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## Draft Annual Report and Accounts 2019-20

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### Executive Summary

The draft Annual Report and Accounts (AR&A) for the year ended 31 March 2020 is attached (page 3).

The National Audit Office and haysmacintyre (HM) audit is still ongoing. The draft AR&A has been updated with initial feedback from National Audit Office on the financial statement and remuneration report, plus feedback from the Audit Committee in their meeting held in June 2020.

At the time of writing, there has been no indication of an audit adjustment to the year end result, however we have been informed that there will likely be an emphasis of matter paragraph in the audit report to reflect uncertainties around property value as 31 March 20, due to the impact of Covid-19 on the property market.

Feedback from Gavin Scott, Audit Committee member has also been obtained, this included suggested amendment to the presentation of the overview and financial analysis section and content update in the overview section. These do not have significant impact to the AR&A and will be updated in the next version of the accounts.

Similar to 2017-18, our approach to dissemination of the annual report will be twofold:

- the **Annual Report and accounts** as a published word document to be laid in parliament and put on our website.
- developing a '**yearly highlights**' web section which will showcase our work over the year and used to engage with stakeholders. We will also use infographics and tables to illustrate the key messages, similar to our approach in [2017-18](#).

### Next steps

9 September	Next draft of the Annual Report and Accounts reviewed by Audit Committee together with final audit reports from HM and NAO. "Yearly highlight" content will also be available for review by the Audit Committee.
24 September	Anticipated approval of the Annual Report and Accounts by Council
September	HM signs the audit report
September	Comptroller and Auditor General signs the audit report
October	Privy Council Office approval
October	Preparation and proofing of the published version by APS Group
October	Laying of the Annual Report and Accounts in Parliament
Around 1 November	Publication on HCPC website

Previous consideration	The proposed content and key messages have been informed by feedback from the previous Audit Committee meeting and initial review points from the National Audit Office.
Decision	The Audit Committee is asked to review the paper and provide feedback on the AR&A.
Next steps	The next version of the accounts will be reviewed by Audit Committee in September together with the audit reports from both auditors. The final version will be submitted to Council for approval and sign off in September.
Strategic priority	Strategic priority 2: Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders
Risk	Strategic risk 3: Failure to be a trusted regulator and meet stakeholder expectations
Financial and resource implications	None
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# Annual report and accounts 2019–20

# Health and Care Professions Council Annual Report and Accounts 2019-20

Presented to Parliament and the Scottish Parliament pursuant to  
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## Performance report: Overview

### Foreword from the Chair

When I joined the HCPC in March 2019, I knew there were challenges ahead, although it's fair to say I didn't foresee all of them. The organisation regulates 214,000 registrants across 15 healthcare professions. It works with professional bodies to set and reach standards of proficiency, providing healthcare the public can access safely and with confidence. Our aim is to build a regulator that these and other professions would want to be regulated by; a regulator of choice. But to achieve this we needed to ensure HCPC had firm foundations, delivering lean and intelligent regulation – that it's fit for the future.

Few anticipated Covid-19. It has caused terrible human suffering. The way registrants on the frontline have performed has been exceptional and extraordinary. Services providing recovery have become increasingly vital. Those practices unable to see patients have shown resilience and resourcefulness, working remotely and efficiently. All have our admiration and thanks.

Tested by the pandemic, HCPC has made huge strides. I've seen teams come together like never before, collaborating with others to solve problems at pace. Working with Government, HCPC quickly assembled a temporary register of 25,000 healthcare practitioners, giving the NHS the headroom it then needed. In the worst of times we saw the best of HCPC.

To drive meaningful change, it was important to hold a mirror to how we work. This honest appraisal led to a rapidly commissioned and implemented Change Plan. Our Fitness to Practice (FtP) work required re-engineering. In line with the Government's change in regulatory direction, FtP focus has shifted to intelligent use of data to identify and address issues before they arise. Thereafter, HCPC works collaboratively with professional bodies to improve proficiency standards.

This approach, listening and working with stakeholders, is a more empathetic and effective way to ensure the public has consistently high standards of care. It will reduce complaints and increase the public's confidence.

Listening responsibly means acting on what you hear. FtP complaint hearings can be stressful for registrants. We must show compassion; be human. Our focus on wellbeing includes those within HCPC. Working remotely through lockdown has yielded environmental benefits, reducing travel time and subsequent emissions as well as raising productivity. We will continue to analyse the impact of our working practices on employees and the environment. Being a responsible organisation also means that we must foster a culture that is inclusive and diverse, where opportunity and inclusion are equal for all.

The pace of work has been swift. The Change Plan commenced in June 2019. It was followed by the appointment of John Barwick as interim Chief Executive in September, and who in March was, I am delighted to say, appointed permanently to the position. In between we successfully transferred 90,000 social worker registrants to Social Work England, a new dedicated regulator. Up against an immovable December deadline, the project went smoothly and received widespread praise. Covid-19 then presented (and still will) exceptional challenges.

With the Change Plan near completion, we are now ready to map our future with a new strategy to take us forward for the next five years. This is a rapid work in progress. It will be a strategy that is co-created with our stakeholders, listening to those across the regions and professions. It will be a strategy delivered by an HCPC team that can be proud of their work, confident in their capabilities and passionate about the healthcare system and people we serve.

**Christine Elliott**  
**Chair**

DRAFT

## Foreword from the Chief Executive and Registrar

HCPC is committed to providing value to registrants whilst delivering effective, responsive and compassionate regulation. The year has been one of transition, for the organisation and me personally, with my position of interim Chief Executive made permanent in March. The Change Plan, initiated by our Chair, has fast tracked improvements to the way we work, putting us on a firm footing as an effective multi-profession regulator.

In December 2019 we successfully migrated over 90,000 social worker registrants to Social Work England (SWE). A newly created regulator, SWE has been given the flexibility to apply a prevention focussed approach. This upstream strategy is one that HCPC pursues and we continue to press for legislation that will facilitate it. The year also included an extensive assignment to annotate HCPC's register and bring podiatric surgery into a regulated environment.

The SWE migration brings a significant loss of income. Following a 20 percent reduction in headcount, resource costs are commensurate with our new scale. Furthermore, HCPC has improved the way it budgets. Frequent reviews and being more agile have created further savings, in particular from our legal support contract for FtP hearings.

HCPC has delivered broader efficiencies. In collaboration with stakeholders, we moved to accept electronic payments, reducing dependence on payments via post. However, focus on cost and efficiency has not dampened our ambition. HCPC is improving its registration systems and processes, an investment that will significantly improve registrant experience.

After consultation with stakeholders and a full assessment of efficiencies within HCPC, an initial proposed fee increase per registrant of £16 was reduced to £8.12. This has been agreed by our Council in March 2020. Mindful of the pressure on our registrants amid Covid-19, the increase has not yet been implemented.

The FtP Improvement Plan continues, with part one completed. A forensic, data led analysis of each function has identified where further improvements need to be made. Consequently, a new operating model, addressing skills, case management and mindful of the stress FtP participants can experience, is being developed. The FtP reforms, key to achieving the Professional Standards Authority's Standards of Good Regulation, will include the intelligent use of data to understand risks and make interventions before they might affect the public. This approach will reduce our FtP complaints caseload, boost efficiency and ensure high quality decisions.

We continue to work towards being a listening and learning organisation, proactively collaborating with stakeholders on our standards of proficiency. The 15 professions HCPC regulates all have their own standards with each now being reviewed in this process of consultation. Working with the Council of Deans for Health, HCPC reviewed its model for the quality assurance of education and training programmes. The move to a more flexible and proportionate approach to education programme approval, analysing data to model risks, will be piloted in the coming year.

Although Covid-19 broke in the last month of the year in review, its impact was significant. In March we quickly created a temporary register of 25,000 former registrants and final year students to address the needs of the NHS at the height of the crisis. All our

staff moved to remote working, FtP hearings and education programme approvals were conducted virtually and many other processes now happen online. I am proud of the way HCPC rapidly adapted. We will look to harness many of these new agile ways of working.

**John Barwick**  
**Chief Executive and Registrar**

DRAFT

## 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
- Speech and language therapists

As a regulator of 15 health and care professions 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 281,461 registrants on our Register from the 15 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:

Migrated over 90,000 social worker registrants to Social Work England (SWE)

Brought podiatric surgery into a regulated environment by annotating the Register

Right sized the organisation and improved our budgeting process

Collaborated with stakeholders, to accept electronic payments and reduce dependence on payments via post

Completed part one of the FtP improvement plan

With stakeholder engagement, initiated a review of our model for the quality assurance of education and training programmes

Initiated a review of the 15 Standards of proficiency for each profession

Created temporary register(s) of former registrants and final year students to address the needs of the NHS at the height of the crisis, moved all employees to remote working, and continued our regulatory processes and support for registrants

Registered 20,950 professionals

Approved 38 new education programmes

Approved 86 major changes to education programmes

Reviewed 355 existing education programmes

Received 2,284 complaints about registrants

Delivered 401 cases to Fitness to Practise hearings

### Delivering by our 2020 strategic priorities

In March 2018, the Council agreed the Corporate Plan for 2018–20. This articulates four strategic priorities and the key deliverables for the 2019–20 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**

After the last Professional Standards Authority review, HCPC launched the Fitness to Practise Improvement plan, which identified key aspects of FtP to develop and improve. Activities in this initial phase were completed at the beginning of 2019 and monitoring and embedding the changes was a key focus for 2019-20.

FtP stabilisation and sustainability has been one of the priority focus areas of the Corporate Plan for January-July 2020. This involves deeper investigation into four key FtP improvement areas: Flow, Quality, Organisation Design and Development and Communications and Engagement. A FtP Task & Finish Group has been formed to support the project and provide regular feedback on change activity.

By March of this year, the number of open cases had decreased, in part due to the transfer of regulation of social workers to Social Work England (SWE). However, there continues to be a net increase in the number of new concerns received versus those concluded. The focus of the FtP improvement plan for this next year will be to address these challenges and move to a more sustainable caseload position in the medium to long term.

To further support this work, in September 2019 HCPC began a review of its audit and policy making activities as well as operational output against the revised PSA Standards of Good Regulation. At the start of 2020, to progress against each of the revised 18 Standards of Good Regulation, a performance improvement action plan and working group was put together to monitor progress. Adherence to these standards this year will continue to be monitored.

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

Last year HCPC commissioned and completed research with ComRes to listen to and better understand the views and expectations of stakeholders. The subsequent action plan included the increased use of digital communications to make core information more accessible, as well the creation of hubs on our website and employer newsletter.

In terms of engagement with registrants, a series of blogs and updates relevant to registration have been published including: information on supervision, returning to practice, Continuing Professional Development (CPD) and renewals. In addition, MyStandards workshops were held, the 'We are the NHS' campaign was supported and an animation to explain how we regulate and the benefits of being registered was published.

HCPC has engaged with unions and professional bodies on a number of matters throughout the year, including the revised fee proposal. The Chief Executive has also begun a series of introductory meetings with Chief Executives from all the professional bodies HCPC regulates to discuss the Change Plan and strategic priorities, as well as provide updates on key regulatory work.

The Executive has been in regular contact with the Department for Health and Social Care, including regulatory reform round tables and tele-conferences on Covid-19 and registration fees. The Executive also represented the HCPC at the Association of Healthcare Professionals (AHP) Workforce & Education Strategy Oversight Forum and AHP's Action Progress Board, which are led by NHS England and help maintain our relationships with key stakeholders.

Engaging our stakeholders in reviewing our approach to quality assurance of education and training was a priority. Three working group meetings were held this year and, in

March, the Education & Training Committee (ETC) agreed two work streams for the next financial year. The first will focus on identifying and embedding Higher Education Statistics Agency (HESA) data within the approval and monitoring processes. The second will focus on running pilots of revised approval and monitoring processes.

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

In Q3 last year the Council began implementing an ambitious Change Plan, developed from a full organisational review and agreed at the end of last year's annual report. The plan has been put in place in order to establish the foundations needed to realise our overall vision.

In addition to this Change Plan, in February 2020 the Council set out a 'Corporate Plan' with accelerated strategic priorities for the first six months of the year. One of these accelerated priorities was organisational development and resilience, which included the recruitment of a permanent Chief Executive. This was achieved in March with the appointment of John Barwick, previously the interim Chief Executive and an HCPC team member for eight years. The second element consists of workforce development and resilience, which has included wellbeing initiatives, as well as stabilisation of the organisational structure and the development of a succession plan.

The Change Plan included a new Budget setting process for 2020-2021. Budget setting will now move to a two to three-year horizon to allow for decisions to be made on the sustainability of the changes. In Q4 last year Price Waterhouse Cooper (PWC) completed the financial baseline review of HCPC and presented their projected outturn for 2019-2020. They identified the need to implement improvements to financial modelling and reporting and to control costs. The recommendations from the review with regards to the budgeting process and structuring of the Finance Team are being implemented.

After listening to various stakeholders, the Council this year has postponed a proposed increase in registration fees. When implemented in the future, the registration renewal fee will be £98.12, rather than the £106 originally proposed. This was achieved via a rigorous assessment of the cost base of HCPC, as part of our work to deliver value for registrants and the public purse, as well as an analysis of NHS pay structures. HCPC will continue to apply the 50% discount to graduates in their first two years of registration. Last year the Council initiated its Registration Transformation and Improvement project to deliver a new registration system. It is a significant project in terms of scale and resource but will also deliver extensive benefits. To further increase efficiency and improve registrant experience the registration and transactions teams co-located and undertook a joint project to remove the use of cheques and postal orders.

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

A focus of the Council this year relating to this strategic priority was employee health and wellbeing and to improve the data capture and analysis of this important KPI. To achieve this a new 'Employee Sickness Indicator' was created, an intelligent and data driven solution to take into account levels of wellbeing amongst employees. During the 2019-2020 financial year sickness absence did increase, however, a small number of

employees on long term sick leave has significantly distorted this KPI. HR is currently working with the Business Improvement Team to see how it can better capture meaningful data and how often this data should be scrutinised in a 'deep dive'. In addition to employee health and wellbeing, HCPC is increasingly focussed on the health and wellbeing of registrants. At the PSA annual academic and research conference the Executive delivered a seminar on this topic.

Since February 2019 FtP case classification data has been collected and analysed to identify any emerging themes or trends. A review of the first three months was presented to the Senior Management Team (SMT) in August 2019. In February, a capacity model was created to predict the resource required to sustain case 'flow' through the various FtP process stages. This model will inform the options for legacy case progression acceleration.

In December 2019 HCPC launched their first annual voluntary survey of registrants to establish a stronger base of data on registrant ED&I information. The responses to the survey meant the HCPC now hold contemporaneous ED&I data for 5% of the Register. External research has been commissioned to analyse the data.

Following the conviction of the surgeon Ian Paterson in 2017, the government carried out an independent inquiry into the issues raised by his case. On 4<sup>th</sup> February 2020, the report from this Inquiry was published which raised several issues relevant to the Council's regulatory work. The Policy team carried out a thorough review of this report and have added relevant action points to the Inquiries Tracker. In the more immediate term, HCPC wrote a blog on the relevant topics from the inquiry to keep stakeholders informed, and published information and support on raising concerns about patient safety as a registrant.

Last year HCPC commissioned a literature review on the characteristics of effective clinical and peer supervision in the workplace. The report was finalised in Q3 2019 and the findings presented at the PSA annual academic and research conference.

## **Impact of Covid-19**

When the public health emergency was announced in March, we worked closely with stakeholders and relevant public health bodies to set up emergency Covid-19 temporary register(s), after being granted emergency powers to do so by the Government. This included former registrants that had deregistered in the past three years and final year students, who had completed all of their clinical practice placements. The registers went live on 27<sup>th</sup> March 2020. The Council also began to consider, at a strategic level, an exit strategy for temporary registration with minimum disruption to health and care services. HCPC has established an online Covid-19 hub with detailed advice and guidance for all key stakeholders, which is updated regularly to reflect the latest government announcements. Nine information sheets were created and published on the website, to inform registrants how to apply each of the Standards of conduct, performance and ethics during the pandemic. An FAQ section which was frequently updated to address key concerns, such as PPE, was also added.

Supporting the health and wellbeing of registrants during the challenges of the pandemic was paramount. A dedicated set of resources was deployed on the HCPC website, a wellbeing campaign '#HCPCWellbeingTips' was published on our social media feeds,

and support was shown through video content and sharing registrants' Covid-19 stories. We also issued a statement and video message in response to those HCPC registrants who sadly lost their lives to Covid-19.

In addition to registrants, HCPC wanted to ensure the health and wellbeing of all employees during this difficult period and to support them whilst working from home. The SMT set up a series of HR initiatives to instigate this. A WFH employee experience survey was used to gauge how people were adapting, and although on the whole responses were positive, it was recognised that for a number of employees it was a less than ideal environment. To support these employees, basic equipment needs are being considered on a case by case basis.

Employees will continue to work from home until a safe environment has been established for them to return to the office. Working from home has demonstrated the fantastic adaptability and flexibility of our work force, and we will look to review our work from home and flexible working policies in light of this.

During this unprecedented time, the Council has had to adapt how it regulates. This has included cancelling current continuing professional development audits, implementing remote FtP hearings and the modification of registration processes to enable online administration. Business As Usual (BAU) operations have also been adapted: we have prioritised high risk FtP cases and carried out some of our operations virtually, including approval visits for new education programmes. Staff have worked weekends and teams redeployed to ensure enquiries could continue to be answered.

To uphold HCPC's statutory duty to protect the public, we have continued to seek interim orders where necessary and continue as far as we can with our fitness to practice investigations remotely. Our registrants have been reassured that we will take into account these exceptional circumstances when reviewing FtP concerns.

Policy proposals and regular updates have been shared with key stakeholders during the pandemic including the DHSC, the PSA, unions and professional bodies. HCPC has also been in correspondence with the PSA to consider the impact of Covid-19 on the current and future performance reviews.

### **Preparations for Brexit**

During this year, we undertook preparatory work to better understand the regulatory implications and potential impact for registrants, applicants and for our internal operational departments. This included continuing to work with Government; attending meetings, reviewing statutory instruments and providing information regarding our processes and professions. We also engaged internally with Heads of Departments to understand the likely impacts, and plan accordingly.

We have published FAQs for professionals applying and wishing to join the Register, and our Registration team is preparing communications and developing processes to ensure applications are concluded in line with the relevant legislation.

## Performance report: Performance analysis

### Key operating and financial statistics and financial commentary

The tables below show the key operating and financial statistics for 2018-19 and 2019-20. 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](http://www.hcpc-uk.org/aboutus/council/councilmeetings)

<b>Income and expenditure summary</b>	<b>2018-19</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Registrants' fee income</b>	<b>34,425</b>	<b>32,651</b>
<i>Of which: social workers' fees</i>	<i>8,796</i>	<i>5,929</i>
Payroll costs	13,777	13,908
Non-payroll costs	20,330	19,383
Depreciation	867	597
<b>Total operating expenditure</b>	<b>34,974</b>	<b>33,888</b>
<b>Operating (deficit)</b>	<b>(549)</b>	<b>(1,237)</b>
Other costs	–	(1,020)
Other income, net of tax	948	2,828
Impairment (loss)	(167)	(283)
<b>Retained surplus</b>	<b>232</b>	<b>288</b>
Revaluation gains	276	133
<b>Total recognised gains</b>	<b>508</b>	<b>421</b>

In 2019-20, our fee income decreased by £2m or 5% on the previous year. This was the product of a 26% reduction in the size of the register, due to the transfer of social workers to SWE in December 2019.

## Performance report: Performance analysis

Operating expenditure decreased by £1.09m or 3%. The table below shows the operating expenditure by department for 2018–19 and 2019-20.

<b>Expenditure by department</b>	<b>2018–19</b>	<b>2019–20</b>
	<b>£000</b>	<b>£000</b>
Education	935	740
Registration	3,253	3,451
Fitness to practise	16,361	15,936
Communications	811	611
Policy and standards	338	263
Information technology	2,312	2,484
Major projects	1,759	1,906
Office services, including premises	3,053	2,457
Other department costs (for example, HR and Governance)	4,361	4,541
Depreciation	867	597
PSA levy	924	902
<b>Total operating expenditure</b>	<b>34,974</b>	<b>33,888</b>
	<b>£</b>	<b>£</b>
<b>Total cost per registrant</b>	<b>94.70</b>	<b>120.40</b>

As can be seen from the table the decrease in education and fitness to practise is mainly as a result of the reduction to the size of the register following the social worker transfer.

The increase in registration department costs is mainly due to an increase to the number of international applications in the year from 3,950 in 2018-19 to 4,498 in 2019-20. As a result, international assessor fees increased in line with the increase in international scrutiny fee income. The department has also undertaken small projects in the year to identify and update older Direct Debit (DD) mandates and improve DD collection processes.

In 2019–20, we suffered an impairment loss due to the write off of the requirement gathering phase of system projects following a digital strategy review by PwC. The net loss was £283k.

The decrease in office services is mainly due to proactive negotiation with local council on business rates. Other increases in costs is mainly inflation or increased activity such as but not limited to the increase in spending on projects and recruitment costs following uncertainty caused by the social worker transfer.

During the year an assessment was undertaken on the economic lives of intangible assets to align the amortisation period with realist forecast of the useful life of our systems. This has resulted in a reduction to the depreciation cost.

The decrease in levy we pay to the PSA is due to the reduction of our Register.

Our operating deficit has increase by £688k (125%), mainly due to the work undertaken to support the transfer of social workers to SWE. Cost related to the transfer has been

## Performance report: Performance analysis

netted off with the grant from Department of Education and overall retained surplus was an increase of £56k (24%) compared to 2018-19.

Other income (net of tax) of £2,828k, is made up of interest income of £92k (2018–19, £94k) rental income £142k (2018–19, £106k) and a grant income of £2,594k (2018–19, £749k) from the Department for Education to support the transfer of social workers to Social Work England.

Towards the end of the year, annual valuation of our properties were undertaken and resulted in a revaluation gain of £75k. Due to the unknown future impact that Covid-19 might have on the real estate market, the valuation was reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. We will monitor value of our properties closely and update as circumstances change. Details of the annual revaluation of the properties are set out in note 8 to the Financial statements.

<b>Balance Sheet (summary)</b>	<b>2018–19</b>	<b>2019–20</b>
	<b>£000</b>	<b>£000</b>
Fixed assets	7,898	8,827
Cash and deposits	18,663	11,908
Deferred income	(22,148)	(17,067)
Other working capital, net	(180)	986
Liabilities greater than one year	(163)	(163)
<b>Total reserves</b>	<b>4,070</b>	<b>4,491</b>
<b>Realisable Net Assets</b>	<b>2,476</b>	<b>1,961</b>
Capital expenditure	1,443	1,677
Net flow of cash plus deposits	(229)	(6,755)
	<b>£</b>	<b>£</b>
<b>Total reserves per registrant</b>	<b>11.03</b>	<b>15.95</b>

Out of total fixed assets of £8.8m (2019, £7.9m), £5.8m is our freehold offices in Kennington, London. We carry our land and buildings on our balance sheet at valuation, being the fair value at the balance sheet date. This year the value of the building has increased by £75k.

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 £11.9m at 31 March 2020 (2019, £18.6m). These are not surpluses or profits; the element of fees received in advance is reflected in the deferred income balance of £17.1m (2019, £22.1m), and fee income is recognised evenly through the renewal cycle. Reduction in both cash and deferred income was due to transfer of £5.4m advance fees to Social Work England following the transfer of social workers.

Our total accumulated reserves are £4.5m at 31 March 2020, which represents approximately £16 per registrant. The increase in total reserves and free reserves is the consequence of our surplus for the year and reduction in the registrant number. Our reserves policy is set out below.

## **Performance report: Performance analysis**

### **Financial impact of Covid-19**

In March 2020, a number of departments have diverted their resources in order to respond to the set-up of the emergency temporary register(s). We are currently in discussion with the Department of Health and Social Care in regards to the reimbursement of the direct cost of £255k that resulted from the temporary register(s). At time of writing, this grant is yet to be approved.

Covid-19 has impacted on our activities, we had to cancel a number of pre-booked hearings and events and quickly adapt to a new way of working. While working remotely, we have made savings around premise costs, but incurred additional cost to increase capacity of our IT servers and to ensure the office is compliant with relevant health and safety regulations before staff can phase their return.

We are exploring into new and innovative ways of working such as conducting FtP hearings and education visits virtually; improving telephony capabilities and introducing electronic bundles. Although there are initial investments for this work, they will create new dimensions to the service we offer and ensure new agile ways of working.

Due to the Covid-19 pandemic, the Council has decided to postpone the implementation of proposed fee increase having recognised the extraordinary pressure many of our registrant faced. Although impact of the delay is relatively small in the 2019-20 financial year, due to the 2 year renewal cycles, HCPC will not realise the full benefit of the fee rise until 2-3 years later. For example delaying fee increase from 1 September 2020 to 1 January 2021 could result in £390k reduction in income in the next 3 years.

### **Reserves policy**

Our reserves policy was revised and approved at the Council meeting in May 2020 and will be reviewed annually. Our legislation requires us to meet our costs out of our income from registrants' fees. Our three year budgeting and planning process, and periodic fee reviews, are undertaken with the aim of managing our finances on a sustainable basis, to conduct our business in an orderly fashion taking into account commitments and potential risks.

The HCPC approach to a Reserves Policy is based on this objective within the context of balancing the need to invest to ensure sustainability while maintaining working capital through pre-paid Registrants fees.

As a result of the pre-paid Registrant's fees, HCPC operates with a significant cash balance which ensures that HCPC has sufficient working capital.

If the Net Assets less Intangible Assets (the Realisable Net Assets) are positive, then if HCPC were to encounter a situation where it would need to close, it would be able to undertake closure in an orderly fashion. The HCPC's Reserves Policy is predicated on this basis.

As at March 2020, HCPC has positive Realisable Net Assets. However, due to the need to invest and delays in implementing fee increases the current financial forecasts for the next 3 years indicate that HCPC will move to a position of having negative Realisable Net

## **Performance report: Performance analysis**

Assets. The ambition is to return to positive Realisable Net Assets within 5 years, and during this time, maintain as a minimum, positive Net Assets and positive cash balances.

### **Investment policy**

Our investment policy was approved at the Council meeting in May 2017 and will be reviewed at least every three years. The next review will take place in 2020. 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 3 year budget and cashflow forecast for 2020–23, the financial strategy, the Corporate Plan for 2018–20 and the development of Corporate Plan for 2021-26.

As noted above, since the transfer of social workers, HCPC has implemented significant cost efficiencies, which resulted in reduction in the deficit for 2019-20. We will continue to seek for ways of improve the service we provide and ensure cost savings are continued in the new financial years.

Following stakeholder engagement and supports, our Council has approved the revised fee proposals for an increase of £8.12 to £98.12. Due to the Covid-19 pandemic, the Council has decided to postpone the implementation of the increase having recognised the extraordinary pressure many of our registrant faced. However, the pandemic has impacted HCPC and, we need to complete the process for implementing the increases later in the financial year.

As a result of the Covid-19, demand for many professions that the HCPC regulate has increased, this further reinforced that the fee income we receive should not be significantly impacted by the pandemic.

Therefore impact on the current and future financial position and reserves is not expected to be significant. 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

Our governing Council agreed an ambitious Change Plan to move us towards a new vision and ambition for the HCPC. This is focused on these five themes: Achieving the PSA standards; Innovation and Improvement; People; Efficiency and Value; and Income. Between July – December 2020 the Executive will prioritise the following key workstreams due to their importance and time critical nature.

**Corporate Strategy 2021-26:** the Corporate Strategy will form the corner stone of future HCPC development and will ensure internal and external stakeholders understand our vision and purpose and how we will achieve this. We will also revisit our values with our employees to ensure these are owned by everyone who represents the HCPC. Engagement with stakeholders is central to our approach to strategy development, and this will take place throughout the reporting period, with a formal consultation launching in October 2020. We anticipate a final Corporate Strategy being presented to Council for approval at its December 2020 meeting. An annual Corporate Plan for 2021-22 to support the implementation of the Strategy will be developed for approval in March 2021

**Digital Transformation Strategy:** We will look holistically at all of our digital and technology assets and create a digital vision and a way of doing things that enables the entire organisation to deliver better outcomes through user experiences, our use of data and making the organisation more efficient. There will also be an optimised digital technology organisational structure that aligns to an agile approach, addresses gaps in capability and irons out hierarchical anomalies; and a series of quick wins to support more flexible working, we will have made a start on a new FtP Case Management System and we will have an iterative approach to delivering online registrations.

**FTP Improvement Programme:** This priority builds on the FTP stabilisation and sustainability focus of the first half of 2020. This work will build on diagnostic findings to understand the root causes of the FTP performance issues and develop and start to implement a plan to resolve these root causes. By December 2020 the programme aims to deliver a significant reduction in the backlog and improvements in the quality of case resolution. The long term aims of the FTP Improvement Programme are to: achieve PSA Standards; have a Human Centric Approach to FTP processes; have and Learning and Growth Culture; be recommended by staff as a place to work; have efficient and effective processes to support the culture; and use insights to support registrants' professional development

**PSA standards;** A performance improvement action plan has been developed and will be actioned in the reporting period. This builds on the Executive's assessment of performance and progress against each of the 18 Standards of Good Regulation. To support this a performance improvement working group has been formed internally to enhance the HCPC's ability to evidence the good practice already in place as well as identify areas for improvement. PSA engagement will be ongoing at various levels through the HCPC.

**Organisational development and resilience:** A key element of this priority is the organisational structure. The permanent structure of the Senior Management Team is being developed by the Chief Executive with consideration of the accountabilities needed at this level. The Executive Director of Regulation is a key role to fill with an appointment expected in August 2020. Restructures are underway in Communications and FTP to

## Performance report: Performance analysis

support the development of these areas. Succession plans are being developed and will be in place by December 2020.

The other key focus will be workforce development and resilience. Wellbeing initiatives are being developed from employee generated ideas. Employee engagement and participation is also central to our renewed organisational focus on Equality Diversity and Inclusion (EDI) promotion. Specific EDI initiatives are included in the EDI action plan.

**2020-21 Budget and financial modelling:** Following the change in budgeting and forecasting process, the budget will be reviewed and updated on a quarterly basis to allow timely reflection of any change. The forecast will also be completed with a three year rolling time frame to allow decisions to be made on the sustainability of changes and : improvements. Quarterly forecasted results will be submitted for Council approval.

The newly created Financial Planning & Analysis (FP&A) team will use newly design forecasting models for income and costs that are more fit for purpose. These will link closely to the cost drivers of each department, allow scenario planning and sensitivity analysis and assist the FP&A team to report insightful management information. As part of the FP&A work, reporting requirements for different stakeholders will be analysed and improvements to be made in order to link operational quality and productivity improvements with financial performance.

The current financial system will be upgraded in the year and as part of the project, new functionalities such as expense application and improved reporting functions will be explored and implemented to reduce the amount of manual processes, improve transparency and increase control on departmental costs.

**COVID-19 response:** at the time of writing the HCPC continues to operate on a remote basis. This has been successful, but the effort and planning it will take to return to office-based working in a safe and considered way must not be underestimated. Central to this is embedding a renewed agile and flexible working culture, rethinking our approach to home working and office dynamics and reducing our environmental impact and costs through the use of virtual technology to reduce travel and the size of our estate. This will also enhance the user experience for our registrants and stakeholders through for example the use of virtual hearings, education approval visits and electronic renewals. The Chief Executive will lead leading an internal working group including employees from various levels across the HCPC to develop an action plan for organisational reset and renewal.

## Principle 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:

- 1. Failure to deliver effective regulatory functions** this includes the inability to fulfil our statutory obligations set out in the Health and Social Work Professions Order and the failure to meet the PSA's Good Standards of Regulation. In this financial year HCPC has focused on implementing and monitoring the changes proposed in the FtP improvement project. In 2020 work also began on the FtP stabilisation and sustainability project, to further mitigate against risks in this area. The Council

## Performance report: Performance analysis

continues to monitor performance through KPIs and performance reporting, a review of which was undertaken as part of the Change Plan. The project to transfer the regulation of social workers to SWE was completed successfully at the end of 2019, significantly lowering this risk. Members of the Executive continue to meet with the PSA's Director of Scrutiny and Quality on a quarterly basis. Earlier this year, a workgroup was established to more formally support the annual cycle of PSA performance reviews, as well as focusing on the action plan to improve performance.

- 2. Failure to anticipate and respond to changes in the external environment** - this includes the ability to respond and influence external drivers for change for example the impact of Brexit, devolution or a change in government as well as issues like workforce development, new and emerging professions or government policies affecting professional regulation. It also includes awareness and responsiveness to advances in technology and systems, which may threaten the efficiency or effectiveness of HCPC. To mitigate this risk, the 2019-2020 communications workplan as well as the research programme set out in the 2019-2020 Policy & Standards workplan is being implemented. Following the formation of a majority government, HCPC has been progressing regulatory reform and has been engaged at round table meetings to discuss the details of proposals. HCPC continues to collaborate with other regulators and participate in Memorandums of Understanding (MOUs). In September 2019, HCPC joined seven other healthcare professional regulators to publish an annual report on whistleblowing disclosures.
- 3. Failure to be a trusted regulator and meet stakeholder expectations** - this risk includes the management of stakeholder engagement and key relationships as well as reputation management. HCPC has focused on the delivery of its communications and stakeholder workplan which includes actions identified following ComRes research findings on awareness and perceptions of our stakeholders. Registrant engagement has been achieved in particular through CPD and MyStandards workshops as well as audience-specific hubs and case study content on the website. A workshop was held in March 2020 on the professionalism and prevention agenda, with the SMT sharing approaches presented by the Nursing and Midwifery Council and the General Medical Council.
- 4. Failure to be an efficient regulator** - this risk includes the operational failure of processes, or the inability to manage data efficiently as well as the vulnerability of IT security. It also includes financial security, timely and accurate reporting and the recruitment, retention and training of Partners, Council and employees. The internal audit of the Quality Assurance function has been completed and the findings were reported to the Audit Committee in September 2019. The registration transformation and improvement project is now in the development and test iterations. The Executive have considered the PWC financial baseline review and how recommendations will be put into action. To support its implementation the finance department has undergone a restructure and a new approach to budgeting has been established. The management of costs continues, in particular the recruitment freeze and the priority to confirm phase one post reductions and status of fixed term contracts at the point of the social workers transfer to SWE. HCPC has also put in place mitigations to support work through permanent appointments in Registration, FtP and other critical areas.

**5. Failure of leadership, governance or culture** - this risk includes the effectiveness of Council, strategy setting and oversight, risk management and business planning. It also covers organisational culture including the existence of relevant policies for whistleblowing or anti-bribery for example and processes for performance development. Following the Chief Executive's decision to leave in Q3 last year, HCPC appointed an interim CEO and two Deputy Registrars, to ensure business continuity. We underwent a recruitment process for a new Chief Executive and on 9<sup>th</sup> March this year, our interim CEO John Barwick was appointed to the post. Given the number of interim members in the SMT, a six-month Corporate Plan was agreed by the Council in February 2020 setting out the six prioritised workstreams of the Change Plan. We have focused on the delivery of our Culture & Engagement action plan which has included a series of change management workshops for managers and employees, and regular updates from the Employee Forum. We continue to focus on employee wellbeing, with the HR and Internal Communications function surveying employees for ideas, with a view to develop some of these into initiatives.

**Christine Elliott**  
Chair

**John Barwick**  
Chief Executive and Registrar  
Accounting Officer

Signature

Signature

Date September 2020

Date September 2020

# Accountability report: Corporate governance report

## Council's report

The membership of our Council and Committees at 31 March 2020 was as follows. Attendance at meetings is shown in the table on pages 36–37.

	Council	Education and Training Committee	Audit Committee	Remuneration Committee	Tribunal Advisory Committee
Graham Aitken					✓
Catherine Boyd					✓
Stephen Cohen	✓ L				
Maureen Drake	✓ R	✓			
Christine Elliott	✓ L, Chair				
Kathryn Foreman	✓ L			✓ Chair	
Sue Gallone	✓ R		✓ Chair		
Philip Geering					✓
Helen Gough <sup>1</sup>	✓ R				
Sheila Hollingsworth					✓
Luke Jenkinson		✓			
Penny Joyce		✓			
Alan Kershaw					✓
Sonya Lam	✓ R	✓			
Eileen Mullan	✓ L		✓		
Julie Parker			✓		
Marcia Saunders					✓ Chair
Gavin Scott	✓ L		✓		
David Stirling <sup>2</sup>	✓ R			✓	
Nicola Scrivings				✓	
Robert Templeton <sup>3</sup>	✓ R				
Kathryn Thirlaway <sup>4</sup>	✓ R	✓			
Stephen Wordsworth	✓ R	✓ Chair		✓	

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

1. Council member from 1 January 2020.
2. Council member from 1 September 2020. Member of the Remuneration Committee from 25 September 2019
3. Demitted office on 2 December 2019 due to the transfer of social worker in England regulation to Social Work England
4. Council member from 1 September 2020. Member of the Education and Training Committee from 25 September 2019

The membership of the SMT at 31 March 2020 was as follows.

John Barwick	Chief Executive and Registrar
Jacqueline Ladds	Executive Director of Policy and External Relations
Claire Amor*	Head of Governance
Gordon Dixon*	Director of Business Improvement
Claire Holt*	Director of HR and OD
Tian Tian*	Director of Finance

\* attended meetings of the SMT in 2019-20 as standing co-opted members

## **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 next ISO27001:2013 BSI audit is scheduled for August 2020, having been delayed by the Covid-19 shut down.

The HCPC has policies in place which require all information security incidents, including any loss of personal data, to be reported and we encourage an open reporting culture. All incidents are assigned a risk score and are reported to the Senior Management Team along with any learning points and possible future mitigations.

In 2019–20 the HCPC recorded 87 personal information security incidents (2018–19: 78). Although there was an increase in incidents overall, no incidents were reported to the Information Commissioner's Office (ICO). This suggests there is improved awareness around information security. Where possible, suppliers certified to ISO27001:2013 are used. Despite our best efforts, given the volume of data processed by the HCPC, occasional errors are made. Human error is the leading cause of data incidents across all sectors. Annual information security training is being used to address these incidents. We require 95% completion of the information security training, with a minimum pass mark of 80%.

We continue to address information security in our discussions with potential suppliers and developing new methods of working, via Privacy Impact Assessments.

### **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 (2018–19, 88%) and no interest was paid during the year under the Late Payment of Commercial Debts (Interest) Act 1998 (2018–19, nil).

Information on anticipated future developments is set out in the performance report on page 20.

Arrangements for managing potential conflicts of interest are set out in the governance statement on page 27.

## **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.

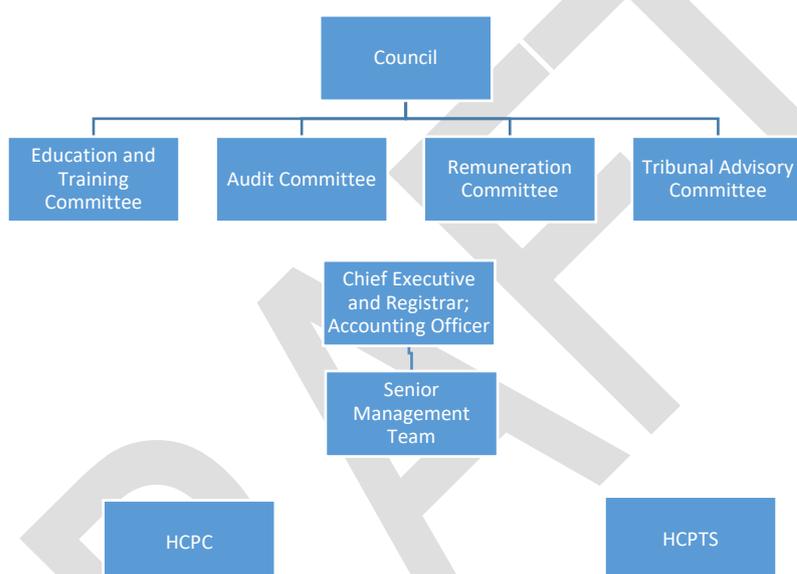
The Accounting Officer confirms that the Annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the Annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

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 website<sup>5</sup>. 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 24 and attendance at meetings during the year is shown on page 36–37.

## 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.

<sup>5</sup> See [www.hcpc-uk.org/aboutus/council/councilmembers/](http://www.hcpc-uk.org/aboutus/council/councilmembers/) and [www.hcpc-uk.org/aboutus/committees/committeemembers/](http://www.hcpc-uk.org/aboutus/committees/committeemembers/)

## **Accountability report: Corporate governance report**

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 2019-20 three registrant Council members were appointed following a competitive appointments process which attracted just under 300 applications.

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 and key performance indicators (KPIs), are reviewed by Council at each of its meetings.

### **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 regular reflection workshops. This gives Council the opportunity to reflect on collective performance

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 six times in 2019–20. Attendance at these meetings is detailed in the table on pages 36–37 of this report. The matters considered by the Committee included the following:

- considering the findings of a working group to review the HCPC's Education Quality Assurance model and shaping the development of proposals for change;

### **Accountability report: Corporate governance report**

- recommending the consultation approach for the review of the standards of proficiency;
- recommending amendments to the HCPC' social media guidance for registrants;
- approving a position statement on Establishing equivalence to SET 1 threshold
- reviewing the Health and Character Declarations Policy;
- discussing the HCPC's regulatory approach to advanced practice
- reviewing the HCPC's policy and standards research framework and outputs
- approving the Competence Framework for Registration Appeal Panel Members and Panel Chairs;
- reviewing the approval process for managing non-standard outcomes;
- informing the approach to a review of SET1 for Operating Department Practitioners
- agreeing a statement on how the HCPC works with professional bodies when approving education and training programmes;
- reviewing the role of lay visitors in education quality assurance and establishing the role of Expert advisors to Visitors;
- reviewing lessons learnt from the approval process for podiatric surgery programmes;
- reviewing the findings of a compliance audit of international application validation checks; and
- specific education programme concerns;

During 2019–20 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 SMT, other employees, the internal auditors and the external auditors 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;
- 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.

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

### **Accountability report: Corporate governance report**

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.

BDO LLP were appointed as the HCPC's Internal Auditors from the 2019-20 financial year for three financial years. During 2019–20, the Committee considered Internal Audit reports on:

- Assurance map
- Quality assurance
- Legal contract procurement assurance
- Transfer of Social Workers to Social Work England
- Fraud risk assessment
- Business continuity planning
- Fitness to Practise processes

Two high priority, 32 medium priority and 21 low priority recommendations were made.

The Internal Auditors' annual report, delivered to the June 2020 Audit Committee meeting, Provided the opinion in respect of the HCPC's corporate governance, risk management and internal controls: 'there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.'

During 2019–20, matters considered by the Committee included the following:

- Draft Annual Report and Accounts 2018-19
- External Audit findings
- Scheme of Delegation review
- Financial Regulations review
- Reserves Policy
- Draft budget 2020-21
- ISO standard compliance
- Internal Assurance report (reviewed at each meeting)
- Progress against internal audit recommendations (reviewed at each meeting)
- Social Work Risk Register (reviewed at each meeting)
- Strategic Risk Register (reviewed at each meeting)

The Committee held a workshop in January 2020 which focused on the HCPC's risk appetite approach and included a committee effectiveness self-assessment facilitated by the NAO.

### **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. During 2019-20 the Committee received updates on the implementation of these changes.

## **Accountability report: Corporate governance report**

During 2019-20 matters considered by the Committee included the following:

- Organisation design overview of principles
- Committee terms of reference and effectiveness
- Selection process for Chief Executive Officer
- Salary sacrifice pension contributions
- 2020-21 pay award
- Process for exceptional pay awards
- Expense Policy review

### **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.

During 2019-20 matters considered by the Committee included the following:

- Head of Tribunal Services report (reviewed at each meeting)
- Partner team operational report (reviewed at each meeting)
- Practice Notes (reviewed at each meeting)
- Performance review FTP working group
- Data and intelligence
- Tribunal Advisory Committee review of remit
- Partner fees review
- Fitness to Practise Final Hearing Decisions Audit

### **Committee governance review**

In 2020-21 the Senior Council member will lead a review of the HCPC's Committee governance structure. This will review the remit of the Committees and the skills they require of membership. Resulting recommendations will be considered by the Council.

### **Accounting Officer**

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.

## **Accountability report: Corporate governance report**

In September 2019 Marc Seale stepped down as Chief Executive and Accounting Officer, he left the HCPC's employment on 31 March 2020. John Barwick was appointed as Interim Chief Executive and Accounting Officer on 1 October 2019.

Following an open and competitive appointment process John Barwick was appointed as the permanent Chief Executive and Accounting Officer on 9 March 2020.

The Chief Executive, 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.

The following roles have attended meetings of the SMT in 2019-20 as standing co-opted members:

- Director of Business Improvement
- Director of Human Resources and Organisational Development
- Director of Finance
- Head of Governance.
- Head of Projects and IT

## **Risks and internal control**

The HCPC operates a strategic risk register the purpose of which is to:

- identify and prioritise the risks to the achievement of our policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

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

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.

Risk management and mitigation is an ongoing process and is achieved through our normal operational processes and structures. For example:

## **Accountability report: Corporate governance report**

- 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 and Audit Committee's regular agenda includes review of the strategic risk register and consideration of any new risks.

Risk appetite is defined by the Council and informs the decisions of employees and Council. The HCPC's risk appetite statement 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 2019–20 was BDO LLP. 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 2019–20, reported to the June 2020 Audit Committee meeting was that in respect of the HCPC's corporate governance, risk management and internal controls: 'there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.'

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 2018–19 concluded that the HCPC had met 18 of the 24 standards. Six standards relating to FTP performance were not met. Improvement plans are in place which are addressing the PSA's findings in respect of the six standards which were deemed not met.

## **Accountability report: Corporate governance report**

### **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 2020 and up to the date of approval of the Annual report and accounts is appropriate and proportionate to manage the risks to achievement of our objectives, and complies with HM Treasury guidance.

### **Auditors and audit information**

The Health and Social Work Professions Order 2001 requires that the annual accounts are audited by "persons the Council appoints", and then examined and certified by the Comptroller and Auditor General, who reports to Parliament. In previous years the 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. Since 2017–18, the Council has engaged Haysmacintyre LLP to audit the accounts, reporting to the Council, alongside the National Audit Office, who continue to audit the accounts, relying where appropriate on the work of Haysmacintyre LLP, and supporting the Comptroller and Auditor General's certification to Parliament. The auditors have audited the Financial statements and certain sections of the remuneration and staff report. The cost of providing audit services was £33,580 (£27,480 including VAT charged by Haysmacintyre LLP and £6,100 charged by the National Audit Office) (2018–19, £27,119 charged by Haysmacintyre LLP and £5,250 by the National Audit Office). During the year, Haysmacintyre LLP also provided advisory service for IR 35 disclosure and VAT review. Total cost of these non-audit work was £6,100 (2018-19: £nil).

**Christine Elliott**  
Chair

**John Barwick**  
Chief Executive and Registrar  
Accounting Officer

Signature  
Date xx September 2020

Signature  
Date xx September 2020

## Accountability report: Remuneration and staff report

### Council and Committee members' fees and expenses

During the year, the Chair of HCPC was remunerated on an annual basis at a rate of £65,000. Council members and Committee Chairs were paid a salary of £12,000 and £14,000 respectively for attendance at Council meetings or Committee meetings, and meetings attended on behalf of the HCPC. Independent Committee member remuneration remained as a daily rate of £341 (2018–19: £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.

Council and Committee member fees including salary totalling £222,160 (2018–19, £141,335) were paid and accrued to 21 members (2018–19, 20 members), including the independent members who are not also members of the Council. The significant difference is primarily due to Council and Committee members being remunerated on an annual basis compared to a daily rate for attendance in 2018-19. Benefits-in-kind with a total taxable value of £37,000 (2018–19, £35,800) 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.

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## Accountability report: Remuneration and staff report

The fees for the period 1 April 2019 to 31 March 2020 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 2019–20		2019–20				2018–19				
			Number of days	Salary £'000	Fees £'000	Expenses*	Total £'000	Number of days	Fees £'000	Expenses*	Total £'000
Graham Aitken	Tribunal Advisory	4/4	4	–	0–5	–	0–5	3	0–5	400	0–5
Catherine Boyd	Tribunal Advisory	4/4	4	–	0–5	–	0–5	4	0–5	400	0–5
Stephen Cohen	Council	6/6	6	10–15	0–5	800	10–15	90	30–35	2,400	30–35
Maureen Drake	Council Education and Training Education and Training Panel	6/6 6/6 8/8	20	10–15	0–5	4,200	15–20	19	5–10	3,600	10–15
Christine Elliott	Council (Chair)	6/6	6	65–70	–	2,600	65–70	N/A	5–10	–	5–10
Kathryn Foreman	Council Remuneration (Chair)	6/6 4/4	10	10–15	0–5	3,400	15–20	19	5–10	3,300	5–10
Sue Gallone	Council Audit (Chair)	5/6 5/5	10	10–15	0–5	900	15–20	26	5–10	1,600	10–15
Philip Geering	Tribunal Advisory	4/4	4	–	0–5	–	0–5	4	0–5	–	0–5
Helen Gough <sup>1</sup>	Council	2/2	3	0–5	0–5	1,000	0–5	–	–	–	–
Sheila Hollingworth	Tribunal Advisory	4/4	4	–	0–5	1,000	0–5	3	0–5	600	0–5
Luke Jenkinson	Education and Training Education and Training Panel	6/6 8/8	14	–	0–5	1,500	0–5	11	0–5	1,600	5–10
Penny Joyce	Education and Training Education and Training Panel	6/6 8/8	14	–	0–5	800	0–5	9	0–5	600	0–5
Alan Kershaw	Tribunal Advisory	4/4	4	–	0–5	–	0–5	5	0–5	–	0–5
Sonya Lam	Council Education and Training Education and Training Panel	5/6 6/6 7/8	18	10–15	0–5	3,700	15–20	27	5–10	4,000	10–15

## Accountability report: Remuneration and staff report

Eileen Mullan	Council Audit	5/6 5/5	15	10–15	0–5	3,400	15–20	15	5–10	2,900	5–10
Julie Parker	Audit	5/5	5	–	0–5	200	0–5	6	0–5	300	0–5
Marcia Saunders	Tribunal Advisory(chair)	4/4	4	–	0–5	–	0–5	11	0–5	–	0–5
Nicola Scrivings	Remuneration	4/4	4	–	0–5	100	0–5	4	0–5	300	0–5
Gavin Scott	Council Audit	5/6 4/5	9	10–15	0–5	4,800	15–20	22	5–10	4,100	10–15
David Stirling <sup>2</sup>	Council Remuneration	4/4 3/3	8	5–10	0–5	4,500	10–15	–	–	–	–
Robert Templeton <sup>3</sup>	Council	3/3	34	10–15	0–5	–	10–15	18	5–10	200	5–10
Kathryn Thirlaway <sup>4</sup>	Council Education and Training Education and Training Panel	4/4 3/3 4/4	9	5–10	0–5	2,000	5–10	–	–	–	–
Stephen Wordsworth	Council Education and Training (Chair) Education and Training Panel Remuneration	6/6 5/6 7/8 3/4	26	10–15	0–5	2,100	15–20	25	5–10	3,700	10–15

1. Helen Gough joined Council on 1 January 2020.
2. David Stirling joined the Council on 1 September 2019. He joined the Remuneration Committee on 25 September 2019.
3. Robert Templeton left Council on 2 December 2019.
4. Kathryn Thirlaway joined the Council on 1 September 2019. She joined the Education and Training Committee on 25 September 2019

\* These figure relate solely to expenses designated as a benefit in-kind by HMRC (to the nearest £100).

**Accountability report: Remuneration and staff report**

**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 two interim SMT members were paid via agency for part of the year. The Chief Executive and SMT are members of the Aviva pension scheme, which is a stakeholder, defined contribution scheme to which the HCPC contributes. The employer contribution levels are 16.5% of pensionable salary for employee contracts pre-dating May 2007 and 7% of salary for employee contracts dated May 2007 onwards, subject to an employee contribution of at least 3% of salary.

The Chief Executive and Registrar's contract of employment requires a termination notice period of six months by both the employee and the employer. The Executive Directors of Policy and External Communication contract requires a termination notice period of six months and remaining interim SMT members' contracts require a termination notice period of three months and one month to be given by the employer or the employee after the probationary period.

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## Executive Directors – SMT remuneration (subject to audit)

The salaries and remuneration paid to executive directors including the Chief Executive, and standing co-opted members of SMT were as follows. There have been a number of changes in roles during the year, this is mainly due to rightsizing the SMT in the run up to the social worker transfer, and as a result of the business transformation programme initiated from June 2019.

Name	Position	2019–20				2018–19			
		Salary / Remuneration £'000	Employer's pension contribution £'000	Taxable benefits (to nearest £100)	Total £'000	Salary / Remuneration £'000	Employer's pension contribution £'000	Taxable benefits (to nearest £100)	Total £'000
<b>Senior Management Team</b>									
John Barwick <sup>1</sup>	1) Executive Director of Regulation (until September 2019) 2) Interim Chief Executive (from October 2019 to March 2020) 3) Chief Executive and Registrar (from March 2020)	130–135	9	–	140–145	110–115	8	–	120–125
Guy Gaskins <sup>2</sup>	Executive Director of IT and Resources	110–115	8	–	115–120	105–110	8	–	115–120
Jacqueline Ladds	Executive Director of Policy and External Relations	105–110	7	–	110–115	100–105	7	–	110–115
Marc Seale <sup>3</sup>	Chief Executive and Registrar	195–200	–	5,000	200–205	195–200	–	5,000	200–205
<b>Co-opted members</b>									
Claire Amor <sup>4</sup>	Head of Governance	25–30	3	–	30–35	–	–	–	–
Gordon Dixon <sup>5</sup>	1) Interim Director of Finance (from August 2019 to January 2020) 2) Director of Business Improvement (from January 2020)	145–150	–	–	145–150	–	–	–	–
Claire Holt <sup>6</sup>	1) Interim Director of HR and OD (from July 2019 to Feb 2020) 2) Director of HR and OD (from March 2020)	160–165	1	–	160–165	–	–	–	–

Jameela Khan <sup>7</sup>	Interim Director of Finance (until August 2019)	10-15	1	-	10-15	-	-	-	-
Tian Tian <sup>8</sup>	Director of Finance	40-45	3	-	45-50	-	-	-	-
<b>Previous Executive Management Team</b>									
Andy Giles <sup>9</sup>	Director of Finance	-	-	-	-	50-55	3	-	55-60
Abigail Gorringer <sup>9</sup>	Director of Education	-	-	-	-	95-100	13	-	110-115
Teresa Haskins <sup>10</sup>	Director of HR	-	-	-	-	65-70	5	-	70-75
Kelly Holder <sup>9</sup>	Director of Fitness to Practice	-	-	-	-	155-160	21	-	180-185
Louise Lake <sup>9</sup>	Director of Council and Committee Services	-	-	-	-	65-70	1	-	70-75
Greg Ross-Sampson <sup>9</sup>	Director of Operations	-	-	-	-	60-65	3	-	65-70
Katherine Timms	Acting Director of Policy and Standards (until May 2018)	-	-	-	-	5-10	-	-	5-10

- John Barwick was Executive Director of Regulation until 30 September 2019, he acted up as the interim Chief Executive from 1 October 2019 to 8 March 2020. On 9 March 2020, he was formally appointed as the Chief Executive and Registrar of HCPC.
- Guy Gaskins left under settlement agreement terms on 31 March 2020, total compensation accrued at the year end was (£100,000 - £105,000).
- Marc Seale left HCPC under settlement agreement terms on 31 March 2020. Total compensation accrued as at the year end was (£230,000 - £235,000). He has waived his entitlement to employer pension contributions to his personal pension plan for 2019-20 and 2018-19.
- Claire Amor joined SMT on 1 October 2019. Her full time equivalent (FTE) salary for 2019-20 was in the band of (£70,000-£75,000)
- Gordon Dixon joined HCPC as Interim Director of Finance on 19 August 2019 and was remunerated through agency. On 27 January 2020, he became the Director of Business Improvement, being accountable for Business Improvement delivery and provide Executive oversight of Financial and Fitness to Practise functions. For this service, he invoiced HCPC through a personal service company. Total remuneration balance included VAT inclusive amount paid through agency of (£90,000 - £95,000).
- Claire Holt joined HCPC as Interim Director of HR and OD on 15 July 2019 and was remunerated through agency. She became Director of HR and OD on 2 March 2020 on a one year fixed term contract. Total remuneration included VAT inclusive amount paid though agency in the band of (£150,000 - £155,000). As the Director of HR and OD, her FTE is the band of (£95,000 - £100,000).
- Jameela Khan was the Interim Director of Finance, she joined SMT on 4 July 2019 and left HCPC on 8 August 2019. Her full time equivalent (FTE) salary for 2019-20 was in the band of (£80,000-£85,000)
- Tian Tian was on maternity leave between 1 April 2019 and 26 January 2020, during this time Jameela Khan and Gordon Dixon covered as the Interim Director of Finance. The role of Director of Finance joins SMT from 4 July 2019. Her full time equivalent (FTE) salary for 2019-20 was in the band of (£75,000-£80,000)
- During 2018-19, Andy Gillies, Abigail Gorringer, Kelly Holder, Louise Lake and Greg Ross-Sampson left the HCPC as part of the restructuring of the Executive Management Team. The restructure were a result of a cost cutting exercise in preparation for the transfer of social workers, therefore part of the redundancy payments have been recovered through the grant income from Department of Education.
  - Andy Gillies left under redundancy exit terms on 10 May 2018 and received compensation of (£30,000-£35,000).
  - Abigail Gorringer left under redundancy exit terms on 10 May 2018 and received compensation of (£95,000-£100,000).
  - Kelly Holder left under redundancy exit terms on 03 May 2018 and received compensation of (£165,000-£170,000).
  - Louise Lake left under redundancy exit terms on 30 June 2018 and received compensation of (£45,000-£50,000)
  - Greg Ross-Sampson left under redundancy exit terms on 10 May 2018 and received compensation of (£45,000-£50,000)
- Teresa Haskins left the HCPC in January 2019.
- Since the date of the financial statements, Neil Cuthbertson joined HCPC on 20 April 2020 as the Executive Director – Digital Transformation, IT.

## **Executive Directors remuneration (continued)**

No benefits-in-kind were paid to executive directors during the year, except for the outgoing Chief Executive. The SMT employer's pension contributions are paid into the Aviva pension scheme.

The restructuring of the SMT resulted in payments for loss of office with a total value of £336k being accrued for two of the previous SMT members in March 2020. Details as follows:

- 1) Marc Seale left under settlement agreement terms on 31 March 2020 and received a compensation payment of (£230,000 - £235,000)
- 2) Guy Gaskins left under settlement agreement terms on 31 March 2020 and received a compensation payment of (£100,000 - £105,000)

## **Fair pay disclosures (subject to audit)**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the HCPC in the financial year 2019–20 was £200-205,000 (2018–19, £200-205,000). This was 6.0 times (2018–19, 6.1) the median remuneration of the workforce, which was £34,000 (2018–19, £33,000).

In 2019–20, nil (2018–19, nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £200,000 to £23,000 (2018–19, £200,000–£22,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## **Consultancy and off-payroll engagements**

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.

## **Exit packages (subject to audit)**

Nine employees were paid redundancy payments during the year. This included the Chief Executive and one executive directors, plus seven non-SMT staff members who received redundancy payments, with a total value of £480k. The individual amounts were as follows.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	–	1
£10,000–£25,000	1	2	3
£25,000–£50,000	–	3	3
£50,000–£100,000	–	–	–
£100,000–£150,000	–	1	1
£150,000–£200,000	–	–	–
£200,000–£250,000	–	1	1
Total number of exit packages	2	7	9
<b>Total cost</b>	<b>£13,000</b>	<b>£467,000</b>	<b>£480,000</b>

### Employee numbers and costs (subject to audit)

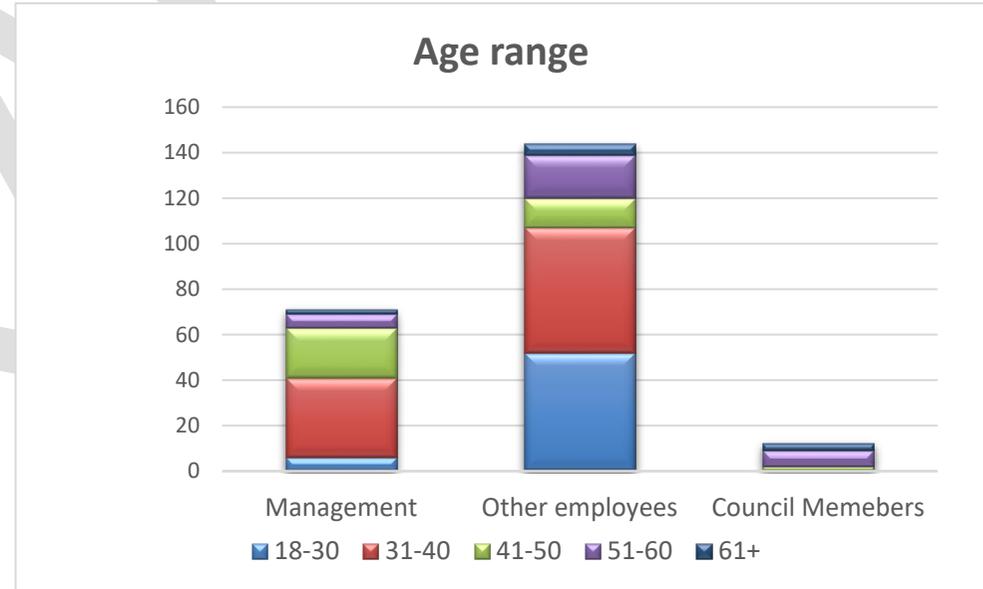
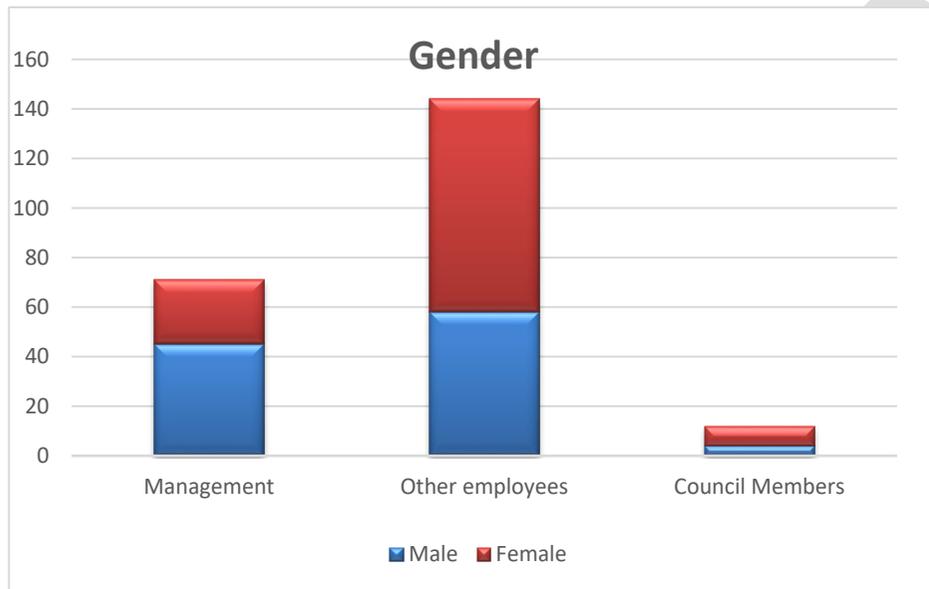
Employee numbers and costs are shown in note 4 to the financial statements, together with the cost of agency and contract workers

## Equality and diversity

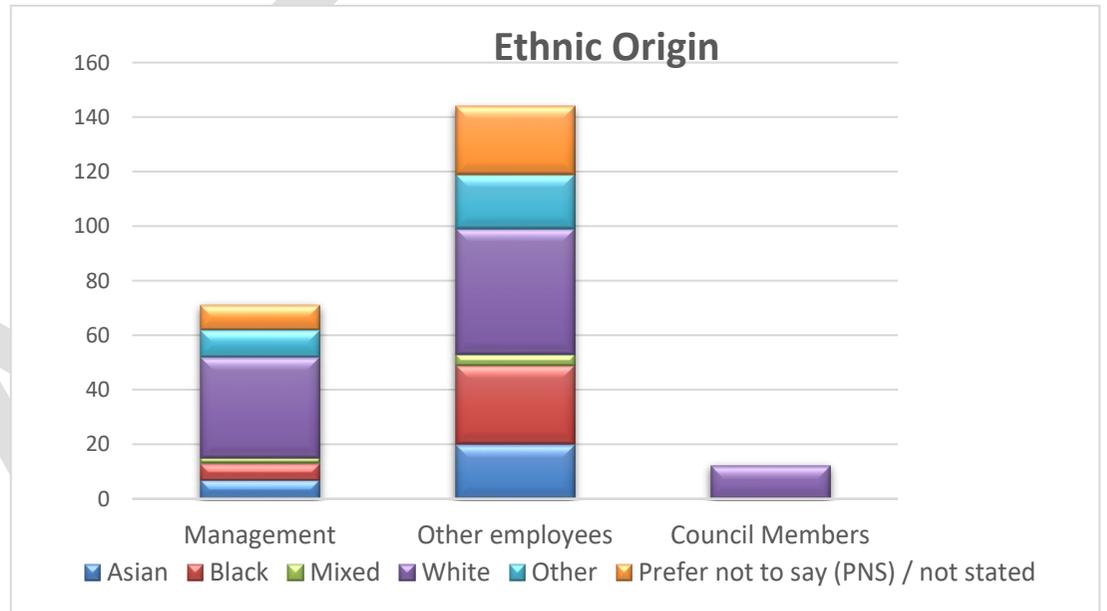
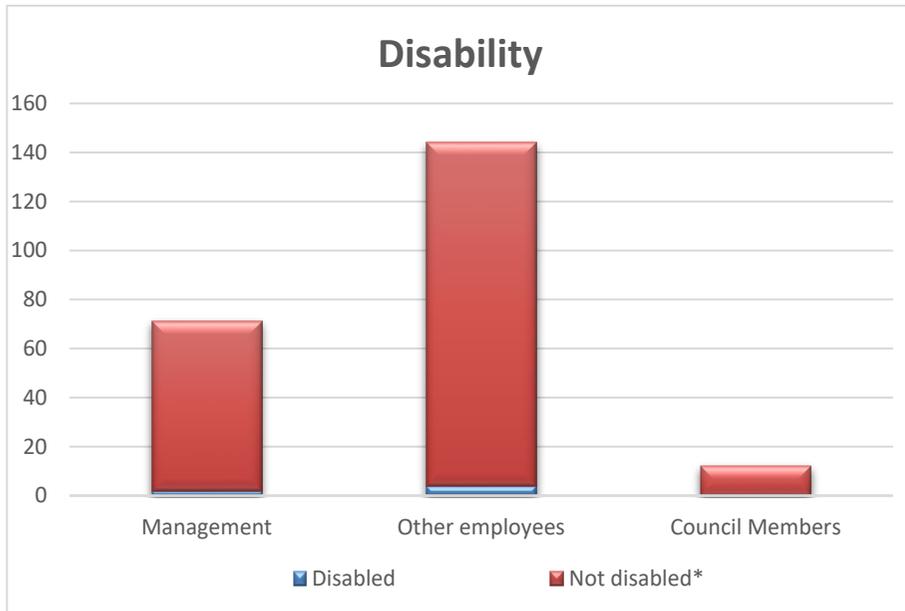
We are committed to meeting our obligations under the Equality Act 2010 and continuing to ensure that we are an organisation that values diversity and promotes equality. This includes ensuring Council and Committee members, Partners and employees receive regular training in equality and diversity matters, 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 2020 was as follows.

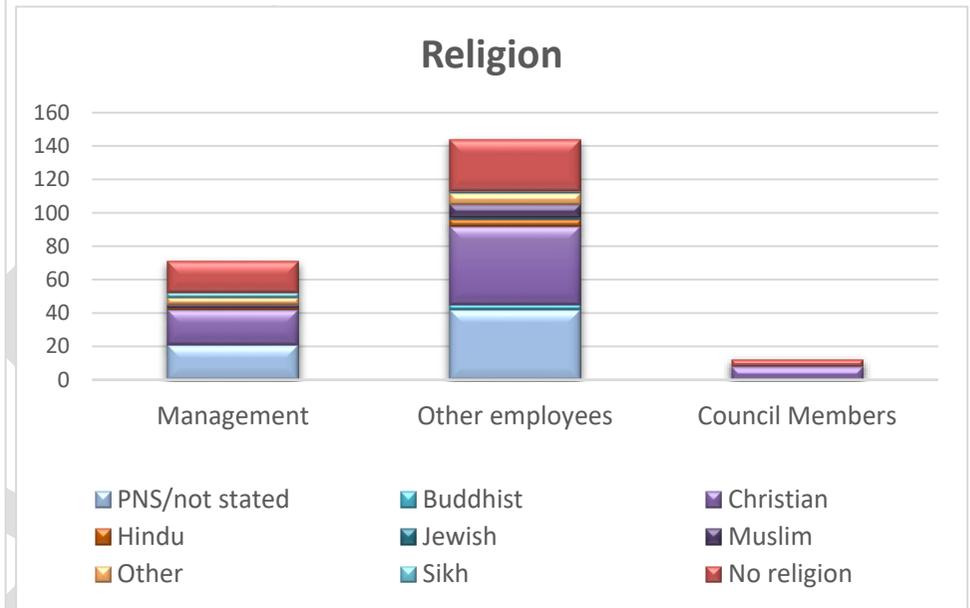
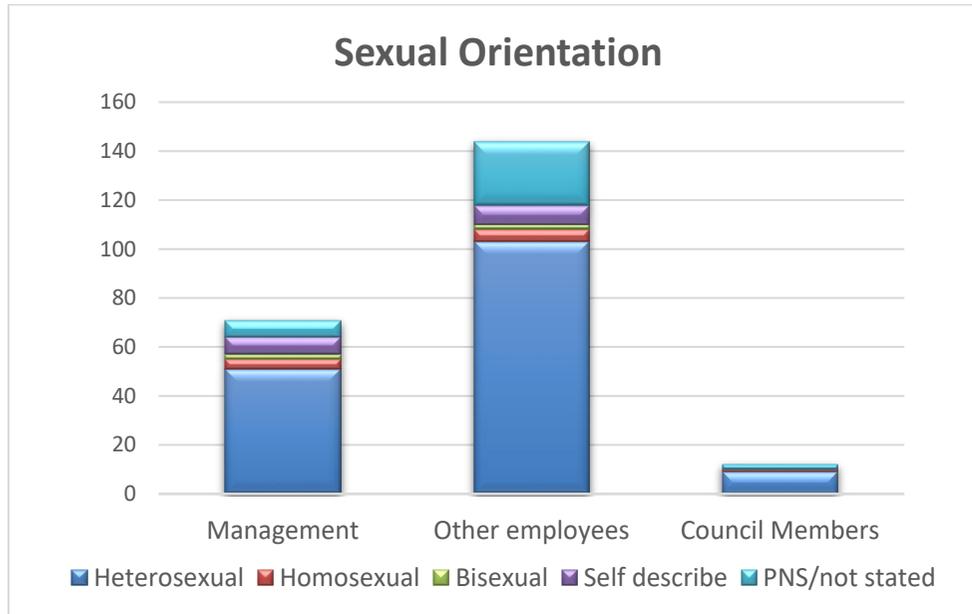


Accountability report: Remuneration and staff report



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

Accountability report: Remuneration and staff report



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## Gender pay gap

As at 5 April 2019, our mean gender pay gap for employees was -2.95% (2018–19, 3.7%) and our median gender pay gap was 0%<sup>6</sup>. We are committed to reducing our gender pay gap by attracting more women into senior and managerial roles. Steps planned for 2020–21 to achieve this aim include enhance our employer brand through a number of different initiatives in order to attract more diversity, 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. Seven health and safety incidents were reported during the year (2018–19, nine). The increase is partly attributed to raised awareness of health and safety reporting processes across the organisation. Health and safety incidents can be categorised as either reportable or non-reportable to the Health and Safety Executive, in accordance with Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR 2013). None of the nine incidents were reportable under RIDDOR, and as such are considered minor.

The total number of employee sick leave days in 2019–20 was 1,826 (2018–19, 1,152). The average number of sick days per full time equivalent employee in 2019–20 was 6 working days or 3% of working days (2018–19, 5 days, 2% of working days). The increase is due to long term sickness cases from a selective number of employees. The reasons for these absences were due to underlying medical conditions which resulted in the employees being absent from work for more than 4 weeks at one time.

## 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 2019–20, activities relating to CSR have included:

- Food bank collection for Oasis Waterloo Foodbank;
- Christmas card donation to Oasis Children's Venture;
- Bake sale for Oasis Children's Venture which meant the charity could provide a Christmas dinner & presents for 50 children ;

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<sup>6</sup> 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 5.27% and a median gender pay gap of 0%. Our full gender pay gap report is available at <https://www.hcpc-uk.org/resources/reports/2020/gender-pay-gap-report-2020/>

- Promote blood donation day, many employees gave blood as a result;
- Charity collection to help refugees;
- Displays and information for World Mental Health Day, Time to Talk Day and International Women's Day;
- Collecting foreign currency and used stamps for charity;
- 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).

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# Accountability report: Parliamentary accountability and audit report

## Accountability

### Fees charging (subject to audit)

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 (subject to audit)

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

**Christine Elliott**  
Chair

**John Barwick**  
Chief Executive and Registrar  
Accounting Officer

Signature

Signature

Date September 2020

Date September 2020

# **Accountability report: Independent auditor's report to the members of the Health and Care Professions Council**

## **Opinion**

We have audited the financial statements of the Health and Care Professionals Council ("the Council") for the year ended 31 March 2020 which comprise the Statement of comprehensive net income, the Statement of financial position, the Cash flow statement, the Statement of changes in equity, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Council's affairs as at 31 March 2020 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Health and Social Work Professions Order 2001 and the directions issued thereunder by the Privy Council.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The Members of Council are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does

## **Accountability report: Independent auditor's report to the members of the Health and Care Professions Council**

not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report.

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

- adequate accounting records have not been kept by the Council, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Council and Accounting Officer**

As explained more fully in the Statement of Responsibilities of the Accounting Officer, the Council and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council Members are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council Members either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is

## **Accountability report: Independent auditor's report to the members of the Health and Care Professions Council**

a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Members of Council, as a body, in accordance with Health and Social Work Professions Order 2001 and the directions issued thereunder by the Privy Council. Our audit work has been undertaken so that we might state to the Members of Council those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Members of Council as a body, for our audit work, for this report, or for the opinions we have formed.

Haysmacintyre LLP  
Statutory Auditors  
September 2020

10 Queen Street Place  
London  
EC4R 1AG

# **Certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

## **Opinion on financial statements**

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2020 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2020 and of the retained surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and Privy Council directions issued thereunder.

## **Opinion on regularity**

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

## **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Health and Care Professions Council in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health and Care Professions Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

## **Certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Council and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Work Professions Order 2001.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health and Care Professions Council's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the

## **Certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Other Information**

The Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Privy Council directions made under the Health and Social Work Professions Order 2001;
- in the light of the knowledge and understanding of the Health and Care Professions Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

**Certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament**

**Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**September 2020**

**Comptroller and Auditor General**

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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## Statement of comprehensive net income for the year ended 31 March 2020

	Note	2019–20 £'000	2018–19 £'000
<b>Income</b>			
Fee income	2	32,651	34,425
<b>Total operating income</b>		<b>32,651</b>	<b>34,425</b>
Staff costs	4	(13,908)	(13,777)
Depreciation and amortisation	8, 9	(598)	(867)
Other expenditure	6	(19,382)	(20,330)
Business transformation costs		(1,020)	-
<b>Total operating expenditure</b>		<b>(34,908)</b>	<b>(34,974)</b>
<b>Deficit for the year after operational costs</b>		<b>(2,257)</b>	<b>(549)</b>
Income received from the Department for Education	3	2,594	749
Investment income	3	113	116
Other income – rental	3	175	130
<b>Surplus on ordinary activity before taxation</b>		<b>625</b>	<b>446</b>
Taxation	7	(54)	(47)
Impairment of intangible assets	9	(283)	(167)
<b>Retained surplus for the year</b>		<b>288</b>	<b>232</b>
<b>Other comprehensive net income</b>			
Revaluation gain on freehold property	8	133	276
<b>Total comprehensive net income</b>		<b>421</b>	<b>508</b>

The notes on pages 60-74 form part of these Financial statements.

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

## Statement of financial position at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	6,298	6,304
Intangible assets	9	2,529	1,594
<b>Total non-current assets</b>		<b>8,827</b>	<b>7,898</b>
<b>Current assets</b>			
Trade and other receivables	10	4,371	3,017
Short-term deposits	12	5,098	7,370
Cash and cash equivalents	11	6,810	11,293
<b>Total current assets</b>		<b>16,279</b>	<b>21,680</b>
<b>Total assets</b>		<b>25,106</b>	<b>29,578</b>
<b>Current liabilities</b>			
Trade and other payables	13	(3,385)	(3,197)
Deferred income	14	(17,067)	(22,148)
<b>Total current liabilities</b>		<b>(20,452)</b>	<b>(25,345)</b>
Liabilities greater than one year	15	(163)	(163)
<b>Assets less liabilities</b>		<b>4,491</b>	<b>4,070</b>
<b>Reserves</b>			
General reserve		4,060	3,772
Revaluation reserve		431	298
		<b>4,491</b>	<b>4,070</b>

The notes on pages 60–74 form part of these Financial statements.

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

**Christine Elliott**  
Chair

**John Barwick**  
Chief Executive and Registrar  
Accounting Officer

Signature

Signature

Date X September 2020

Date X September 2020

**Cash flow statement for year ended 31 March 2020**

	Note	2019–20 £'000	2018–19 £'000
<b>Cash flows from operating activities</b>			
Deficit for the year		(2,257)	(549)
Depreciation and amortisation	8 and 9	598	867
(Increase) in trade and other receivables	10	(1,354)	(850)
Increase in payables	13	181	-
(Decrease) / Increase in deferred income	14	(5,081)	837
(Decrease) in liabilities greater than one year	15	-	(57)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(7,913)</b>	<b>248</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(155)	(667)
Purchase of intangible assets	9	(1,522)	(776)
Net disposal of short-term deposits	12	2,272	5,295
Rental income	3	175	130
Investment income	3	113	116
<b>Net cash flows from investing activities</b>		<b>883</b>	<b>4,098</b>
<b>Taxation</b>	7 and 13	<b>(47)</b>	<b>(29)</b>
<b>Cash flows from financing activities</b>	3	<b>2,594</b>	<b>749</b>
Income from the Department for Education			
<b>Net cash flows from financing activities</b>		<b>2,594</b>	<b>749</b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>		<b>(4,483)</b>	<b>5,066</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>11,293</b>	<b>6,227</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>6,810</b>	<b>11,293</b>

The notes on pages 60–74 form part of these Financial statements.

**Statement of changes in equity for year ended 31 March 2020**

	Note	Revaluation reserve £'000	General reserve £'000	Total £'000
<b>Balance at 1 April 2018</b>		22	3,540	3,562
Surplus for the year		–	232	232
Gain on revaluation of property		276	–	276
<b>Balance at 31 March 2019</b>		<b>298</b>	<b>3,772</b>	<b>4,070</b>
Surplus for the year		–	288	288
Gain on revaluation of property	8	133	–	133
<b>Total recognised income and expense for the year</b>		<b>133</b>	<b>288</b>	<b>421</b>
<b>Balance at 31 March 2020</b>		<b>431</b>	<b>4,060</b>	<b>4,491</b>

The notes on pages 60–74 form part of these Financial statements.

# Notes to the Financial statements for year ended 31 March 2020

## 1 Accounting policies

### 1.1 Basis of preparation

These financial statements have been prepared taking into consideration the accounting principles and disclosure requirements of the 2019–20 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.

### 1.2 Accounting Convention

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

### 1.3 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 the HCPC are:

- **IFRS 16 – Leases** was issued in January 2016. In accordance with the FReM, the HCPC will first apply it in the 2021–22 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 the HCPC's Financial statements. It is estimated that the right-of-use asset value will be approximately £4.9m as at 1 April 2021 and the impact on the statement of comprehensive net income will be additional expenditure of approximately £56k in 2021–22.
- **IFRS 17 – Insurance Contracts** implementation has been deferred from its original implementation date of 1 January 2022 to 1 January 2023 by the IASB. No material impact to HCPC's financial statements is anticipated following its implementation.

### 1.4 Going concern

The Council has reviewed and approved the budget for the year ending 31 March 2021, plus high level budgets for the years ending 2022 and 2023. Plans are in place to reduce the cost base and although implementation of the newly proposed fee increase has been postponed briefly by the Council while our registrants are under pressure from Covid-19, we are keen to start the process as soon as we can. Overall impact of the pandemic on HCPC's current and future assets and liabilities is not expected to be significant, 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. Based on this information, the Council considers that it is appropriate to prepare the Statement of financial position on a going concern basis.

## Financial statements

### 1.5 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 2020. 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 income, in which case the increase is recognised in the Statement of comprehensive net income. A revaluation deficit is recognised in the Statement of comprehensive net income except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the buildings and the net amount is restated to the revalued amount of the buildings.

Plant and equipment are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. The HCPC's plant and equipment assets are relatively low value items with short useful lives. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Individual assets costing £5,000 or more are capitalised and subsequently depreciated.

Property, plant and equipment assets are depreciated using the straight-line method based on estimated useful lives. The annual rate of depreciation for each class of depreciable asset held at 31 March 2020 is as follows:

- freehold buildings – over 50 years;
- office furniture and equipment – over four years;
- computer equipment – over three years; and
- leasehold improvements – over the shorter of the remaining minimum term of the lease or the expected useful life.

#### Intangible assets

## Financial statements

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 2020 is as follows:

- software licences – over three years; and
- software system development costs – over three to seven years.

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

### 1.6 Financial instruments: Financial assets

The HCPC classifies its financial assets under the requirements of IFRS 9 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. Under IFRS 9 these are held at 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, instant access deposit accounts and short-term deposits held with banks. Short-term deposits are entered with banks and have a term of up to two years. The deposits comply with the HCPC investment policy. Cash and cash equivalents are held at amortised cost under IFRS 9.

### 1.7 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. Under IFRS 9 these will remain at amortised cost

**Currency, liquidity and interest rate risk.** Refer to note 21 of the Financial statements.

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

**Pensions.** The HCPC contributes to a defined contribution pension scheme on behalf of its employees. HCPC contributions are expensed to the Statement of comprehensive net income 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 income in the period to which they relate and matched with expenditure incurred by the HCPC in fulfilling its performance obligations. 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 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 twelve months from the Statement of financial position date. However, under the HCPC's fees and refunds policies, refunds are

## Financial statements

only payable for complete unused years, so any refunds in relation to the deferred income balance will only be paid within the next twelve months. Therefore the HCPC does not split its deferred income balance between current and non-current liabilities.

Interest income is recognised on an accruals basis. Rental income is recognised as contractual obligation is fulfilled; the income is received every quarter in advance.

**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 the HCPC's investment income and rental income only

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## Financial statements

<b>2 Fee income by profession</b>	<b>2019–20 £'000</b>	<b>2018–19 £'000</b>
Arts therapists	418	393
Biomedical scientists	2,241	2,137
Chiropodists / podiatrists	1,170	1,169
Clinical scientists	570	555
Dietitians	978	935
Hearing aid dispensers	294	268
Occupational therapists	3,734	3,636
Operating department practitioners	1,255	1,235
Orthoptists	134	132
Paramedics	2,624	2,452
Physiotherapists	5,583	5,351
Prosthetists / orthotists	106	103
Practitioner psychologists	2,271	2,226
Radiographers	3,714	3,431
Social workers in England	5,929	8,796
Speech and language therapists	1,563	1,522
European professional card	67	84
	<b>32,651</b>	<b>34,425</b>

<b>3 Other income</b>	<b>2019–20 £'000</b>	<b>2018–19 £'000</b>
Bank deposit interest	113	116
Grant income	2,594	749
Rental income	175	130
	<b>2,882</b>	<b>995</b>

Other income during the year includes office space rental income of £175k (2018–19, £130k) and grant income of £2,594k (2018–19, £749k) from the Department for Education.

			<b>2019–20</b>	<b>2018–19</b>
	<b>Permanent staff £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>	<b>Total £'000</b>
Wages and salaries	7,513	2,739	10,252	10,312
Social Security costs	837	202	1,039	1,048
Pension costs	570	102	672	601
Temporary staff costs	–	1,091	1,091	1,474
Other payroll expense including recruitment costs	90	248	338	259
Apprenticeship levy	–	36	36	36
Redundancy cost	480	–	480	47
	<b>9,490</b>	<b>4,418</b>	<b>13,908</b>	<b>13,777</b>

## Financial statements

The average number of full time equivalent (FTE) permanent employees during the year was 251 (2018–19, 258). The average number of fixed-term contractors (non-agency staff) and temporary/agency contractors during the year was 82 (2018–19, 86)

### 5 Pension funding arrangements

The Friends Provident Scheme is a designated stakeholder, defined contribution scheme and the HCPC's auto-enrolment staging date was 1 April 2014. At 31 March 2020, there were 217 active members in the pension scheme (2019, 266 active members). During the financial year to 31 March 2020, the HCPC contributed £672k to the pension scheme (2018–19, £601k).

### 6 Other expenditure

	2019–20	2018–19
	£'000	£'000
Professional services	6,943	6,681
Partners	5,467	5,691
Office services	1,372	1,539
Computer services	1,582	1,296
Communications	112	335
Other departmental costs	702	708
Property services	1,795	2,107
Projects	103	697
Council and Committee expenses	286	224
Travel and subsistence	118	128
PSA levy	902	924
	<u>19,382</u>	<u>20,330</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 £117k (2018–19, £168k).

Project related costs for 2018-19 mainly made up of operating expenditure incurred for the refurbishment of 186 Kennington Park Road, which amounted to £697k. There were no such cost in 2019-20.

Because the HCPC is not registered for VAT, other operating expenditure includes irrecoverable VAT of approximately £2.1m in 2019–20 and £2.2m in 2018–19.

#### Other expenditure includes:

	2019–20	2018–19
	£'000	£'000
Auditors' remuneration:		
• External audit – Haysmacintyre LLP	27	27
• External audit – National Audit Office	6	5
• Internal audit – Grant Thornton LLP	-	13
• Internal audit – BDO LLP	66	-
• Other non-audit services – Haysmacintyre	6	-
• Other non-audit services – Grant Thornton	-	109
Operating lease rentals minimum lease payments:		
• Land and buildings	890	829

**Financial statements**

<b>7 Taxation on investment income</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on taxable income for the year	54	47
Tax charge for the year	54	47

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## Financial statements

<b>8 Property, plant and equipment 2019–20</b>	<b>Freehold land</b>	<b>Freehold properties</b>	<b>Leasehold improvement</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation:						
At 1 April 2019	2,873	2,873	1,029	171	542	7,488
Additions	–	–	–	41	114	155
Disposals	–	–	–	–	–	–
Revaluation <sup>1</sup>	37	37	–	–	–	74
At 31 March 2020	<u>2,910</u>	<u>2,910</u>	<u>1,029</u>	<u>212</u>	<u>656</u>	<u>7,717</u>
Depreciation:						
At 1 April 2019	–	–	611	135	438	1,184
Charge for the year	–	59	157	14	64	294
Disposals	–	–	–	–	–	–
Reversal on revaluation <sup>1</sup>	–	(59)	–	–	–	(59)
At 31 March 2020	<u>–</u>	<u>–</u>	<u>768</u>	<u>149</u>	<u>502</u>	<u>1,419</u>
Net book value:						
At 31 March 2020	<u>2,910</u>	<u>2,910</u>	<u>261</u>	<u>63</u>	<u>154</u>	<u>6,298</u>
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>

1. Net revaluation gain for 2019–20 amount to £133k (2018–19 net gain £276k). 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.

The 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 2020 by Stiles Harold Williams, Chartered Surveyors, on an open-market-value basis, in accordance with the RICS Valuation – Professional Standards effective 31 January 2020. 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. The HCPC accepts this advice.

## Financial statements

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

Park House was valued at £5.82m. The combined historic cost of the Park House property, which now includes 186 Kennington Park Road, was £5,135,848 (2019, £5,135,848).

### Historic documents and papers

The HCPC has a collection of historic copies of the paper registers, photographs, some art works from the art course we regulate and physical copies of our legislation documents. The HCPC does not put a value on this collection due to the lack of market for them.

<b>Property, plant and equipment 2018–19</b>	<b>Freehold land</b>	<b>Freehold properties</b>	<b>Leasehold improvement</b>	<b>Office furniture and equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 <sup>1</sup>	385	(159)	–	–	–	226
At 31 March 2019	2,873	2,873	1,029	171	542	7,488
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 <sup>1</sup>	–	(50)	–	–	–	(50)
At 31 March 2019	–	–	611	135	438	1,184
Net book value:						
At 31 March 2019	2,873	2,873	418	36	104	6,304
At 31 March 2018	2,488	2,488	575	22	72	5,645

## Financial statements

<b>9 Intangible assets</b>	<b>Software licences</b>	<b>Other systems</b>	<b>HR and Partner Build</b>	<b>Education system</b>	<b>Fitness to practise case management</b>	<b>Registration system</b>	<b>Total</b>
<b>2019–20</b>							
Cost or valuation:	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2019	339	814	361	956	1,105	4,536	8,111
Additions	11	–	58	87	46	1,320	1,522
Impairment	–	–	–	–	(103)	(180)	(283)
Disposals	–	–	–	–	–	–	–
At 31 March 2020	350	814	419	1,043	1,048	5,676	9,350
Amortisation:							
At 1 April 2019	280	375	223	887	1,048	3,704	6,517
Charge for the year	37	95	34	13	–	125	304
Impairment	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
At 31 March 2020	317	470	257	900	1,048	3,829	6,821
Net book value:							
At 31 March 2020	33	344	162	143	–	1,847	2,529
At 31 March 2019	59	439	138	69	57	832	1,594

Financial statements

Intangible assets	Software licences	Other systems	HR and Partner Build	Education system	Fitness to practise case management	Registration system	Total
2018–19	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
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	59	439	138	69	57	832	1,594
At 31 March 2018	55	357	249	–	–	892	1,568

<b>10 Trade and other receivables</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	2,580	2,619
Other receivables	1,791	398
	<u>4,371</u>	<u>3,017</u>

All debtors are current and there are no amounts which are past due date. The main elements of the other receivables relate to accrued grant income from Department for Education. There are no impaired financial assets.

<b>11 Cash and cash equivalents</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	11,293	6,227
Net change in cash	(4,483)	5,066
Balance at 31 March	<u>6,810</u>	<u>11,293</u>

All cash held in commercial bank accounts only.

<b>12 Short-term deposits</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	7,370	12,665
Net change in deposits	(2,272)	(5,295)
Balance at 31 March	<u>5,098</u>	<u>7,370</u>

As at 31 March 2020, nil (2018–19, nil) of the total short-term deposits are maturing after more than one year.

<b>13 Trade and other payables</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax	54	47
Other taxation and social security	365	311
Trade and other payables	890	1,579
Accruals	2,076	1,260
	<u>3,385</u>	<u>3,197</u>

<b>14 Deferred income</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Fees received in advance	<u>17,067</u>	<u>22,148</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 reporting date. At 31 March 2020, approximately £2.2m of the total deferred income balance was represented by fees paid in advance for periods ending after 31 March 2021, which will be recognised as income in the financial year 2021–22.

<b>15 Provisions</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Dilapidation provision		
Balance at 1 April	163	220
Net change in provision	0	(57)
Balance at 31 March	<u>163</u>	<u>163</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.

	<b>2019–20</b>			<b>2018–19</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payments due:	<b>Kennington Road</b>	<b>Stannary Street</b>	<b>Total</b>	<b>Kennington Road</b>	<b>Stannary Street</b>	<b>Total</b>
In less than one year	701	141	842	642	129	771
In the second to fifth years	467	564	1,031	1,226	564	1,790
After more than five years	–	406	406	–	559	559
	<u>1,168</u>	<u>1,111</u>	<u>2,279</u>	<u>1,868</u>	<u>1,252</u>	<u>3,120</u>

## 17 Capital commitments

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

	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
FTP CMS review	-	89
HR system upgrade	-	54
Education change 2018–19	-	54
Registration transformation and improvement project	746	-
	<u>746</u>	<u>197</u>

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

	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Registration transformation and improvement project	197	1,571
CMS phase 1 replacement	-	500
Education system enhancement FY20	-	56
Netreg refresh	-	32
Partner portal upgrade 1869	-	11
Fees review	-	6
Sage and WAP replacement project	-	138
	<u>197</u>	<u>2,314</u>

## 18 Contingent liabilities

As at 31 March 2020, the anticipated cost of concluding backlog of Fitness to Practise concerns is £5,519,000. The backlog is expected to be cleared in 18 months.

## 19 Related party transactions

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

During the year, an advance payment of £753,000 was made to the PSA, which relates to PSA levy for 2020–21. As at the reporting date, this is held within prepayments. In 2018-19, similar advance payment of £990,000 were made towards 2019-20 PSA levy.

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 (2018–19, nil).

As part of the transfer of Social Workers on the HCPC register to Social Work England (SWE), a payment of £5,361,000 were made to the SWE for prepaid fees from the registrants.

Council members and non-Council Committee members receive fees at a daily rate for attendance at Council or Committee meetings. Fees totalling £222,160 (2018–19, £141,335) were accrued and paid to 20 members, which is made up of ten Council and ten non-Council Committee member (2018–19, 20 members).

## 20 Post statement of financial position events

The Financial statements were authorised for issue by the Accounting Officer on the date they were certified by the Comptroller and Auditor General.

## 21 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, the 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 the HCPC does not rely on interest income to fund its operations, so interest rate risk is not significant.

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## Accounts determination



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

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

This determination has effect from 27<sup>th</sup> August 2015:

#### **Interpretation**

In this determination—

- “the accounts” means the statement of accounts which it is the Council’s duty to prepare under section 46(1) of the Health Professions Order 2001;
- “the Council” means the Health and Care Professions Council;
- “the FReM” means the edition of the Government Financial Reporting Manual issued by H M Treasury which is in force for the relevant calendar year.

#### **Determination**

The Council must prepare accounts for each calendar year. In preparing its accounts the HCPC should take into consideration the accounting principles and disclosure requirements of the FReM.

The accounts must be prepared so as to:

- Give a true and fair view of the state of affairs as at year end and of the income and expenditure, total recognised gains and losses, and cash flows of the HCPC for the calendar year then ended; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

This determination is to be reproduced as an appendix to the published accounts.

The accounts direction issued 21<sup>st</sup> May 2003 is hereby revoked.

Signed by the authority of the Privy Council

Signed:

Dated: