

1 April 2010 to 31 March 2011

Health Professions Council  
Annual report and accounts 2010–11

# **Health Professions Council**

## **Annual Report and Accounts 2010–11**

Presented to Parliament and the Scottish Parliament pursuant to Articles 44(2) and 46(7) of the Health Professions Order 2001 (as amended by the Health Care and Associated Professions (Miscellaneous Amendments and Practitioner Psychologists) Order 2009)

Ordered by the House of Commons to be printed on  
5 December 2011

© Health Professions Council (2011)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as Health Professions Council copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at the Secretariat, Health Professions Council, Park House, 184 Kennington Park Road, London SE11 4BU.

This publication is also for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk) and from our website at [www.hpc-uk.org](http://www.hpc-uk.org)

ISBN: 9780102975222

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2463865            12/11

Printed on paper containing 75% recycled fibre content minimum

## **Contents**

Foreword from the Chair and Chief Executive and Registrar	4
The Health Professions Council	5
Legislative and regulatory background to the Council	5
Council objectives	5
Corporate governance arrangements and organisational structure	5
Committee Membership	6
Composition of the Council in 2010–11	7
Registrant members	7
Lay members	7
Method of appointment of Council members	7
Management commentary	8
Key operating statistics and commentary	8
Financial review	8
Risks and key relationships	9
Health and safety	10
Corporate, social and environmental responsibility	10
Equality and diversity	10
Personal-data-related incidents	11
Remuneration report	12
Chief Executive and Registrar's remuneration	12
Chair and Council members	13
Council and Committee member expenses and fees	13
Methods used to assess performance	13
Audit information	14
Auditor	14
Statement of responsibilities of the Council and its Chief Executive in respect of the accounts	15
Accounting Officer's statement on internal control	16
Scope of responsibility	16
The purpose of the system of internal control	16
Capacity to handle risk	16
Safeguarding personal and other sensitive data	16
The risk and internal control framework	17
Review of effectiveness	18
Internal auditors	18
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	19
Respective responsibilities of the Council and its Chief Executive and auditor	19
Scope of the audit of the financial statements	19
Opinion on regularity	19
Opinion on financial statements	20
Opinion on other matters	20
Matters on which I report exception	20

Report **20**

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011 **21**

Other Comprehensive Expenditure for the year ended 31 March 2011 **22**

Statement of financial position as at 31 March 2011 **23**

Statement of cash flow as at 31 March 2011 **24**

Statement of changes in reserves **25**

Notes to the financial statements for the year ended 31 March 2011 **26**

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

In July 2010 the Council for Healthcare Regulatory Excellence (CHRE) recognised the quality of the work of the Health Professions Council (HPC), by concluding in their performance review that the HPC “is a well organised, efficient and cost effective regulator.” We were pleased to see this recognition by the body set up to scrutinise the work of professional regulators. It is a positive reflection of the work and commitment of all who contribute to the day-to-day work of the HPC.

Our fitness to practise cases involve only a very small minority of registrants (overall just 0.35% of registrants were subject to a complaint last year) yet they remain perhaps the most well-known aspect of our work. This year we have made a number of improvements to increase the accessibility of the process, including revising the information available on our website, revising guidance documents and producing an online audio-visual presentation. In the last year we have seen a reduction in the length of time taken to conclude cases and are also introducing a new case-management system to improve the way we handle cases.

In the wider world of regulation there have been a number of significant developments over the last year. Many will have an impact on us. First, the announcement in the government’s review of arms-length bodies that the General Social Care Council (GSCC) was to be abolished and social workers in England would join our Register. Social workers are regulated separately in Northern Ireland, Scotland and Wales so, for the first time, we will be regulating a profession on an England-only basis. Subject to parliamentary approval, we are working with the GSCC to ensure a smooth transfer of regulatory functions in 2012. At that time we are set to be re-named the ‘Health and Care Professions Council’, recognising our widening remit across health and social care and the diverse areas in which our registrants practice. We very much look forward to learning from the social work community and supporting its contribution to the welfare of the nation.

February 2011 saw the publication of the Command Paper ‘Enabling Excellence’, which set out the Government’s proposals for reforms to regulation in more detail. There will be a wider range of models for regulators, a new emphasis on limiting costs and statutory regulation will be implemented for new groups only where the risks to public safety are clearly demonstrated. Regulators are being given powers to establish voluntary registers alongside new powers for a renamed CHRE to quality-assure and accredit registers. It has also been proposed that the HPC should be responsible for registering practitioners who dispense unlicensed herbal medicines in the UK. Finally, the government has asked us to look at the options for voluntarily registering adult social care workers in England. We are busy considering what all this might mean for us, but are confident that we can meet the challenges that these developments present.

We would like to take this opportunity, once again, to thank everyone in the organisation and our Council members and Partners for all they do to make the HPC effective in its important role of public protection.

**Anna van der Gaag**  
**Chair**

**Marc Seale**  
**Chief Executive and Registrar**

## **The Health Professions Council**

The Council submits its eighth annual report together with the audited financial statements for the year ended 31 March 2011.

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

The Health Professions Council, a 'body corporate', was set up on 1 April 2002 by the Health Professions Order 2001. The HPC replaced the Council for Professions Supplementary to Medicine. The Council is one of nine UK statutory regulators for healthcare professionals. As of Thursday 31 March 2011 the HPC regulated approximately 215,000 individuals. These are known as registrants and are members of the 15 professions regulated by the HPC. The Council is an independent, self-funding organisation. It is regarded as a public body but it is not part of the Department of Health or the NHS. Virtually all its financial costs are funded by fees from registrants. The fees are set out in the Health Professions Council (Registrations and Fees) Rules 2003 and any fee increase is subject to a consultation and must be approved by the Privy Council. In May 2005, the HPC purchased a subsidiary, 22–26 Stannary Street Limited, to acquire the adjoining land and buildings of 22–26 Stannary Street. This subsidiary was wound up in the 2010–11 financial year.

### **Council objectives**

The principal objective of the HPC in exercising its functions is set out in the Health Professions Order 2001. The objective is "to safeguard the health and well-being of persons using or needing the services of registrants". The main functions of the Health Professions Council are to establish standards of education and training, conduct and performance for members of the relevant professions and to ensure the maintenance of those standards.

### **Corporate governance arrangements and organisational structure**

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

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

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

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

## **Committee Membership**

The three 'Practice Committees' (the Investigating Committee, the Conduct and Competence Committee and the Health Committee) are composed of registrant and lay 'Partners' who sit on fitness to practise Panels. No Council members sit on these three committees. The majority of the members of the other committees are Council members, but the Council has appointed non-Council members to the Education and Training Committee so that it includes one member from each profession regulated by the HPC. These members were appointed in accordance with the principles set out by the Office of the Commissioner for Public Appointments.

The non-Council members of the Education and Training Committee are:

Gerald Armstrong-Bednall  
Jo-anne Carlyle  
Helen Davis  
Stephen Hutchins  
Stuart Mackay  
Gillian Pearson  
Jeff Seneviratne  
Robert Smith  
Jois Stansfield  
Stephen Wordsworth

The Council has a number of executive departments operating under the leadership of the Chief Executive. These departments are:

- Communications;
- Education;
- Finance;
- Fitness to Practise;
- Human Resources;
- Information Technology;
- Operations;
- Policy and Standards;
- Registration; and
- Secretariat.



## **Composition of the Council in 2010–11**

### **Registrant members**

Anna van der Gaag – Chair

Patricia Blackburn (until 29 July 2010) \*

Malcolm Cross

John Donaghy

Morag MacKellar

Penny Renwick

Eileen Thornton

Annie Turner

Diane Waller

Neil Willis

\* Patricia died in July 2010. We are extremely grateful to the contribution that she made to the HPC and her profession. She was widely respected and is sadly missed.

### **Lay members**

Mary Clark-Glass

Sheila Drayton

Julia Drown

John Harper

Richard Kennett

Jeff Lucas

Arun Midha

Keith Ross

Deep Sagar

Joy Tweed

A Register of Interests in respect of all members is maintained. The register is published on the HPC website.

The Chief Executive and Registrar is Marc Seale.

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

The full membership of the Council is 20 members, 10 registrant members and 10 lay members, including the Chair. The Chair may be either a registrant or a lay member. The registrant and lay members are appointed by the Appointments Commission, acting on behalf of the Privy Council. There must be at least one member (lay or registrant) from each home country within the United Kingdom.

## Management commentary

### Key operating statistics and commentary

The table below shows the key operating statistics for the five years to 31 March 2011.

	2006–07	2007–08	2008–09	2009–10 (restated)	2010–11
Total operating income £000s	10,512	11,625	13,549	16,088	16,928
Total operating expenditure £000s	10,502	11,578	12,928	16,234	16,257
Net operating surplus/(deficit) in £000s	9	47	621	(146)	671
Working Capital in £000s	2,449	3,010	4,214	5,987	7,225
Total Assets in £000s	9,852	10,397	10,637	11,313	13,098
Capital purchases	544	1,539	1,242	1,071	948
Average number of FTE permanent employees	80	95	116	127	138
Number of registrants	117,230	178,393	185,689	205,311	215,095
Number of fitness to practise allegations	322	424	483	772	759
Number of fitness to practise hearings	222	324	396	567	673

The number of permanent employees at 31 March 2011 was 142.

In the five years since 2006, net registrant numbers have risen by 21 per cent. The number of registrants at the end of the financial year is a combination of the opening balance, the number of UK and international registrations added during the year, readmissions to the Register, additions from any new professions regulated, and reduced by the number of registrants who deregister during the year.

Income growth during the past five years has come both from growth in registrant numbers within each profession and from the addition of two new professions to the Register, practitioner psychologists and hearing aid dispensers. The professions which have seen the most growth in terms of registrant numbers are occupational therapists, paramedics, radiographers and speech and language therapists. Income growth during the past five years also came from across-the-board fee rises. Following an extensive consultation process with stakeholders, the Council approved a general fee rise which came into effect on 1 April 2009. The renewal fee increased from £72 per year to £76 per year and only takes effect from the date each profession next renews. The previous fee rise occurred in June 2007.

### Financial review

There was a retained surplus after tax of £620K (2009–10, deficit £92K) for the year, which is set out in these financial statements. Income totalled £16,928K (2009–10, £16,088K), an increase of five per cent. Operating expenditure totalled £16,257K (2009–10, £16,234K). This resulted in an operating surplus for 2010–11 of £671K. In compliance with the Accounting Standard on Merger Accounting, the 2010 Statement of Comprehensive Net Expenditure has been restated to include the income and costs incurred by the Hearing Aid Council in 2010. No assets or liabilities have been transferred to HPC from the Hearing Aid Council (see Note 2). At 31 March 2011 accounting reserves had increased to £1,742K (2009–10, £1,126K).

Net investment income, including profit or loss on sale of investments, totalled £252K (2009–10, £146K). During February 2011 HPC realised its investments in the investment portfolio and the profit on the sale of this was £144K before taxation.

The Statement of Financial Position shows property, plant and equipment totalling £2,479K (2009–10, £2,567K). This is primarily freehold land and buildings. Asset additions of £164K included £105K of computer equipment. The freehold land and buildings were revalued at the year end to £2,250K which resulted in the impairment being written to the income and expenditure account of £74K. Included in the Statement of Financial Position are intangible assets at cost, totalling £3,786K relating to various computer systems. Included within intangible assets are the registration system, fitness to practise case-management system and the finance management system. Intangible asset additions of £784K included £524K relating to the fitness to practise case-management system and £260K relating to the registration system. The investment portfolio was realised during the year. The money from the portfolio was transferred to the cash at bank. Cash at bank and on deposit rose to £8,722K (2009–10, £5,649K). There was deferred income of £9,344K (2009–10, £8,392K) comprising registration and renewal fees received in advance.

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

### **Risks and key relationships**

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

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

- forecasting the number of new professional groups applying to join the Health Professions Council Register, the number of international applicants, the number of readmissions and the rate of deregistration of registrants, including retirements and voluntary de-registrations by profession;
- forecasting the magnitude of future fee changes; and
- accurately forecasting the number of professional and occupational groups wanting to join the Health Professions Council and the time when those groups may join the Register.

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

- Forecasting the cost impacts (timing and magnitude) of the transfer of the regulatory functions of the General Social Care Council to HPC and the costs impacts of the Command paper 'Enabling Excellence'.
- Forecasting the increase in the number of fitness to practise allegations and the total cost of fitness to practise hearings.
- Forecasting the cost impacts (timing and magnitude) of capital infrastructure projects, including software enhancements, software upgrades and building works.

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

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

### **Health and safety**

The total number of employee sick leave days reported in 2010–11 was 843 (2009–10, 943 days). The average number of sick days per full time equivalent employee in 2010–11 was 6.1 days (2009–10, 7.3 days). The Health Professions Council is committed to adhering to the Health and Safety at Work Act 1974 and other related UK and European requirements. This ensures that employees, partners, Council members, Committee members and external visitors to the Health Professions Council premises continue to enjoy the benefits of a safe working environment. No health and safety incidents were reported during the year.

### **Corporate, social and environmental responsibility**

The Council first approved a corporate and social responsibility (CSR) 'statement of intent' in 2007. Since then a cross directorate working group has pursued ongoing and new initiatives around the statement of intent's main themes: employees, stakeholders, money, suppliers, environment and community.

In 2010–11, activities relating to corporate and social responsibility have included the following.

- The introduction of a work-plan travel plan, which included bicycle maintenance and commuter cycle training for our employees. As well as attending the launch of the Cycle Superhighways Scheme.
- Small-scale internal fundraising events which have raised money for local, national and international charities.
- The introduction of light sensors in meeting rooms and offices, to ensure effective energy consumption.
- In 2010–11, 15 metric tons of paper was recycled. This represents a 233 cubic metre reduction in landfill and is equivalent to 276 trees.

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

### **Equality and diversity**

The Health Profession Council maintains a single equality and diversity scheme encompassing commitments we have made in order to ensure that we are an organisation that values diversity and promotes equality. The scheme contains policy commitments on diversity strands, arrangements for training and information on the collection and monitoring of demographic data. It also includes departmental action plans, which link the commitments in the scheme to our formal work planning process.

In the coming year the scheme will be reviewed to ensure that the HPC reflects best practice in respect of obligations under the Equality Act 2010.

The Health Professions Council is an equal opportunities employer and provides employment opportunities and advancement for all suitably qualified persons regardless of age, disability, ethnic origin, gender, marital status, political beliefs, religion or sexual orientation. In November 2010 the HPC was recognised for a second year as a positive place to work for disabled people by retaining the Jobcentre plus Two Ticks for Disability symbol.

**Personal-data-related incidents**

Table 1: Summary of Protected Personal Data Related Incidents formally reported to the Information Commissioner’s office in 2010–11.

None Reported

Table 2: Summary of Other Protected Personal Data related incidents in 2010–11

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

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Council premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Council premises	1
III	Ensure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other.	Nil

A solicitor working on behalf of HPC was the victim of a street robbery in January 2011. The solicitor's attackers stole her briefcase which contained HPC Fitness to Practise casework. The solicitor had a legitimate business reason for carrying the material which had been partially redacted but nonetheless included identifiable information about some individuals involved in the case. In accordance with the guidance issued by the Information Commissioner's Officer (ICO), the loss of data was not considered to be a "serious breach" and so there was no requirement to report it to the ICO. However, the HPC considered it to be good practice to alert the ICO and CHRE.

## Remuneration report

The remuneration levels for the Chief Executive and Executive Management Team (EMT) are reviewed annually in March by the Remuneration Committee, after due consideration of annual performance and changes in market rates. To obtain the market rates, an external rating agency is used to assess the remuneration levels, based on the job description for each type of role. For existing employees, the resulting remuneration changes come into effect from the start of the subsequent financial year and apply for the full financial year, or until the date of leaving, whichever comes first.

The remuneration Committee, which meets in March each year, is made up of the following committee members.

- Richard Kennett (Chair)
- Mary Clark-Glass
- Malcolm Cross
- Sheila Drayton
- Julia Drown
- John Harper
- Arun Midha
- Keith Ross
- Eileen Thornton
- Neil Willis

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

The employment contract for EMT members requires a termination notice period of three months to be given by the employee after successfully completing their probationary period. At 31 March 2011 there were no provisions relating to compensation for early termination of any employees and no significant awards were made in respect of early termination made to past EMT members. No Health Professions Council employee roles require the employee to have a health practitioner's background.

### Chief Executive and Registrar's remuneration

	<b>2010–11</b>	<b>2009–10</b>
Total remuneration	£173,588	£168,503
Council contributions to pension	£24,581	£23,865
Total pension fund	£422,465	£353,792

The Chief Executive was 56 as at 31 March 2011. The information in the above table was subject to audit.



### Chair and Council members

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

Council and Committee member allowances, totalling £212,984 (2009–10, £229,596) were accrued and paid to 28 members (2009–10, 62 members). This includes ten non-Council Committee Members. The attendance allowances for Council members accrued and paid directly to, or via their employer, were as follows:

	2010–11	Number of	2009–10	Number of
	£'000	days	£'000	days
Anna van der Gaag	50-55	164	50 - 55	165
Annie Turner	10 - 15	39	5 - 10	27
Arun Midha	5 - 10	26	5 - 10	19
Deep Sagar	5 - 10	17	5 - 10	14
Diane Waller	5 - 10	30	10 - 15	47
Jeff Lucas	5 - 10	32	5 - 10	23
John Donaghy	5 - 10	17	5 - 10	23
John Harper	0 - 5	14	0 - 5	13
Joy Tweed	10 - 15	28	5 - 10	25
Julia Drown	5 - 10	26	5 - 10	22
Keith Ross	5 - 10	21	5 - 10	25
Malcolm Cross	10 - 15	29	0 - 5	7
Mary Clark-Glass	5 - 10	22	5 - 10	24
Morag MacKellar	5 - 10	18	5 - 10	18
Neil Willis	10 - 15	35	10 - 15	33
Penny Renwick	5 - 10	27	5 - 10	17
Richard Kennett	5 - 10	31	5 - 10	23
Sheila Drayton	5 - 10	27	5 - 10	17

The information in the above table was subject to audit.

### Council and Committee member expenses and fees

The Council has an obligation to pay the associated PAYE and National Insurance on expenses and National Insurance contributions on attendance allowance fees paid to Council and Committee members. An accrual of £14,771 has been made relating to the financial year 2010–11 (2009–10, £19,416).

### Methods used to assess performance

The review system for Council members was agreed by the Council in 2006. The system provides a mechanism for annual self-appraisal; a mechanism for appraisal of the Chair; and an opportunity for members of Council to discuss their perceptions and experiences of the Health Professions Council with the Chair. The system is competency-based, in common with many systems used for review of board members. Members complete a self-appraisal form and meet with the Chair for discussion and feedback and identification of any training needs. The Chair then presents a paper to Council, outlining general themes

and conclusions from the process. This year, Committee members and Committee chairs were invited to provide 180-degree feedback in addition to the existing appraisal processes.

### **Audit information**

The Accounting Officer for the Council confirms that he has taken steps to ensure the auditors are aware of all information pertinent to the audit and has ensured that such information he was aware of was notified to and made available to the auditors. The Accounting Officer confirms that there is no relevant audit information he is aware of that has not been communicated to the auditors

### **Auditor**

The management commentary and certain sections of the remuneration report are audited by the Health Professions Council's external auditors, the National Audit Office.

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

The Health Professions Council's internal auditors for financial year 2010–11 were PKF (UK) LLP. During the year, the Council appointed Mazars LLP as the internal auditors from April 2011.

By order of the Council

**Anna van der Gaag**  
Chair

Signature

Date 20 October 2011

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

Signature

Date 20 October 2011



## **Statement of responsibilities of the Council and its Chief Executive in respect of the accounts**

Under the Health Professions Order 2001, the Health Professions Council has directed the Executives 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 Professions Council and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

The Privy Council has appointed the Chief Executive as Accounting Officer of the Health Professions Council. The responsibilities of the Accounting Officer for keeping proper records and for safeguarding the Health 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 the Health Professions Order 2001 published by the Privy Council.

## **Accounting Officer's statement on internal control**

### **Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives whilst safeguarding the Health Profession Council's assets for which I am responsible, in accordance with the responsibilities assigned to me by the Privy Council.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control that has been in place in the Health Professions Council for the year ending 31 March 2011 and up to the date of approval of the annual report and accounts, accords with HM Treasury guidance.

### **Capacity to handle risk**

The governing Council vests the responsibility of its risk management process in its Executive Management Team, which is responsible for formulating methods of mitigating identified risks and for formulating a business-continuity plan. The Executive Management Team is responsible for ensuring that employees and visitors to the Health Professions Council premises are suitably briefed and trained where necessary. The Health Professions Council uses the on-going services of a risk management consultancy firm to ensure health and safety awareness and training.

### **Safeguarding personal and other sensitive data**

The Health Professions Council operates a range of measures to help safeguard personal and other sensitive data. A review of these measures was made by the Audit Committee during the year. Broadly, the measures include:

- information-security training for employees;
- operating different types and levels of system-access rights;
- creating audit trails of record changes;
- use of unique user-codes and passwords to access systems, laptops and PCs;
- the use of electronic firewalls and virtual private networks;
- regular data-security-penetration testing by specialist external parties;
- the use of data-protection agreements and employee agreements containing data-confidentiality clauses;
- the use of locked safes and locked filing cabinets;
- secure, offsite record storage;
- redaction (removal of sensitive fitness to practise information from documents) before publication on websites;
- the use of shredding machines and confidential waste disposal arrangements;
- physical destruction of computer hard disks prior to recycling by the manufacturer;
- the use of standalone PCs and smartcards;
- the use of post-transaction verification messages; and
- the use of CCTV and physical access controls relating to the buildings and IT infrastructure.

## **The risk and internal control framework**

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

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

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

To elaborate, activities to mitigate against risk include:

- ensuring consideration of the Council's strategic objectives in reacting to change brought about by UK legislation and other external pressures;
- reviewing and updating operating procedures;
- ensuring suitable systems and physical infrastructures are in place;
- ensuring employees are adequately briefed and trained in order to respond to change;
- ensuring that corporate governance best practice, as appropriate to the Council, is maintained and updated to meet changing requirements;
- constructing comprehensive budgeting and forecasting models to produce an annual budget and five-year plan which are reviewed and agreed by the Council;
- ensuring regular reviews by the Council and the Finance and Resources Committee of monthly and annual financial performance against forecasts;
- ensuring on-going audits by the internal and external auditors, and specialist information technology / service security providers;
- obtaining external specialist advice on legislative compliance in a range of areas;
- setting performance targets to measure financial and other performance, including individual goals and objectives for departments and managers;
- clearly defining and monitoring procedures for the authorisation and control of revenue and expenditure;
- operating within the dictates of relevant financial regulations, policies and procedures;
- ensuring clear documentation of operating procedures and processes to maintain International Organisation for Standardisation (ISO) accreditation; and
- regular quality audits of the Health Professions Council's processes by the British Standards Institute that are risk-based.

Internal controls are created and maintained by the Executive Management Team. The internal controls are routinely reviewed and commented on by the Executive Management

Team in the internal audit findings reports. These audit findings reports are presented on a regular basis to the Audit Committee. The Audit Committee reviews the audit findings and associated management responses in those reports. The Committee creates action points for the Executive to improve internal controls, as appropriate. The minutes of the Audit Committee are routinely provided to the Council to note. If necessary, internal control issues are escalated by the Audit Committee to the Council. Achievement of the Audit Committee action points is monitored at subsequent Audit Committee meetings and addressed as appropriate, in audit findings reports from the auditors.

As the Accounting Officer, I routinely attend Council meetings, Audit Committee meetings and Executive Management Team meetings. I am also the designated senior officer in the whistle-blower policy for employees to approach, if they have concerns regarding malpractice.

### **Review of effectiveness**

As the Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation. The executive managers have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letters and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The process is outlined under the heading 'The risk and internal control framework' above. In December 2010, the Council for Healthcare Regulatory Excellence (CHRE) audited the initial stages of the fitness to practise procedures at HPC. CHRE report found that HPC had as a well-managed system of casework with no evidence of unacceptable risks to patients or the maintenance of public confidence.

During 2010–11 the key risks which we addressed were:

- opening the Register to hearing aid dispensers;
- roll- out of the new online registration renewal system;
- preparation of the new fitness to practise case-management system; and
- initial preparation work to accommodate the requirements of the Health and Care Bill.

### **Internal auditors**

The Council appointed PKF (UK) LLP as the Health Professions Council's internal auditors in May 2006. During the 2010–11 financial year, internal audits were carried out in a number of key areas, including the management of the HPC's stakeholder communications, human resources management, business continuity arrangements and financial systems. The internal audit annual report for 2010-11 concluded that the overall system of internal control was satisfactory and was operating effectively during the year.

I conclude from my review that there are no significant weaknesses to report.

### **Marc Seale**

Chief Executive and Registrar  
Accounting Officer

Signature

Date 20 October 2011

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

I certify that have audited the financial statements of the Health Professions Council for the year ended 31 March 2011 under the Health Professions Order 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health Professions Council; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Health Professions Council's affairs as at 31 March 2011 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health Professions Order 2001 and the Privy Council directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Privy Council directions issued under the Health Professions Order 2001; and
- the information given in the 'Composition of the Council in 2010-11' and 'Management Commentary' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

## **Report**

I have no observations to make on these financial statements.

## **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

Date 8 November 2011

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000 (restated)*
<b>Income</b>			
Fee income	4	16,844	16,011
Other income		84	77
<b>Total operating income</b>		<u>16,928</u>	<u>16,088</u>
Staff costs	6	5,462	5,646
Depreciation and amortisation		527	376
Other expenditure	7	10,268	10,212
<b>Total operating expenditure</b>		<u>16,257</u>	<u>16,234</u>
<b>Surplus / (Deficit) for the year after operational costs</b>		<u>671</u>	<u>(146)</u>
Costs relating to transfer of General Social Care Council functions		(168)	-
Investment income	5	108	93
Profit / (Loss) on disposal of investments		144	53
Unrealised gains / (losses) on investments	11	-	462
Impairment of freehold land and buildings		(74)	(545)
<b>Surplus / (Deficit) on ordinary activity before taxation</b>		<u>681</u>	<u>(83)</u>
Taxation	8	(61)	(9)
<b>Retained surplus / (deficit) for the year</b>		<u>620</u>	<u>(92)</u>

The notes on pages 26 to 43 form part of these financial statements.

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

Consolidated accounts were not produced for this year as the subsidiary, 22–26 Stannary Street Limited, was wound up and struck off during this financial year. No transactions took place this year and all assets were transferred from 22-26 Stannary Street Limited to HPC during the financial year ended 31 March 2010.

\*The accounts have been restated as a result of the HAC register transferring to the HPC on 1 April 2010. Details of the impact of this transfer are included in Note 2.

## Other Comprehensive Expenditure for the year ended 31 March 2011

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b> <b>(restated)</b>
	£'000	£'000
Net loss on revaluation of Property, Plant and Equipment	(4)	(210)
Total Comprehensive Expenditure for the year ended 31 March	<u>(4)</u>	<u>(210)</u>



## Statement of financial position as at 31 March 2011

	Notes	2011 £'000	2010 £'000 (restated)	1 April 2009 £'000 (restated)
<b>Non-current assets</b>				
Property, plant and equipment	9	2,479	2,567	2,810
Intangible assets	10	1,382	964	784
<b>Total non-current assets</b>		<u>3,861</u>	<u>3,531</u>	<u>3,594</u>
<b>Current assets</b>				
Trade and other receivables	12	515	207	354
Financial assets	11	-	1,926	1,347
Cash and cash equivalents	13	8,722	5,649	5,342
<b>Total current assets</b>		<u>9,237</u>	<u>7,782</u>	<u>7,043</u>
<b>Total assets</b>		<u>13,098</u>	<u>11,313</u>	<u>10,637</u>
<b>Current liabilities</b>				
Trade and other payables	14	(2,012)	(1,795)	(2,829)
Deferred income	15	(9,344)	(8,392)	(6,755)
<b>Total current liabilities</b>		<u>(11,356)</u>	<u>(10,187)</u>	<u>(9,584)</u>
<b>Assets less liabilities</b>		<u>1,742</u>	<u>1,126</u>	<u>1,053</u>
<b>Reserves</b>				
Revaluation reserve		-	4	214
General reserve		1,742	1,122	839
		<u>1,742</u>	<u>1,126</u>	<u>1,053</u>

The notes on pages 26 to 43 form part of these financial statements

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

**Anna van der Gaag**  
Chair

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

Signature

Signature

Date 20 October 2011

Date 20 October 2011

## Statement of cash flow as at 31 March 2011

	Notes	2011 £'000	2010 £'000 (restated)
<b>Cash flows from operating activities</b>			
Surplus / (Deficit) from operating activities		671	(146)
Adjustment for transfer of Hearing Aid Council		-	22
Costs relating to the transfer of regulatory functions from the General Social Care Council		(168)	-
Depreciation and amortisation	9&10	527	376
Disposal of property, plant and machinery		13	4
(Increase) / Decrease in trade and other receivables	12	(308)	147
Increase / (Decrease) in trade payables	14	165	(1,019)
Increase in deferred income	15	952	1,637
<b>Net cash inflow from operating activities</b>		<u>1,852</u>	<u>1,021</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(164)	(640)
Purchase of intangible assets	10	(784)	(432)
Purchase of financial assets	11	(132)	(230)
Proceeds from sale of financial assets	11	2,058	113
Investment income	5	108	86
Gain on disposal of financial assets		144	53
<b>Net cash flows from investing activities</b>		<u>1,230</u>	<u>(1,050)</u>
<b>Taxation</b>		(9)	(24)
<b>Cash flows from financing activities</b>			
Grant income from the Department of Health		-	360
		-	360
<b>Net increase in cash and cash equivalents in the period</b>		<u>3,073</u>	<u>307</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>5,649</u>	<u>5,342</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>8,722</u>	<u>5,649</u>

The notes on pages 26 to 43 form part of these financial statements.

## Statement of changes in reserves

	Note	Revaluation reserve £	General reserve £	Total reserves £
<b>Balance at 31 March 2009</b>		214	663	877
Prior year adjustment	3		176	176
<b>Balance at 1 April 2009</b>		214	839	1,053
Net loss on revaluation of property, plant and equipment		(210)	-	(210)
Merger from Hearing Aid Council			15	15
Deficit for the year		-	(92)	(92)
Grant income received		-	360	360
<b>Balance at 31 March 2010</b>		4	1,122	1,126
Net loss on revaluation of property, plant and equipment		(4)	-	(4)
Surplus for the year		-	620	620
<b>Total recognised income and expense for the year</b>		(4)	620	616
Grant income received		-	-	-
<b>Balance at 31 March 2011</b>		-	1,742	1,742

# Notes to the financial statements for the year ended 31 March 2011

## 1 Accounting policies

### **Basis of preparation**

These financial statements have been prepared in accordance with the 2010–11 Government Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Health Professions Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Health Professions Council are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### **Standards, amendments and interpretations to published standards not yet effective**

On 31 March 2011 the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for, and have not been applied in the preparation of, the opening Statement of Financial Position.

- IFRS9: Financial Instruments (effective as of 1 January 2013)
- IFRS 7 Financial Instruments: Disclosure (effective as of 1 July 2011 – not yet endorsed by the EU)

The Council anticipates that the adoption of these standards and interpretations will not have a material impact on the opening Statement of Financial Position.

### **Going concern**

The officers of the Council have reviewed the operations and cash flow forecasts for the period to 31 March 2011. The Council considers that it is appropriate to prepare the Statement of Financial Position on a going concern basis.

### **Impairment of non-financial assets**

The Council assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Council estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are

corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive net expenditure account or set against the revaluation reverse. Where the asset is impaired due to a clear consumption of economic benefit the impairment should be recognised in the statement of comprehensive net expenditure, in those expense categories consistent with the function of the impaired asset. Where the asset is impaired due to a change in market value the impairment can be firstly set against any accumulated balance in the revaluation reverse. Any additional amount can be recognised in the statement of comprehensive net expenditure. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Council makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income and expenditure account unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase.

### **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 frequently enough to ensure that the fair-value of a re-valued 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 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, with a minimum interval of five years, more frequently if open market values are considered to be volatile. The latest valuation was in April 2011. 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 re-valued amount of the buildings. Upon disposal, any revaluation reserve relating to the particular building being sold is transferred to the General Reserves.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. Individual assets costing £1,000 or more are capitalised and subsequently depreciated. Items costing less than £1,000, other than computers and related equipment, are written off to the income and expenditure account in the year of acquisition.

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives. The annual rate of depreciation for each class of depreciable asset held at 31 March 2011 is as follows.

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

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

### **Intangible assets**

Intangible assets are stated at historic cost of acquisition less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The registration IT system, finance software and fitness to practise case-management system are amortised over three years using the straight-line method based on estimated useful life.

### **Financial instruments**

#### **Financial assets**

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

**Financial assets at fair value through profit or loss.** These comprise an investment in a managed fund comprising a mixed portfolio of listed securities, government securities and cash deposits. The fair value of the investments is based on the closing quoted bid price at the accounting dates. Gains and losses arising from changes in market value are included within other operating income or expense.

**Trade and other receivables.** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services but also incorporate other

types of contractual monetary assets. They are initially recognised at fair-value plus associated transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at invoiced value or amortised cost using the effective interest rate method, less provision for impairment.

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

### **Financial liabilities**

The Council classifies its financial liabilities as follows.

**Trade and other payables.** These are initially recognised at fair-value and then carried at invoiced value or amortised cost. These arise principally from the receipt of goods and services.

**Provisions.** A provision is recognised in the Statement of Financial Position when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at the HMT discount rate of 2.2 per cent.

### **Pensions**

The Council contributes to a defined contribution pension scheme on behalf of its employees. Council contributions are expensed to the income and expenditure account on an accruals basis.

The Council previously operated or supported two defined benefit pension scheme arrangements on behalf of its employees and former employees. The first scheme is a final salary scheme which was closed to new entrants in June 1995. The second scheme is a defined benefit occupational pension scheme supported by a levy on the Council and other external contributing bodies. This scheme was closed to new entrants in July 2006. Both schemes required contributions to be made to separately administered funds. There is an on-going potential liability on the Council to meet its share of the current obligations of these two schemes where periodic actuarial valuations are undertaken. The earlier scheme currently indicates a small surplus and the later scheme currently indicates a deficit. Contributions made to the schemes are expensed to the surplus and deficit when the liability is identified. An identified surplus is credited to the statement of comprehensive net expenditure.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised.

There are no other unfunded employee benefit arrangements.

### **Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. Income is measured



at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes or duty. Income arising from the provision of services is recognised when and to the extent that the Council obtains the right to consideration in exchange for the performance of its contractual obligations.

Fee income comprises registration fees, readmission fees, renewal fees, scrutiny fees and preregistration fees. Scrutiny, registration and readmission fees are charged and collected upon application for registration. Renewal fees are collected in advance and are recognised as deferred income in the Statement of Financial Position until they become period income. The renewal cycle for each of the 15 professions covers two years and registrants are charged on the anniversary of the renewal cycle for their profession. Registrants have a choice of whether to pay two years upfront or on a bi-annual basis.

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

### **Leases**

Operating lease rentals are charged to income in equal annual amounts over the lease term.

### **Foreign currency**

The presentational and functional currency of the Council is pounds sterling.

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

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

### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income and expenditure account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Council's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the



extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income and expenditure account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## 2 Merger with the Hearing Aid Council

### Background Information

On 1 April 2010 hearing aid dispensers registered with the Hearing Aid Council were transferred to the Health Professions Council Register. This was done under The Health Professions (Hearing Aid Dispensers) Order 2009, which was approved by Parliament on 10 February 2010. The HPC is now the statutory regulator of hearing aid dispensers. The order entitled HPC to set standards of education, training, conduct and performance which dispensers must meet in order to be eligible to apply for HPC registration. On 1 April 2010, 1,577 hearing aid dispensers transferred to the HPC.

### Merger accounting adjustments

The following merger accounting adjustments have been made:

- No assets or liabilities were transferred to the HPC. Therefore no items in the Statement of Financial Position have been merged with the HPC accounts.
- The Hearing Aid Council Statement of Comprehensive Net Expenditure has been merged with HPC's (see below). The cost of capital adjustment in the Hearing Aid Council has been reversed.
- The deficit of the Hearing Aid Council has been debited to the HPC's general reserve.

<b>Effect of merger adjustments on combined operating cost statement for year ended 31 March 2010</b>	<b>Cost / Income as previously reported £'000</b>	<b>HAC pre-merger £'000</b>	<b>Combined post-merger £'000</b>
Income	14,869	1,142	16,011
Other income	11	66	77
Operating income	<u>14,880</u>	<u>1,208</u>	<u>16,088</u>
Staff costs	5,236	410	5,646
Depreciation and amortisation	376	-	376
Other expenditure	9,392	820	10,212
Deficit for the year	<u>(124)</u>	<u>(22)</u>	<u>(146)</u>
Investment Income	86	7	93
Profit on disposal of investments	53	-	53
Unrealised gains on investments	462	-	462
Impairment of freehold land and buildings	(545)	-	(545)
Deficit on ordinary activity before taxation	<u>(68)</u>	<u>(15)</u>	<u>(83)</u>
Taxation	(9)	-	(9)
Retained deficit for the year	<u>(77)</u>	<u>(15)</u>	<u>(92)</u>

### 3 Prior year adjustment – IAS 8

Change in accounting treatment – The deferred income balance included lapsed registrant balances. A lapsed registrant is a registrant who is no longer on the HPC Register, mainly due to no signed renewal form being received. It has been determined that some of these should be treated as Registrant creditors and refunded to the lapsed registrant. The remaining balances should be treated as income. Therefore, as at 1 April 2009 £174K has been treated as other payables and £71K should have been treated as income and credited to reserves.

Accounting error – The deferred income balance included £105K from 2006 which should have been treated as income. Therefore, the general reserve has been credited with this amount as a prior period adjustment.

	<b>General reserve £'000</b>
Balance as at 31 March 2009:	663
Adjustment for:	
lapsed registrants	71
Accounting error	105
Balance as at a 1 April 2009:	<u>839</u>
Balance as at 31 March 2010	1,115
Adjustment for:	
lapsed registrants	7
Balance as at 1 April 2010	<u>1,122</u>
	<b>£'000</b>
Net expenditure for 2009–10	85
Adjustment for lapsed registrants (IAS 8)	7
Restated net expenditure for 2009–10	<u>92</u>

	<b>Deferred income £'000</b>
Balance as at 31 March 2009	7,106
Adjustment for:	
Lapsed registrants	(246)
Accounting error	(105)
Balance as at 1 April 2009	<u>6,755</u>

<b>4 Fee income by profession</b>		<b>2011</b>	<b>2010</b>
		<b>£'000</b>	<b>£'000</b>
Arts therapists		217	192
Biomedical scientists		1,783	1,729
Chiropodists / podiatrists		971	919
Clinical scientists		358	336
Dieticians		586	509
Hearing aid dispensers		86	1,142
Occupational therapists		2,492	2,347
Operating department practitioners		765	701
Orthoptists		99	98
Paramedics		1,206	1,117
Physiotherapists		3,585	3,346
Prosthetists / orthotics		69	72
Practitioner psychologists		1,497	576
Radiographers		2,114	1,968
Speech and language therapists		1,016	959
		<u>16,844</u>	<u>16,011</u>
<b>5 Investment income</b>		<b>2011</b>	<b>2010</b>
		<b>£'000</b>	<b>£'000</b>
Bank deposit interest		46	23
Investment deposit interest		-	7
Fixed interest securities		12	21
Quoted equities		50	42
		<u>108</u>	<u>93</u>
<b>6 Staff costs</b>		<b>2011</b>	<b>2010</b>
	<b>Permanent staff</b>	<b>Others</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,360	78	4,438
			453
Social security costs	458	7	465
Pension costs	332	-	332
Other payroll expense including recruitment and temporary staff	77	150	227
	<u>5,227</u>	<u>235</u>	<u>5,462</u>
			<u>5,646</u>

The average number of full time equivalent (FTE) permanent employees during the year was 138 (2009–10, 127). The average number of fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was 3.4 (2009–10, 5.6).

## **Pension funding arrangements**

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

This final salary scheme was closed in June 1995 and has no active members. On 28 March 2002, all members of the CPSM Scheme were served with a statutory notice of closure. At March 2011, the Scheme had 8 (2010, 9) deferred members (members whose benefits are not yet in payment) and 7 (2010, 7) members with pensions in payment. The benefits are secured by insurance policies issued by The Scottish Life Assurance Society (“Scottish Life”).

Winding-up the Scheme is reliant on Scottish Life securing pensions which increase in-line with the requirements of the Scheme rules. The rules provide for a minimum pension increase of three per cent per annum. In addition, in relation to service after 1997, if increases in the Retail Prices Index (RPI) exceed three per cent, then increases must be provided at the rate of increase in RPI, subject to a cap of five per cent. In 2010, as part of the winding-up process the Trustees were unable to find a provider of immediate or deferred annuities who would offer to take on the responsibilities under the existing terms. Following advice from lawyers and the actuary, the Scheme rules were amended such that the existing dynamism was changed to a fixed rate so that a service provider was available.

The last actuarial valuation was provided on 23 April 2001. The latest non-actuarial valuation (solvency quotation) by Scottish Life in February 2008 indicated that the assets of the fund were sufficient to meet the future requirements of the Scheme. The next actuarial valuation will be done immediately prior to the completion of the winding-up process.

In 2007, the Health Professions Council appointed a firm of pension lawyers to work with the trustees to resolve the outstanding issues pertinent to winding-up the Scheme, including how any new surplus would be distributed.

### **The Capita Federated FlexiPlan Scheme**

This Scheme is a defined benefit, occupational pension scheme. Its target was to provide final-salary benefits at retirement, but Capita notified the Health Professions Council in January 2007 that with effect from 10 July 2006, the provision of target benefits was withdrawn due to difficulties in the funding position of the Scheme. The Scheme is now a money-purchase arrangement with guaranteed rates of interest of two per cent per annum for contributions received after 31 March 2003 and four per cent for contributions received before that date. At retirement, a member’s pension will be the annuity that can be purchased on the open market by the member’s Capital Account.

The Capita Federated FlexiPlan scheme is a multi-employer scheme comprising at least 70 active employers at 31 March 2010. Entrust Pension Recovery Ltd (“Entrust”) was appointed as the corporate trustee in May 2007 and KPMG appointed as the scheme administrators and actuaries to the trustees in July 2008. The Scheme is covered by the Pension Protection Fund (PPF) for which a levy is payable. The Scheme is now in the process of being wound up and all employers’ contributions were stopped at the end of January 2010.

The most recent actuarial valuation of the Scheme indicated that the value of the Scheme's assets were less than the value of the Scheme's liabilities. The amount of deficit is not known as there is an issue relating to a technical point in the Scheme. To resolve this, the Scheme's administrators are seeking clarification by application to court. The case is due to be heard in the latter part of 2011 to early 2012.

### **The Friends Provident Scheme**

This is a designated stakeholder, defined contribution scheme open to Health Professions Council employees from May 2008. At 31 March 2011, there were 65 active members in the pension scheme. During the financial year to 31 March 2011 HPC contributed £331K to the pension scheme.

<b>7 Other operating expenditure</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
Professional services	4,233	3,510
Partners (agents)	2,451	2,318
Office Services	992	1,150
Computer services	535	510
Communications	524	620
Specific departmental costs	460	545
Property services	348	313
Council and Committee expenses	274	64*
Projects	251	155
Travel and subsistence	200	207
Hearing Aid Council costs	-	820
	<u>10,268</u>	<u>10,212</u>

\*Council and Committee expenses for 2009–10 of £64K included a reversal of a taxation provision of £247K. Therefore, the total expenses would have been £311K without this reversal.

<b>Operating expenditure includes:</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
Auditors' remuneration:		
• External audit – National Audit Office	36	60
• Internal audit – PKF (UK) LLP	32	34

The National Audit Office fee for 2010 included £37K for the audit of the Health Professions Council and £23K for the audit of the Hearing Aid Council.

<b>8 Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
UK corporation tax on profits of the year	61	9
Adjustment in respect of prior years	-	-
Total current tax charge / (credit)	<u>61</u>	<u>9</u>
Deferred taxation:		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>61</u>	<u>9</u>
Factors affecting tax charge / (credit) for year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:		
Surplus / Deficit on ordinary activities before tax	<u>689</u>	<u>(75)</u>
Surplus / Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK – 28% (2009–10, 28%)	193	(21)
Effect of:		
Non-taxable income	(4,748)	(4,158)
Write-off of unrealised losses on investments not taxed	0	(129)
Additional tax on interest received net	1	
(Profit)/ loss on disposal of investments	9	(15)
Expenses not deductible for tax purposes	4,615	4,344
Benefits of small companies starting rate relief	(9)	(3)
Capital allowances (in excess of) / less than depreciation	-	(35)
Tax losses eliminated	-	26
Current tax charge / (credit) for the period	<u>61</u>	<u>9</u>

<b>9 Property, plant and machinery</b>	<b>Freehold land £'000</b>	<b>Freehold properties £'000</b>	<b>Office furniture and equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
Cost or valuation					
At 1 April 2010	735	1,631	417	615	3,398
Additions	-	8	51	105	164
Disposals	-	(13)	-	(18)	(31)
Revaluation	-	(4)	-	-	(4)
Impairment	15	(122)	-	-	(107)
<b>31 March 2011</b>	<b>750</b>	<b>1,500</b>	<b>468</b>	<b>702</b>	<b>3,420</b>
Depreciation					
At 1 April 2010	-	-	357	474	831
Charge for the year	-	33	32	96	161
Disposals	-	-	-	(18)	(18)
Reversal on revaluation	-	(33)	-	-	(33)
<b>31 March 2011</b>	<b>-</b>	<b>-</b>	<b>389</b>	<b>552</b>	<b>941</b>
Net book value:					
At 31 March 2011	750	1,500	79	150	2,479
At 31 March 2010	735	1,631	60	141	2,567

### Freehold properties

The valuations of freehold land and buildings were made on 21 April 2011 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 6<sup>th</sup> Edition.

Park House, comprising of the land and buildings of 184 Kennington Park Road, London SE11 4BU and the adjoining land and buildings of 20 Stannary Street and 22–26 Stannary Street was valued at £2,250,000. The historic cost of the Park House property was £1,659,254 (2010, £1,659,254) and accumulated depreciation based on cost was £478,003 (2010, £444,818).

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

### Historic documents and papers

The HPC has a collection of historic documents and papers. The HPC does not put a value on this collection



<b>9 Property, plant and machinery 2009–10</b>	<b>Freehold land £'000</b>	<b>Freehold properties £'000</b>	<b>Assets under construction £'000</b>	<b>Office furniture and equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
Cost or valuation						
At 1 April 2009	755	1,765	117	370	644	3,651
Additions	-	16	511	47	64	638
Disposals	-	-	-	-	(93)	(93)
Revaluation	(20)	(778)	-	-	-	(798)
Transfer	-	628	(628)	-	-	-
<b>31 March 2010</b>	<b>735</b>	<b>1,631</b>	<b>-</b>	<b>417</b>	<b>615</b>	<b>3,398</b>
Depreciation						
At 1 April 2009	-	-	-	336	505	841
Charge for the year	-	35	7	21	59	122
Disposals	-	-	-	-	(90)	(90)
Reversal on revaluation	-	(35)	(7)	-	-	(42)
<b>31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357</b>	<b>474</b>	<b>831</b>
Net book value:						
At 31 March 2010	735	1,631	-	60	141	2,567
At 31 March 2009	755	1,765	117	34	139	2,810

<b>10 Other intangible assets – software systems</b>	<b>Finance system</b>	<b>Fitness to practise case- management system</b>	<b>Registration system</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation:				
At 1 April 2010	64	53	2,885	3,002
Additions	-	524	260	784
31 March 2011	64	577	3,145	3,786
Amortisation:				
At 1 April 2010	32	-	2,006	2,038
Charge for the year	21	-	345	366
31 March 2011	53	-	2,351	2,404
Net book value:				
At 31 March 2011	11	577	794	1,382
At 31 March 2010	32	53	879	964

<b>10 Other intangible assets</b>	<b>Finance system</b>	<b>Fitness to practise case management system</b>	<b>Registration system</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation:				
At 1 April 2009	59	-	2,510	2,569
Additions	5	53	375	433
31 March 2010	64	53	2,885	3,002
Amortisation:				
At 1 April 2009	11	-	1,774	1,785
Charge for the year	21	-	232	253
31 March 2010	32	-	2,006	2,038
Net book value:				
At 31 March 2010	32	53	879	964
At 31 March 2009	48	-	736	784

<b>11 Financial assets</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Listed investments as at 1 April	1,926	1,347
Additions	132	230
Disposals	<u>(2,058)</u>	<u>(113)</u>
	-	1,464
Unrealised gain / (loss) on investments At 31 March	<u>-</u>	<u>462</u>
	<u>-</u>	<u>1,926</u>
Historical cost value at 31 March	-	1,601

All listed investments were managed on a pooled basis in a nominee account by Rensburg Sheppards, professional fund managers, on behalf of the Council. On 10 February 2011 the Council approved a change in the HPC's investment policy, stating that the HPC should no longer invest in equities and should hold its funds in cash. Therefore, Rensburg Sheppards realised the investments in February and the balance of cash is now held in the cash accounts.

<b>12 Trade receivables</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>1 April 2009 £'000</b>
Prepayments	473	173	302
Other receivables	42	34	52
	<u>515</u>	<u>207</u>	<u>354</u>

The ages of all debtors are current and there are no amounts past due but not impaired. The main element of the other receivables relate to employee season-ticket loans. There are no impaired financial assets.

### **13 Cash and cash equivalents**

	<b>2011 £'000</b>	<b>2010 £'000</b>
Balance at 1 April	5,649	5,342
Net change in cash	3,073	307
Balance at 31 March	<u>8,722</u>	<u>5,649</u>

The following balances at 31 March were held at:

	<b>2011 £'000</b>	<b>2010 £'000</b>
Commercial banks and cash in hand	3,594	3,631
Short-term investments	5,128	2,018
Balance at 31 March	<u>8,722</u>	<u>5,649</u>

<b>14 Trade payables and other current liabilities</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>1 April 2009 £'000</b>
Corporation tax	61	9	25
Other taxation and social security	180	166	112
Other payables	780	665	1,150
Accruals	991	955	1,542
	<u>2,012</u>	<u>1,795</u>	<u>2,829</u>

<b>15 Deferred income</b>	<b>2011 £'00</b>	<b>2010 £'000</b>	<b>1 April 2009 £'000</b>
Registration fees in advance	337	331	263
Renewal fees in advance	9,007	8,061	6,492
	<u>9,344</u>	<u>8,392</u>	<u>6,755</u>

## **16 Contingent Liability**

The Capita FlexiPlan Pension Scheme identified earlier in this report, outlined an unknown liability due to an issue relating to a technical point in the scheme. To resolve this, the Scheme's administrators are seeking clarification by application to court. There is a possible transfer of economic benefit which, based on an actuarial report commissioned by the trustee as at 31 March 2010, shows a scheme total funding deficit between £1.54million and £19.66million, depending on the outcome of the court case. The Health Professions Council share of this is 2.001 per cent which would create a liability between £30,815 and £393,477. Until the case is heard it is not possible to estimate with any certainty the financial outcome. The amount of £30,815 has been recognised in the 2010–11 accounts as this is the minimum amount that the Health Professions Council would be liable for if the case is found in favour of the employers.

## **17 Related-party transactions**

The Council's sponsor is the Privy Council Office, with whom no transactions took place. The main entity with which the Health Professions Council has dealt with during the year was the Department of Health. No grant was received during the year (2010, £360K).

There were various transactions with Council members and non-Council Committee members during the year. Council members and non-Council Committee members receive an attendance allowance when they attend Council or Committee meetings. Such allowances, totalling £212,984 (2009–10, £244,725), were accrued and paid to 28 members, including ten non-Council Committee members (2009–10, 62 members).

## 18 Post statement of financial position events

On the 16 June 2011 £240K was received from the Department of Health in relation to the costs incurred relating to the transfer of the register from the General Social Care Council.

The financial statements are authorised to be issued for the accounting officer to sign on 20 October 2011. There are no other items to note.

## 19 Financial instruments

The details of the various categories of financial assets are outlined in note 11 (Financial Assets) and note 12 (Trade receivables). The details of the various categories of financial liabilities are outlined in note 14 (Trade payables and other current liabilities).

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

### Currency and liquidity risk

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

The Health Professions Council adhered to its reserves policy at all times during the year. The policy is to maintain a reverse level that is a minimum of three months' operating expenditure. The reserves policy was reviewed and approved by Council on 31 March 2011. Due to registration renewal cycles and the payment methods of registrant fees, the Health Professional Council holds a significant amount of cash in short-term money-market accounts to cover the expenditure expected to be incurred over the payment period.

### Interest rate risk

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

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

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

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

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



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-297522-2

