott ⁴	✓ L, Chair				
Kathryn Foreman ⁵	✓ L			✓ Chair	
Sue Gallone ⁶	✓ L		✓ Chair		
Philip Geering					✓
Sheila Hollingsworth					✓
Luke Jenkinson		✓			
Penny Joyce		✓			
Alan Kershaw					✓
Sonya Lam	✓ R	✓			
Eileen Mullan	✓ L		✓		
Joanna Mussen ⁷	✓ L	✓		✓	
Julie Parker			✓		
Marcia Saunders					✓ Chair
Gavin Scott ⁸	✓ L		✓	✓	
Nicola Scrivings				✓	
Robert Templeton	✓ R				
Graham Towl ⁹	✓ R			✓ Chair	
Stephen Wordsworth ¹⁰	✓ R	✓ Chair		✓	

1. For Council members, R denotes Registrant members, L denotes Lay members
2. Chair of the HCPC to 4 July 2018.
3. Chair of the Audit Committee to 4 July 2018, Deputy Chair of the HCPC from 5 July 2018.
4. Chair of the HCPC from 1 March 2019.
5. Member of the Remuneration Committee from 5 July 2018 and Chair from 1 August 2018.
6. Chair of Audit Committee from 5 July 2018.
7. Term ended on 28 February 2019.
8. Member of the Remuneration Committee until 4 July 2018, member of the Audit Committee from 5 July 2018.
9. Chair of the Remuneration Committee and member of the Council until 31 July 2018.
10. Member of the Remuneration Committee from 1 August 2018.

The membership of the Senior Management Team (SMT) at 31 March 2019 was as follows:

Marc Seale
John Barwick
Guy Gaskins
Jacqueline Ladds

Chief Executive and Registrar; Accounting Officer
Executive Director of Regulation
Executive Director of IT and Resources
Executive Director of Policy and External Relations

Information security and personal data-related incidents

The HCPC holds a range of information including sensitive personal data. We implemented an Information Security Management System and related procedures to safeguard the data rights of our registrants, stakeholders and the public and we achieved certification under ISO27001:2013[1] in June 2015. We were audited by BSI in April 2019 and our certification under ISO27001:2013 was maintained.

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 SMT along with any learning points and possible future mitigations.

In 2018–19, the HCPC recorded 78 personal information security incidents (2017–18, 66). Although there was an increase in incidents overall, no incidents were reported to the Information Commissioner's Office (ICO). Human error is the leading cause of data incidents across all sectors. Annual information security training is being used to address these incidents.

The roll out of the General Data Protection Regulation and Data Protection Act 2018 has raised information security awareness amongst employees and stakeholders. Our policies and processes are reviewed annually and updated where appropriate.

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.

Payment of suppliers

The HCPC paid 88% of purchase invoices within 30 days (2017–18, 89%) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2017–18, 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.

Statement of Accounting Officer's responsibilities

Under the Health and Social Work Professions Order 2001, the Privy Council has directed the HCPC 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 an ongoing 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.

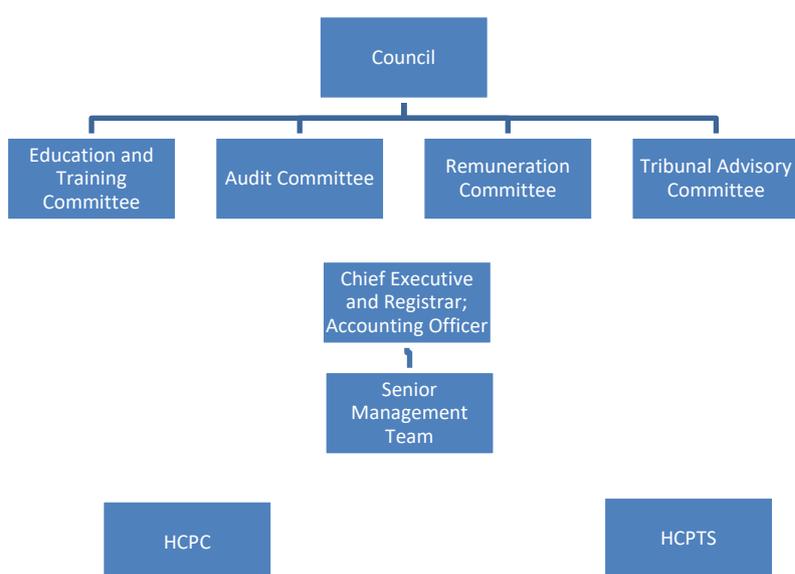
The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

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.

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. Council and Committee members' interests are declared on our website¹. 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 30–31.

The Council

The Council provides leadership and oversight for the HCPC, including the Health and Care Professions Tribunal Service (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.

¹ See www.hcpc-uk.org/aboutus/council/councilmembers/ and www.hcpc-uk.org/aboutus/committees/committeemembers/

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Appointments to the Council are made by the Privy Council, based upon recommendations made by the HCPC (which conducts the recruitment exercise). The PSA 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 twenty-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 2018–19, two members of Council resigned (including the Chair of Council) and one member's term of office ended. An appointments exercise was run for a Chair of Council, which gained the PSA's assurance as a fair and transparent campaign. As a result, Christine Elliott was appointed as Chair by the Privy Council from 1 March 2019 for a term of four years. An appointments exercise will take place between April and July 2019 for the remaining Council member vacancies.

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 SMT. High-level management information is reviewed by Council at each of its meetings. A corporate plan, including milestones and key performance indicators (KPIs), is in place for the two years 2018–20. This plan is derived from the six objectives in the strategic intent 2016–20 and drawing together the work of the various departments. In 2019–20, performance against the corporate plan and the KPIs will be reported by SMT 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 reviewing board members. Members complete a self-appraisal form, which is discussed with the Chair for feedback and identification of any development needs.

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

The most recent assessment in relation to the collective performance of Council was conducted in October 2017. This review did not take place at the October 2018 strategy day, due to the recent resignation of the Chair of Council and shortened strategic planning session. A board effectiveness review will be undertaken in 2019, to be evaluated at the

Accountability report: Corporate governance report

Council's strategic workshop in October 2019. The individual performance appraisals process commenced in May 2019.

As part of the annual self-appraisal, members are asked to identify any learning 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 is a statutory committee which is responsible for, and advises the Council on, matters relating to education, training and registration. The Committee consists of six members, four drawn from the Council and two independent members. The independent members bring a quality assurance and newly-qualified perspective.

The Committee met five times in 2018–19. Attendance at these meetings is detailed in the table on pages 30–31 of this report. The matters considered by the Committee included the following:

- reviewing the results of a public consultation and recommending a change to the standards for prescribing;
- agreeing a holistic review of the HCPC's education quality assurance model;
- reviewing the introduction of the service user and carer involvement;
- further developing the HCPC's comparable qualifications list;
- reviewing the findings of the biennial education provider survey 2016-18;
- reviewing the HCPC's approach to quality assuring higher and degree apprenticeships;
- agreeing the outcomes of a review of the HCPC's approval process;
- recommending the review approach for the standards of proficiency; and
- specific education programme concerns.

During 2018–19 the Committee received regular reports on the performance of the Registration function in order to provide assurance on the registration decisions being taken on its behalf.

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 and the external auditors) and the National Audit Office attend Audit Committee meetings by invitation.

The Audit Committee provides assurance on the 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;

Accountability report: Corporate governance report

- reviewing the HCPC's Annual Report and Accounts and making recommendations to the Council as appropriate;
- monitoring SMT'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 whistleblowing processes; and
- reviewing the internal auditors' programme, receiving reports on their work, and considering appropriate actions arising from those reports.

Grant Thornton UK LLP was the HCPC's internal auditors until 31 March 2019. From 1 April 2019 BDO LLP has been appointed as the HCPC's internal auditors for a three-year term.

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 SMT 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 2018–19, the Committee considered internal audit reports on:

- the HCPC's core financial controls;
- the office refurbishment project;
- the phase 1 registration project;
- the social worker transfer project;
- the Fitness to Practise Improvement Plan;
- strategic and operational planning; and
- the review of the five-year model.

Twelve medium rating (important) and eleven low rating (housekeeping) recommendations were made. No high rating (fundamental) recommendations were made. The internal auditors' annual report, delivered to the March 2019 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 SMT and the Chief Executive and Registrar. In 2018–19, the Committee considered and recommended proposed changes to the HCPC's pay system, following an independent review of pay and reward.

The Committee also made recommendations to Council on changes to the remuneration of Council and Committee members. This recommendation was informed by an independent benchmarking exercise.

Tribunal Advisory Committee

The Tribunal Advisory Committee was established as part of the establishment of the 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, panel chairs and legal assessors;
- the merit-based selection, by fair and open competition, of panel members, panel chairs and legal assessors; and
- arrangements for the training and assessment of panel members, panel chairs 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 SMT meetings. He is also the designated senior employee for employees to approach under the HCPC's whistleblowing policy.

Senior Management Team (SMT)

The three 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 form SMT.

Risks and internal control

In 2018-19, the Audit Committee and the Executive worked together to identify a set of strategic risks, as follows:

- 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.

These strategic risks were developed into a Risk Register, which includes a summary and heat map. Each risk has a brief explanation, an inherent risk score and an anticipated residual risk following existing controls and mitigations. The Register also sets out planned actions to bring each risk in line with the expected risk score.

Accountability report: Corporate governance report

Risk management and mitigation is an ongoing 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 focused 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.

The Audit Committee and SMT worked together to identify strategic risks. SMT developed a strategic risk register following feedback from the Audit Committee, listing five key strategic risk areas. Risk owners have been adjusted to reflect the new management structure. The strategic risks are as follows:

1. Failure to deliver effective regulatory functions
2. Failure to anticipate and respond to changes in the external environment
3. Failure to be a trusted regulator and meet stakeholder expectations
4. Failure to be an efficient regulator
5. Failure of governance, leadership or culture

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

Risk appetite is defined by the Council and informs the decisions of employees and Council. Previously, the HCPC's risk appetite has been defined as low or risk averse. However in practise some decisions have been higher. Therefore, in 2018-19, the Council approved the adoption of an expanded high level risk appetite statement. This describes the level of risk the HCPC will accept or tolerate as minimal, measured, open or seek in relation to certain areas, for example public protection, compliance, communication, people and infrastructure.

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, our internal quality assurance teams, 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 2018–19 was Grant Thornton LLP, who was appointed from April 2015, following a competitive tender. From 1 April 2019 BDO LLP has

Accountability report: Corporate governance report

been appointed after a tender process as the HCPC's internal auditors for a three-year term. The internal auditors use our assessment of risk as documented in the risk register as well as their own professional judgment in proposing their programme of work to the Audit Committee. They make recommendations based on the appraisal of each system reviewed.

An annual assurance report is provided to the Accounting Officer and Audit Committee, giving the internal auditors' overall opinion on risk management, control and governance and their effectiveness in achieving the HCPC's agreed objectives. Their opinion for 2018–19, reported to the March 2019 Audit Committee meeting, provided substantial assurance in respect of the HCPC's governance, risk management and internal control arrangements.

We have quality assurance teams covering our Education, Registration and FTP functions. As part of the restructuring of the leadership of the HCPC, in May 2018 we brought those teams (Complaints and Service Management and Business Process Improvement) together into a single Quality Department, reporting to the Executive Director of Policy and External Relations. Our quality management system complies with ISO 9001:200815 and is audited regularly by the British Standards Institute.

The 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 2017–18 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.

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 2019 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

Accountability report: Corporate governance report

Comptroller and Auditor General, who reports to Parliament. In previous years the 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 2018–19 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 £32,119 (£27,119 including VAT charged by haysmacintyre and £5,000 charged by the National Audit Office) (2017–18, £24,000 charged by haysmacintyre and £5,000 by the National Audit Office). There was no external auditor remuneration for non-audit work.

Assurances from outgoing Chair

Christine Elliott was appointed as Chair of Council on 1 March 2019. Christine Elliott sought formal assurance from Stephen Cohen, who confirmed that to his knowledge, there is no reason why she could not sign off the 2018–19 Annual Report and Accounts based on the information and assurances he received in his capacity as Deputy Chair from 5 July 2018 to 28 February 2019.

Christine Elliott
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

In 2018–19, fees were 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 was given. The daily fee rate for Council and Committee members in 2018–19 was £341. Expenses are payable for travelling and subsistence costs to reimburse the out-of-pocket expenses incurred, within the parameters set out in the Council and Committee members' expenses policy. From 2019–20, Council members' fees will be paid as salaries.² 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.

Council and Committee member fees totalling £141,335 (2017–18, £169,418) were paid and accrued to 20 members (2017–18, 20 members), including the independent members who are not also members of the Council. Benefits in kind with a total taxable value of £35,800 (2017–18, £49,000) 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 the 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 the HCPC in accordance with the Council and Committee members' expenses policy, and are not a taxable benefit.

² The fees payable to Council members will be £12,000 per annum and to Committee Chairs will be £14,000 per annum.

Accountability report: remuneration and staff report

The fees for the period 1 April 2018 to 31 March 2019 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 2018–19	2018–19				2017–18			
		Number of days	Fees £'000	Expenses* £'000	Total £'000	Number of days	Fees £'000	Expenses* £'000	Total £'000
Elaine Buckley ¹	Council (Chair up to 4 July 2019) 3/3	N/A	15–20	1.0	20–25	N/A	65–70	12.5	80–85
Catherine Boyd	Tribunal Advisory 4/4	4	0–5	0.4	0–5	4	0–5	0.1	0–5
Philip Geering	Tribunal Advisory 3/4	4	0–5	–	0–5	4	0–5	–	0–5
Christine Elliot ²	Council (Chair) 1/1	N/A	5–10	–	0–5	–	–	–	–
Stephen Cohen ³	Council 7/11 Audit (Chair up to 4 July 2018) 1/1	90	30–35	2.4	30–35	24	5–10	0	5–10
Maureen Drake	Council 11/11 Education and Training 5/7	19	5–10	3.6	10–15	22	5–10	5.1	10–15
Kathryn Foreman	Council 10/11 Remuneration (from 5 July 2018) (Chair from 1 August 2018) 3/4	19	5–10	3.3	5–10	7	0–5	1.1	0–5
Sue Gallone	Council 11/11 Audit 6/6	26	5–10	1.6	10–15	31	10–5	2.7	10–15
Sheila Hollingworth	Tribunal Advisory 3/4	3	0–5	0.6	0–5	4	0–5	1.4	0–5
Luke Jenkinson	Education and Training 7/7	11	0–5	2.0	5–10	3	0–5	0.8	0–5
Penny Joyce	Education and Training 6/7	9	0–5	1.0	0–5	2	0–5	0.1	0–5
Alan Kershaw	Tribunal Advisory 4/4	5	0–5	–	0–5	10	0–5	–	0–5
Sonya Lam	Council 11/11 Education and Training 7/7	27	5–10	4.0	10–15	30	10–15	4.9	15–20

Council / Committee member	Council and Committee attendance: number of meetings attended out of total that took place in 2018–19		2018–19				2017–18			
			Number of days	Fees £'000	Expenses* £'000	Total £'000	Number of days	Fees £'000	Expenses* £'000	Total £'000
Eileen Mullan	Council	8/11	15	5–10	2.9	5–10	20	5–10	4.3	10–15
	Audit	6/6								
Joanna Mussen	Council	9/11	23	5–10	1.6	5–10	25	5–10	4.7	10–15
	Education and Training	6/6								
	Remuneration	4/4								
Julie Parker	Audit	4/6	6	0–5	0.3	0–5	9	0–5	0.3	0–5
Marcia Saunders	Tribunal Advisory	4/4	11	0–5	–	0–5	8	0–5	–	0–5
Nicola Scrivings	Remuneration	4/4	4	0–5	0.3	0–5	6	0–5	0.2	0–5
Gavin Scott	Council	11/11	22	5–10	4.1	10–15	24	5–10	4.7	10–15
	Audit (from 5 July 2018)	5/5								
	Remuneration (up to 4 July 2018)	1/1								
Robert Templeton	Council	11/11	18	5–10	0.2	5–10	20	5–10	–	5–10
Graham Towl	Council (up to 31 July 2019)	3/3	9	0–5	3.2	5–10	18	5–10	5.5	10–15
	Remuneration (Chair up to 31 July 2018)	1/1								
Graham Aitkein	Tribunal Advisory	3/4	3	0–5	0.4	0–5	4	0–5	0.1	0–5
Nicola Wood			–	–	–	–	6	0–5	0.4	5–10
Stephen Wordsworth	Council	11/11	25	5–10	3.7	10–15	29	5–10	3.0	10–15
	Education and Training (Chair)	7/7								
	Remuneration (from 1 August 2018)	2/4								

1. The fees payable for Elaine Buckley's services as Chair of Council were fixed under the secondment agreement with Sheffield Hallam University, not variable according to the number of days actually worked. Under the agreement, Ms Buckley (who stepped down as Chair on 4 July 2018) was anticipated to work approximately three days per week to fulfil her role as Chair. Ms Buckley's remuneration for 2018–19 disclosed in the table is the fee of £19,417 including VAT payable to the university under the secondment agreement.
 2. The fees payable to Christine Elliot as Chair of Council (who was appointed on 1 March 2019) are fixed as a salary of £65,000 per annum and not variable according to the number of days actually worked. Under the agreement, Ms Elliot is anticipated to work approximately three days per week to fulfil her role as Chair.
 3. The reason why Stephen Cohen's fees were significantly higher than his 2017–18 fees is because he was Deputy Chair of Council from 5 July 2018 to 28 February 2019.
 4. Joanne Mussen's term came to an end on 28 February 2019.
- * As discussed on page 29, these figures relate solely to expenses designated as a benefit in kind by HMRC.

Remuneration of the Chief Executive and Senior Management Team (SMT)

The salary levels for the Chief Executive and SMT are reviewed annually in March by the Remuneration Committee, after due consideration of annual performance and changes in market rates.

In the HCPC's remuneration package, the most significant item is salary. No performance bonuses are payable to any employee and no SMT members are on fixed-term contracts. The Chief Executive and SMT 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 SMT members' contracts require a termination notice period of 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.

	2018–19	2017–18
Salary	£195,597	£193,660
Taxable benefits	£4,674	£4,339
Employer's pension contributions	–	–
Total remuneration	£200,270	£197,999

The Chief Executive has waived his entitlement to employer pension contributions to his personal pension plan for 2018–19 and 2017–18.

The information in the above table was subject to audit.

Accountability report: remuneration and staff report

SMT remuneration

From May 2018, three new senior leadership roles were created (see table below) which, together with the Chief Executive and Registrar, make up the Senior Management Team. This follows the restructuring of the previous leadership team, the Executive Management Team, which comprised of the nine departmental directors roles and the Chief Executive and Registrar. This was reported in the 2017-18 annual report and accounts.

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

Name	Position	2018-19			2017-18		
		Salary	Employer's pension contribution	Total	Salary	Employer's pension contribution	Total
		£'000	£'000	£'000	£'000	£'000	£'000
John Barwick	Executive Director of Regulation	110-115	5-10	120-125	95-100	5-10	100-105
Jacqueline Ladds	Executive Director of Policy and External Relations	105-110	5-10	115-120	80-85	5-10	90-95
Guy Gaskins	Executive Director of IT and Resources	105-110	5-10	115-120	95-100	5-10	100-105

Accountability report: remuneration and staff report

SMT remuneration (continued)

No benefits-in-kind were paid to SMT members during the year, except for the Chief Executive. The SMT employer's pension contributions are paid into the Friends Life pension scheme.

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:

	2018–19	2017–18
Remuneration band of highest paid executive (£'000)	£200–£205	£195–£200
Median total	£33,000	£33,000
Remuneration ratio	6.1	6.0
Range of remuneration: difference between highest and lowest paid employee (full time equivalent, excluding apprentices, £'000)	£175–£180	£175–£180

Consultancy, off payroll engagements and exit packages

The HCPC does not use consultants to fill positions in the permanent employee complement. All employee posts are filled by either permanent or fixed-term employees, or (for short-term needs) by workers provided by employment agencies. Similarly, there are no off-payroll engagements.

Employee numbers and costs

Employee numbers and costs are shown in note 4 to the Financial statements on page 55, together with the cost of agency and contract workers.

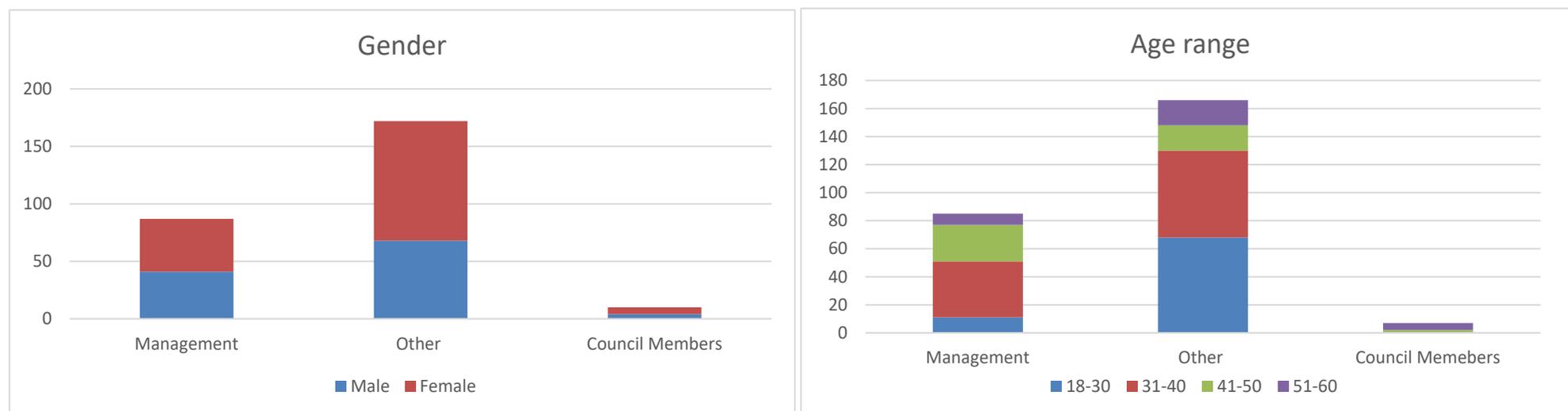
The information on this page was subject to audit.

Equality and diversity

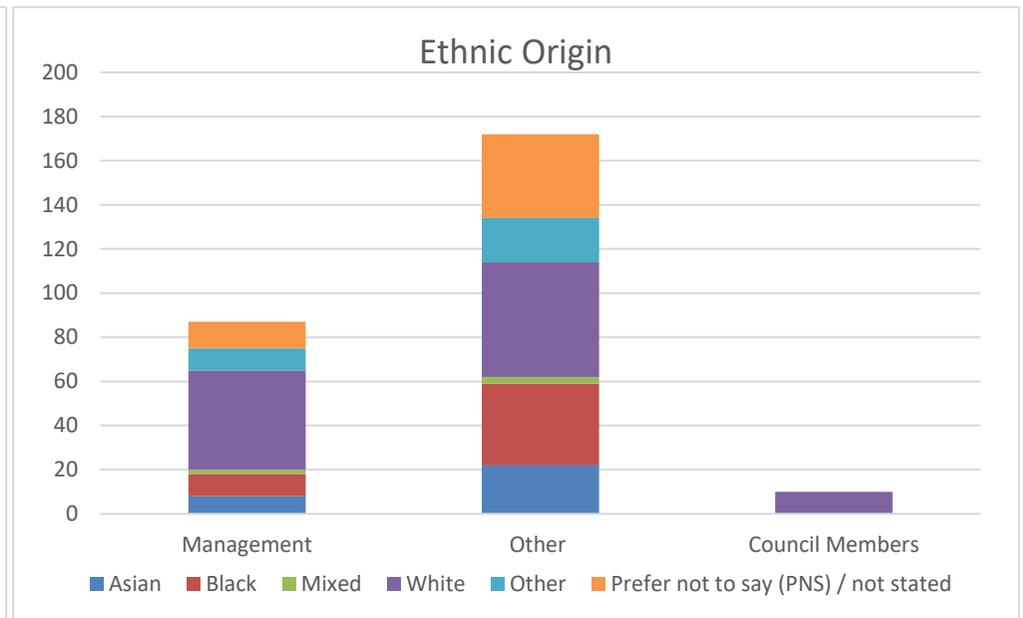
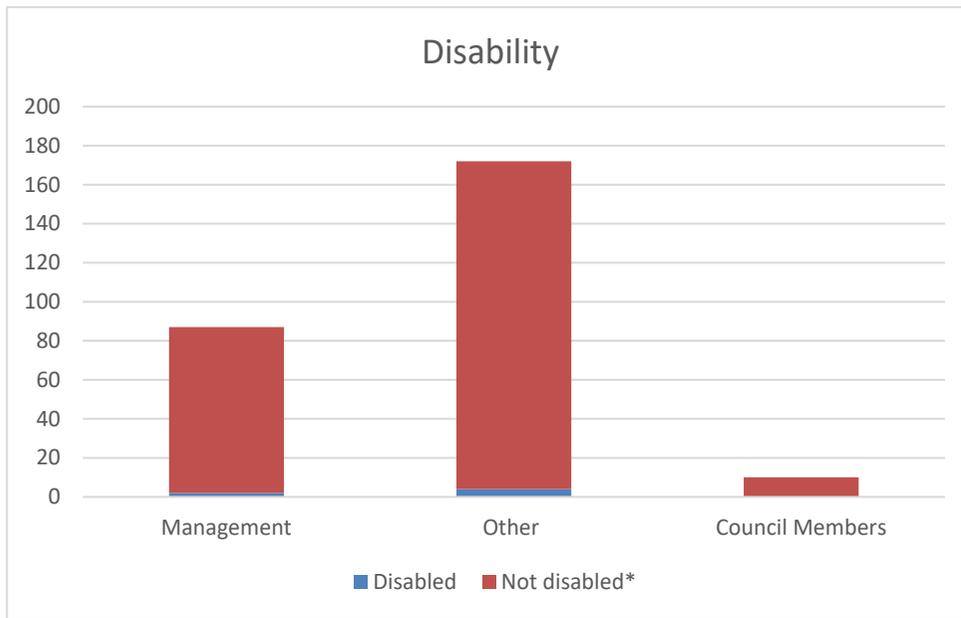
We are committed to meeting our obligations under the Equality Act 2010 and continuing to ensure that we are an organisation that values diversity and promotes equality. This includes ensuring Council and Committee members, Partners and employees receive regular training in equality and diversity matters,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

We are an equal opportunities employer and provide 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 2019 was as follows:

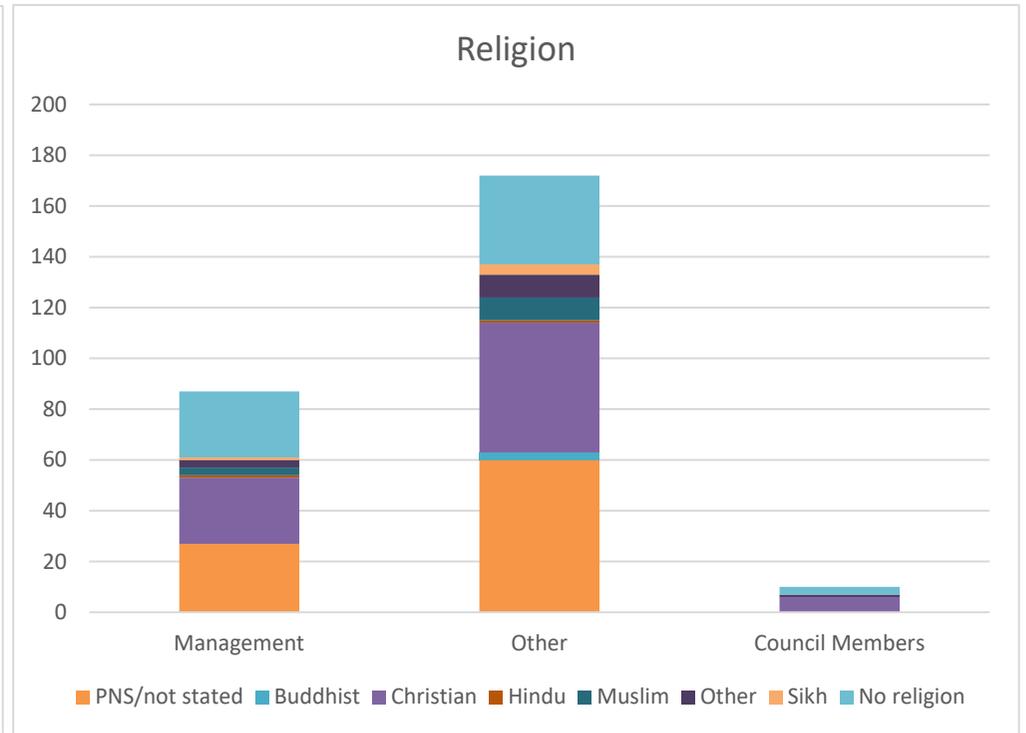
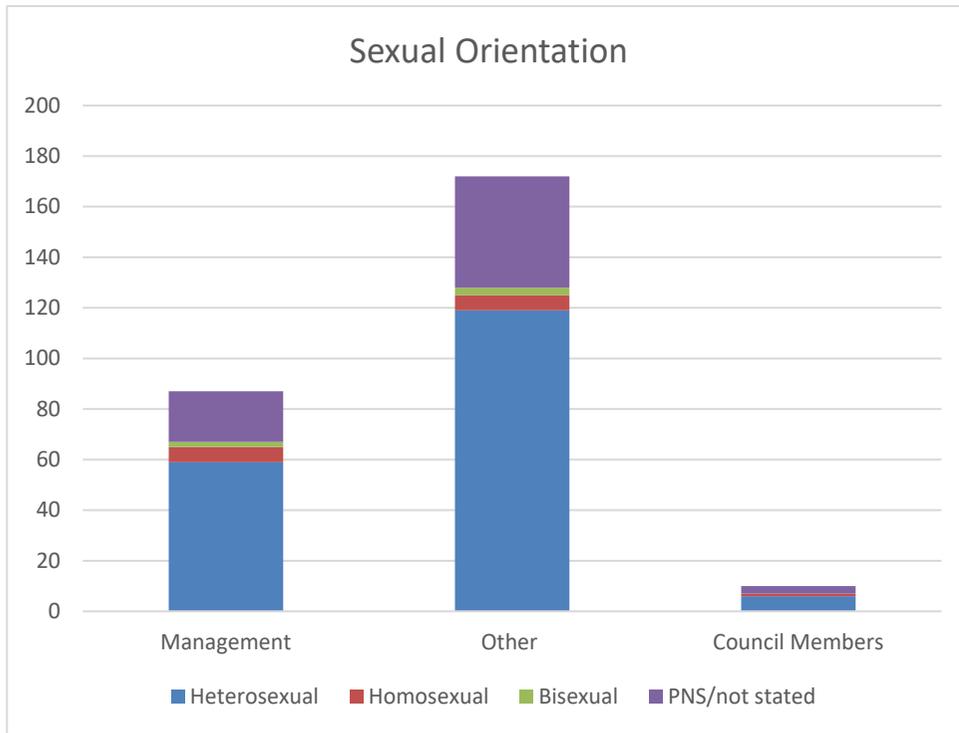


Accountability report: remuneration and staff report



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

Accountability report: remuneration and staff report



Gender pay gap

As at 5 April 2018, our mean gender pay gap for employees was 3.7% (2017–18, 9.3%) and our median gender pay gap was 0%³. We are committed to reducing our gender pay gap by attracting more women into senior and managerial roles. Steps planned for 2019–20 to achieve this aim include implementing changes to our pay and reward policy, rolling out live bias training to HR employees to reduce bias in recruitment, delivering unconscious bias training to all managers and reviewing the language of our recruitment materials to ensure that senior roles are attractive to women.

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. Nine health and safety incidents were reported during the year (2017–18, two). The increase is partly attributed to raised awareness of health and safety reporting processes across the organisation.

The total number of employee sick leave days in 2018–19 was 1,152 (2017–18, 1,533). The average number of sick days per full time equivalent employee in 2018–19 was 5 working days or 2% of working days (2017–18, 6.2 days, 2.4% of working days). The reduction is due to the focus on communicating the absence policy more effectively and also to a substantial increase in occupational health referrals in order to assist and support employees returning to work.

Corporate, social and environmental responsibility (CSR)

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 a safe place and a great place to work for our employees and partners.

In 2018–19, activities relating to CSR have included:

- fundraising and other activities for our charity of the year, Battersea Dogs and Cats Home;
- bake sales for Alzheimer's Society Cupcake Day and Macmillan Coffee Morning;
- Festive Eat, Give and Play: a festive bake sale, 12 Pets of Christmas quiz and gift collections for homelessness charity St Mungo's, Battersea Dog and Cats Home, and baby clothes library The Small Project;
- displays and information for World Mental Health Day, Armistice Centenary, Time to Talk Day and International Women's Day;
- fundraising for BBC Children in Need and Red Nose Day;
- working with Beanstalk to provide literacy support at a local school;
- collecting foreign currency and used stamps for charity;

³ In line with statutory requirements, the calculation for these figures includes HCPC Partners. The calculations for employee only result in a mean gender pay gap of 14.8% and a median gender pay gap of 5.28%. Our full gender pay gap report is available at www.hcpc-uk.org/resources/reports/2019/gender-pay-gap-report-2019/

Accounts determination

- encouraging health and wellbeing at work (for example, through a cycle-to-work scheme); and
- raising awareness of environmental issues (including recycling, energy saving and water saving).

Accounts determination

Accountability (the details below are subject to audit)

Fees charging

Article 45 of the Health and Social Work Professions Order 2001 provides that “the Council may charge such fees in connection with the exercise of its functions as it may, with the approval of the Privy Council, determine [and], subject to this article, the expenses of the Council are to be met out of fees received by the Council and other sums paid to it in connection with the exercise of its functions”.

Article 45 also provides that the government may make grants or loans to the Council, but we do not rely on government funding to cover our ordinary operating costs. In accordance with the Order and our reserves policy we set our fees at the levels required to recover our full costs and maintain our finances on a sustainable basis. We have complied with the charging requirements as set out in HM Treasury's guidance. The detailed breakdown of our fees is set out in note 2 to the Financial statements.

Losses and special payments; gifts; remote contingent liabilities

There were no losses, special payments, gifts or remote contingent liabilities within the terms of HM Treasury's guidance.

Christine Elliott
Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

Accounts determination

Statement of comprehensive net expenditure for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Income			
Fee income	2	34,425	33,372
Total operating income		34,425	33,372
Staff costs	4	13,777	12,810
Depreciation and amortisation		849	809
Other expenditure	6	20,330	20,493
Total operating expenditure		34,956	34,112
(Deficit) / surplus for the year after operational costs		(531)	(740)
Income received from the Department of Education	3	749	-
Investment income	3	116	154
Other income – rental	3	130	-
(Deficit) / surplus on ordinary activity before taxation		464	(586)
Taxation	7	(47)	(29)
Impairment of intangible assets		(185)	-
Retained (deficit) / surplus for the year		232	(615)
Other comprehensive net income			
Revaluation (loss) / gain on freehold property	8	276	(829)
Total comprehensive net (expenditure) / income		508	(1,444)

The notes on pages 47 to 61 form part of these financial statements.

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

Accounts determination

Statement of financial position at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	8	6,304	5,645
Intangible assets	9	1,594	1,568
Total non-current assets		7,898	7,213
Current assets			
Trade and other receivables	10	3,017	2,167
Short term deposits	12	7,370	12,665
Cash and cash equivalents	11	11,293	6,227
Total current assets		21,680	21,059
Total assets		29,578	28,272
Current liabilities			
Trade and other payables	13	(3,197)	(3,179)
Deferred income	14	(22,148)	(21,311)
Total current liabilities		(25,345)	(23,297)
Liabilities greater than one year	15	(163)	(220)
Assets less liabilities		4,071	3,562
Reserves			
General reserve		3,772	3,540
Revaluation reserve		298	22
		4,071	3,562

The notes on pages 47 to 61 form part of these financial statements.

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

Stephen Cohen
Deputy Chair

Marc Seale
Chief Executive and Registrar
Accounting Officer

Signature

Signature

Date

Date

Accounts determination

Cash flow statement for year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
(Deficit) / surplus for the year		(531)	(740)
Depreciation and amortisation	8 and 9	849	809
(Increase) in trade and other receivables	10	(851)	(173)
Increase in trade payables	13	18	635
Increase in deferred income	14	838	562
Increase in liabilities greater than one year	15	(57)	57
Net cash inflow from operating activities		266	3,103
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(667)	(1,264)
Purchase of intangible assets	9	(776)	(644)
Net disposal / (acquisition) of short term deposits	12	5,295	935
Rental income	3	130	-
Investment income	3	116	154
Net cash flows from investing activities		4,098	(819)
Taxation			
	7 and 13	(47)	(33)
Cash flows from financing activities			
Income from the Department of Education		749	-
Net cash flows from financing activities		749	-
Net increase / (decrease) in cash and cash equivalents in the period			
		5,066	298
Cash and cash equivalents at the beginning of the period			
	11	6,227	5,929
Cash and cash equivalents at the end of the period			
		11,293	6,227

Accounts determination

Statement of reserves for year ended 31 March 2019

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
Balance at 1 April 2017		851	4,155	5,006
Surplus for the year		–	(615)	(615)
Loss on revaluation of property		(829)	–	(829)
Balance at 31 March 2018		22	3,540	3,562
Surplus for the year		–	232	232
Gain on revaluation of property	8	276	–	276
Total recognised income and expense for the year		276	232	508
Balance at 31 March 2019		298	3,772	4,071

The notes on pages 47 to 61 form part of these financial statements

Accounts determination

Notes to the financial statements for year ended 31 March 2019

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the 2018–19 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 9 – Financial Instruments** was issued in July 2014 and has a mandatory effective date of 1 January 2018. Given the relatively simple nature of HCPC's financial instruments (being payables, receivables and short-term deposits), there is no significant change to the accounting presentation of the financial statements. HCPC now reports its financial instruments under the new classifications.
- **IFRS 15 – Revenue from contracts with customers** was issued on 28 May 2014 and applies to an entity's first annual financial statements for a period beginning on or after 1 January 2018. The standard establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under the current income recognition policy, renewal fees are recognised as deferred income and being released to the statement of comprehensive net expenditure in the period to which they relate, therefore no significant change is expected to the accounting policy and presentation of the financial statement.
- **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. It is estimated that the right-of-use asset value will be approximately £6m as at 1 April 2019 and the impact on the statement of comprehensive net expenditure will be additional expenditure of approximately £167k in 2019-20.

Accounts determination

Going concern

The Council has reviewed and approved the budget for the year ending 31 March 2020, the five year plan for the period ending 31 March 2023 was agreed by Council in late 2018. Social Work England is expected to replace the HCPC as the regulator for social workers in England in 2019, leading to a loss of around £5.6m a year in income in 2019. Plans are in place to reduce the cost base and a proposed fee increase is in final stages of negotiation. In the meantime, our cash balance ensures that we remain a going concern. 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.

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 2019. 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.

Accounts determination

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 2019 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 2019 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.

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.

Accounts determination

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

2 Fee income by profession	2019 £'000	2018 £'000
Arts therapists	393	375
Biomedical scientists	2,137	2,134
Chiropodists / podiatrists	1,169	1,180
Clinical scientists	555	509
Dietitians	935	929
Hearing aid dispensers	268	257
Occupational therapists	3,636	3,537
Operating department practitioners	1,235	1,184
Orthoptists	132	124
Paramedics	2,452	2,263
Physiotherapists	5,351	5,305
Prosthetists / orthotists	103	97
Practitioner psychologists	2,226	2,087
Radiographers	3,431	3,343
Social workers in England	8,796	8,640

Accounts determination

Speech and language therapists	1,522	1,408
European professional card	84	-
	<u>34,425</u>	<u>33,372</u>

3 Investment income

	2019	2018
	£'000	£'000
Bank deposit interest	116	154
	<u>116</u>	<u>154</u>

Other income during the year includes office space rental income of £130k (2017-18: £nil) and grant income of 749k (2017-18: £nil) from the department of education.

4

Staff costs

	Permanent staff	Others	2019 Total	2018 Total
	£'000	£'000	£'000	£'000
Wages and salaries	8,255	2,057,	10,312	9,679
Social Security costs	891	157	1,048	1,027
Pension costs	544	57	601	548
Temporary staff costs	-	1,474	1,474	907
Other payroll expense including recruitment costs	42	217	259	200
Apprenticeship levy	-	36	36	33
Redundancy cost	-	47	47	416
	<u>9,732</u>	<u>4,045</u>	<u>13,777</u>	<u>12,810</u>

The average number of full time equivalent (FTE) permanent employees during the year was 258 (2017-18, 246). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 86 (2017-18, 64)

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 2019, there were 266 active members in the pension scheme (2018, 231 active members). During the financial year to 31 March 2019, the HCPC contributed £601k to the pension scheme (2017-18, £548k).

Accounts determination

6 Other expenditure	2019	2018
	£'000	£'000
Professional services	6,681	6,330
Partners	5,691	5,661
Office services	1,539	1,611
Computer services	1,296	1,145
Communications	335	316
Other departmental costs	708	1,060
Property services	2,107	1,778
Projects	697	1,278
Council and Committee expenses	224	262
Travel and subsistence	128	173
PSA levy	924	879
	<u>20,330</u>	<u>20,493</u>

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.

Other department costs include organisational and departmental training which amounts to £168k (2017-2018: £414k)

Project costs for 2018-19 mainly made up of operating expenditure incurred for the refurbishment of 186 Kennington Park Road, which amounts to £697k (2017-18: £1.2m)

Because HCPC is not registered for VAT, other operating expenditure includes irrecoverable VAT of approximately £2.2m in 2018-19 and £2.3m in 2017-18.

Operating expenditure includes:	2019	2018
	£'000	£'000
Auditors' remuneration:		
• External audit – haysmacintyre	27	24
• External audit – National Audit Office	5	5
• Internal audit – Grant Thornton LLP	13	43
• Other non-audit services – Grant Thornton	109	14
Operating lease rentals (minimum lease payments):		
• Land and buildings	829	795

There were no sublease payments and contingent rents in the year (2017–18: £nil).

7 Taxation on investment income	2019	2018
	£'000	£'000
UK corporation tax on taxable income for the year	47	29
Tax charge for the year :	<u>47</u>	<u>29</u>

Accounts determination

8 Property, plant and equipment 2018–19	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 2018	2,488	2,488	1,029	154	485	6,644
Additions	–	544	–	24	99	667
Disposals	–	–	–	(7)	(42)	(49)
Revaluation ¹	385	(159)	–	–	–	226
At 31 March 2019	<u>2,873</u>	<u>2,873</u>	<u>1,029</u>	<u>171</u>	<u>542</u>	<u>7,488</u>
Depreciation:						
At 1 April 2018	–	–	454	132	413	999
Charge for the year	–	50	157	10	67	284
Disposals	–	–	–	(7)	(42)	(49)
Reversal on revaluation ¹	–	(50)	–	–	–	(50)
At 31 March 2019	<u>–</u>	<u>–</u>	<u>611</u>	<u>135</u>	<u>438</u>	<u>1,184</u>
Net book value:						
At 31 March 2019	<u>2,873</u>	<u>2,873</u>	<u>418</u>	<u>36</u>	<u>104</u>	<u>6,304</u>
At 31 March 2018	<u>2,488</u>	<u>2,488</u>	<u>575</u>	<u>22</u>	<u>72</u>	<u>5,645</u>

1. Net revaluation gain for 2018–19 amount to £276k (2017–18 net loss £829k). 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 2019 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

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

Park House was valued at £5.75m. The combined historic cost of the Park House property, which now includes 186 Kennington Park Road, was £5,135,848 (2018 – £5,135,848).

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 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	1029	154	500	6,299
Additions	–	1235	–	–	29	1,264
Disposals	–	–	–	–	(44)	(44)
Revaluation ¹	180	(1055)	–	–	–	(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	5,502

Accounts determination

9 Intangible assets	Software licences	Other systems¹	HR and Partner Build	Education system	Fitness to practise case management	Registration system²	Total
2018-19							
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	316	559	356	887	1,048	4,361	7,527
Additions	30	255	5	69	57	360	776
Impairment						(185)	(185)
Disposals	(7)	–	–	–	–	–	(7)
At 31 March 2019	339	814	361	956	1,105	4,536	8,111
Amortisation:							
At 1 April 2018	246	202	107	887	1,048	3,469	5,959
Charge for the year	41	173	116	–	–	253	583
Impairment						(18)	(18)
Disposals	(7)	–	–	–	–	–	(7)
At 31 March 2019	280	375	223	887	1,048	3,704	6,517
Net book value:							
At 31 March 2019	60	440	138	69	57	833	1,594
At 31 March 2018	55	357	249	–	–	892	1,568

Accounts determination

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

10 Trade and other receivables	2019	2018
	£'000	£'000
Prepayments	2,620	2,035
Other receivables	398	132
	<u>3,017</u>	<u>2,167</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	2019	2018
	£'000	£'000
Balance at 1 April	6,227	5,929
Net change in cash	5,066	298
Balance at 31 March	<u>11,293</u>	<u>6,227</u>

All cash held in commercial bank accounts only.

12 Short term deposits	2019	2018
	£'000	£'000
Balance at 1 April	12,665	13,600
Net change in deposits	(5,295)	(935)
Balance at 31 March	<u>7,370</u>	<u>12,665</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 2019, £nil (2017–18: nil) of the total short term deposits are maturing after more than one year.

13 Trade and other payables	2019	2018
	£'000	£'000
Corporation tax	47	29
Other taxation and social security	311	287
Trade and other payables	1,579	820
Accruals	1,260	2,043
	<u>3,197</u>	<u>3,179</u>

14 Deferred income	2018	2018
	£'000	£'000
Fees received in advance	<u>22,148</u>	<u>21,311</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 2019, approximately £2.3m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2020, which will be recognised as income in the financial year 2020–21

15 Liabilities greater than one year	2019	2018
	£'000	£'000
Dilapidation Provision	163	163
Retention Fee Provision	-	57
	<u>163</u>	<u>220</u>

Dilapidation provision relates to 405 Kennington Road, and was calculated based on cost per square metres. Duration of the lease and date of determination is set out in Note 16.

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.

			2019		2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Payments due:	Kennington Road	Stannary Street	Total	Kennington Road	Stannary Street	Total
In less than one year	642	129	771	701	141	842
In the second to fifth years	1,226	564	1,790	1,859	564	2,433
After more than five years	-	559	559	-	688	688
	<u>1,868</u>	<u>1,252</u>	<u>3,120</u>	<u>2,570</u>	<u>1,393</u>	<u>3,963</u>

17 Capital commitments

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

	2019	2018
	£'000	£'000
FTP CMS review	89	-
HR system upgrade	54	-
Education change 18-19	54	-
Website review and build project	-	260
CPD online migration project	-	201
	<u>197</u>	<u>461</u>

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

	2019	2018
	£'000	£'000
Registration transformation and improvement project	1,571	882
CMS phase 1 replacement	500	-
Education system enhancement FY20	56	-
Netreg refresh	32	-
Partner portal upgrade1869	11	-
Fees review	6	-
Refurbishment of 186 Kennington Park Road	-	630
Website review and build project	-	88
Other projects	-	80
CPD online migration project	-	10
FTP CMS review project	-	275
Sage and WAP replacement project	138	138
Education System Change project	-	169
	<u>2,314</u>	<u>2,272</u>

18 Related party transactions

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

During the year, a payment of £990,000 (2017–18, £924,000) 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 and Social Care treats the HCPC as part of its group, although the HCPC does not regard itself as controlled by the Department of Health and Social Care. No grants or fees from the Department of Health and Social Care were received in the financial year (2017–18, £nil).

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £141,335 (2017–18, £169,418) were accrued and paid to 20 members, including ten non-Council Committee member (2017–18, 20 members).

19 Post statement of financial position events

None.

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