Council Meeting – 10 December 2009

IFRS Accounts 2008-09 - Draft

Executive summary and recommendations

Introduction
As part of the preparation for full IFRS adoption in accounting year ending 31 March 2010, the Health Professions Council are required to prepare accounts using IFRS format to allow prior year comparisons.

Decision
The Council is requested to note the document. No decision is required.

Background information
Baker Tilly have reviewed drafts of the revised format accounts and the final draft version now been sent to the NAO for review.

Resource implications
Nil

Financial implications
As budgeted.

Appendices
Appendix One –IFRS accounts for 12 months to 31 March 2009.

Date of paper
30 November 2009

1 April 2008 to 31 March 2009

Health Professions Council
IFRS accounts 2008–09

Consolidated Income Statement for the year ended 31 March 2009

	Notes	2009 £
Income		
Fee Income	4	13,550,077
Other Income		(1,008)
		13,549,069
Operating expenditure		
Staff Costs	1	4,723,318
Depreciation and amortisation		346,581
Other expenditure	3	7,857,694
		12,927,593
Surplus for the year after operational costs		621,476
Investment income	6	208,512
Loss on disposal of investments		(14,865)
Unrealised losses on investments		(349,051)
Impairment of freehold land and buildings		(848,895)
Cost of capital	5	(64,844)
Deficit after non-operating activates		(447,667)
Reversal of cost of capital		64,844
Deficit before taxation		(382,823)
Taxation	7	5,889
Deficit for the year		(376,934)

Consolidated statement of recognised income and expense

	2009 £
Deficit for the year	(376,934)
Impairment on revaluation of freehold land and buildings	(207,800)
Grant income	74,307
Total recognised deficit for the year	(510,427)

Consolidated statement of financial position as at 31 March 2009

	Notes	2009 £
Non-current assets		
Property, plant & equipment	8	2,809,905
Intangible assets	9	784,331
		3,594,236
Current assets		
Trade and Other receivables	13	354,207
Financial assets	12	1,347,418
Cash and cash equivalents	14	5,341,865
		7,043,490
Total assets		10,637,726
Current liabilities		
Trade and other payables	15	(2,653,981)
Deferred income	16	(7,106,069)
		(9,760,050)
Net Assets		877,676
Reserves		
Revaluation reserve		213,946
General reserve		663,730
		877,676

The notes on pages 8 to 23 form part of these accounts.

Council statement of financial position as at 31 March 2009

	Notes	2009 £
Non-current assets		
Property, plant & equipment	8	1,908,052
Intangible assets	9	784,331
Investments in subsidiaries	11	750,000
		3,442,383
Current assets		
Trade and other receivables	13	2,198,727
Financial assets	12	1,347,418
Cash and cash equivalents	14	5,341,865
		8,888,010
Total assets		12,330,393
Current liabilities		
Trade and other payables	15	(2,336,940)
Deferred income	16	(7,106,069)
		(9,443,009)
Net Assets		2,887,384
Reserves		
Revaluation reserve		213,946
General reserve		2,673,438
		2,887,384

The notes on pages 8 to 23 form part of these accounts.

Consolidated statement of cash flows for the year ended 31 March 2009

	2009 £
Cash flows from operating activities	
Deficit from operating activates	(447,667)
Cost of capital	64,844
Impairment of freehold land and buildings	848,895
Depreciation and amortisation	346,581
Investment income	(208,512)
Loss on disposal of investments	14,865
Unrealised losses on investments	349,051
(Increase) in trade and other receivables	(141,003)
Increase in creditors	533,308
Increase in deferred income	236,879
Net cash outflow from operating activities	1,597,241
Cash flows from investing activities	
Purchase of property, plant and equipment	(739,327)
Purchase of intangible assets	(502,492)
Purchase of financial assets	(498,165)
Proceeds from sale of financial assets	329,743
Investment income	208,512
Loss on disposal of investments	(14,865)
Proceeds from disposal of property, plant and equipment	521
Net cash flows from investing activates	(1,216,073)
Taxation	(12,719)
Cash flows from financing activities	
Grant income from the Department of Health	74,307
	74,307
Net increase in cash and cash equivalents in the period	442,756
Cash and cash equivalents at the beginning of the period	4,899,109
Cash and cash equivalents at the end of the period	5,341,865

Statement of Changes in Reserves

Group	Revaluation reserve	Income & expenditure reserve	Total reserves
	£	£	£
Balance at 31 March 2008	421,746	966,357	1,388,103
Net loss on revaluation of property, plant and equipment	(207,800)	-	(207,800)
Deficit for the year	-	(376,934)	(376,934)
Total recognised Income and expense for the year	213,946	589,423	803,369
Grant income received	-	74,307	74,307
Balance at 31 March 2009	213,946	663,730	877,676

Council	Revaluation reserve	Income & expenditure reserve	Total reserves
	£	£	£
Balance at 31 March 2008	421,746	2,070,810	2,492,556
Net loss on revaluation of property, plant and equipment	(207,800)	-	(207,800)
Deficit for the year	-	528,321	528,321
Total recognised Income and expense for the year	213,946	589,423	803,369
Grant income received	-	74,307	74,307
Balance at 31 March 2009	213,946	2,673,438	2,887,384

Basis of preparation and significant accounting policies

The illustrative consolidated financial statements of the Health Professions Council has been prepared in accordance with accepted International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively "IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board (IASB), the Government Financial Reporting Manual (FReM) guidelines and Managing Public money. These illustrative consolidated financial statements have been prepared in accordance with IFRS as per the HM Treasury guidelines. This follows the transition arrangements from FRS based accounts to fully IFRS compliant accounts for 2009-10 and is being facilitated through a "Trigger Point" process. The date of transition date was 1 April 2008.

Adoption of IFRS

In preparing these illustrative consolidated financial statements, the Council has not elected to apply any of the transitional arrangements permitted by IFRS1 'First-time Adoption of International Financial Reporting Standards.

The Council has made estimates under IFRSs at the date of transition, which are consistent with those estimates made for the same date under UK GAAP unless there is objective evidence that those estimates were in error, accordingly the Council has not reflected any new information in its opening IFRS balance sheet but will reflect that new information in its income statement for subsequent periods.

Judgments made by the Council in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed below.

Standards, amendments and interpretations to published standards not yet effective.

At 31 March 2009 the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of the illustrative opening balance sheet.

- IAS 1: Presentation of Financial Statements (Revised 2007) (effective as of 1 January 2009)
- IAS 23: Borrowing Costs (Revised 2007) (effective as of 1 January 2009)
- IAS 27: Consolidated and Separate Financial Statements (Amended) (effective as of 1 July 2009)
- IFRS 2: Share Based Payments: Vesting conditions and Cancellations (Amended) (effective as of 1 January 2009)
- IFRS 3: Business Combinations (Revised) (effective as of 1 July 2009) includes an amendment to the treatment of minority interests (renamed non-controlling interests), amendments to the calculation of goodwill, a change to the method of accounting for acquisitions in stages, amendment to the accounting for contingent consideration and changes to the recognition and measurement of certain assets and liabilities
- IFRS 8: Operating Segments (effective as of 1 January 2009)
- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1 January 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 July 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 15: Agreements for the Construction of Real Estate (effective as of 1 January 2009 – not yet endorsed by the EU)
- IFRIC Interpretation 16: Hedges of a Net Investment in a Foreign Operation (effective as of 1 October 2008 – not yet endorsed by the EU)

- IFRIC Interpretation 17: Distributions of Non-cash Assets to Owners (effective as of 1 July 2009 – not yet endorsed by the EU)
- Amendments to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU
- Amendments to IFRS1 and IAS27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after1 January 2009). These amendments are still to be endorsed by the EU
- Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement). Entities shall apply the amendment retrospectively for annual periods beginning on or after 1 July 2009. This amendment is still to be endorsed by the EU.

The Council anticipates that the adoption of these standards and interpretations will not have a material impact on the illustrative opening balance sheet.

Going concern

The officers of the Council have reviewed the operations and cash flow forecasts for the period to 31 October 2010. The Council considers that it is appropriate to prepare the illustrative balance sheet on a going concern basis.

Investments in subsidiaries

Fixed asset investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses in respect of both land and buildings recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair-value of a 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 on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors, with a minimum interval of every five years, more frequently if open market values are considered to be volatile. The latest valuation was in March 2009. 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 balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the buildings and the net amount is restated to the revalued amount of the buildings. Upon disposal, any revaluation reserve relating to the particular building being sold is transferred to the General Funds.

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

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset held at 31 March 2009 is:

- Freehold buildings – over 50 years.
- Office furniture and equipment – over 4 years.
- Computer equipment – over 3 years.

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement. The estimated useful life and residual values of tangible fixed assets are also assessed annually.

Intangible Assets

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

The Registration Systems and the Finance Software are amortised over 3 years using the straight-line method based on estimated useful lives.

Financial instruments

Financial assets

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

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

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

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

Financial liabilities

The Council classifies its financial liabilities as:

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

Provisions

A provision is recognised in the balance sheet when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Pensions

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

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

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

There are no other unfunded employee benefit arrangements.

Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. Income is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes or duty. Income arising from the provision of services is recognised when and to the extent that the Council obtains the right to consideration in exchange for the performance of its contractual obligations.

Fee income comprises registration fees, readmission fees, renewal fees, scrutiny fees and preregistration fees. Scrutiny, registration and readmission fees are charged and collected upon application for registration. Renewal fees are collected in advance and are recognised as deferred income in the balance sheet until they become period income. The renewal cycle for each of the 13 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, annually or on a bi-annual basis.

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

Grant income

Grants and grants-in-aid received are accounted as financing contributions and credited directly to reserves.

Leases

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

Foreign currency

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

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

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Notional credit

In accordance with HM Treasury guidance, a notional charge for the cost of capital employed in the period is included in the income statement along with an equivalent reversing notional income to finance the charge. The charge for the period is calculated using HM Treasury's discount rate of 3.5% applied to the average value of capital employed during the period. Because of the significance of Deferred Income in contributing to the value of capital employed, the charge is shown as a notional credit.

1 Staff costs

	2009 £
Wages and salaries	3,559,087
Social security costs	375,347
Pension costs	326,984
Other payroll expense including recruitment and temporary staff	461,900
	4,723,318

The average number of full time equivalent (FTE) permanent employees, fixed-term contractors (non-agency staff) and temporary / agency contractors during the year was as follows:

Department FTEs	**2009 Temporary / agency contractors**	**2009 Permanent and fixed-term contractors**
Chief Executive's Office	0.1	2
Education	0.4	10
Communications	0.7	9
Facilities	0.2	6
Finance	0.9	7
Fitness to Practice	1.3	25
Human Resources (including Partners)	0.2	5
Information Technology	0	5
Operations	0	7
Policy and Standards	0.1	4
Registration	0.8	32
Secretariat	0.2	4
Total	4.9	116

2	Operating expenditure	Staff costs £	Other costs £	2009 £
	Office of the President	-	50,952	50,952
	Chief Executive's Office	233,811	52,069	285,880
	Council and Committees	-	351,729	351,729
	Education	366,522	170,696	537,218
	Communications	383,653	596,483	980,136
	Facilities	197,566	743,050	940,616
	Finance	347,300	278,119	625,419
	Fitness to Practise	890,107	3,766,383	4,656,490
	Human Resources (including Partners)	409,941	314,288	724,229
	Information Technology	267,865	820,864	1,088,729
	Operations	354,205	72,759	426,964
	Policy and Standards	177,460	100,185	277,645
	Registration	934,613	616,805	1,551,418
	Secretariat	158,362	57,573	215,935
	Major Projects	-	212,320	212,320
	Total	4,721,405	8,204,275	12,925,680

3	Operating expenditure includes:	2009 £
	Depreciation	135,159
	Amortisation	211,422
	Loss on disposal of fixed asset	481
	Auditors' remuneration:	
	• External audit – Baker Tilly UK Audit LLP	51,821
	• External audit – National Audit Office	5,700
	• Internal audit – PKF (UK) LLP	27,004

During the year HPC received the following non-audit services from its auditor, Baker Tilly.

	2009 £
Corporation Taxation advice	11,248
VAT advices regarding deregistration	4,541
Review of the opening balance for IFRS	3,163

4 Fee income (by profession)

	2009 £
Arts therapists	134,998
Biomedical scientists	1,661,100
Chiropodists / podiatrists	887,511
Clinical scientists	320,473
Dietitians	429,201
Occupational therapists	2,230,139
Operating department practitioners	618,973
Orthoptists	102,089
Paramedics	1,024,029
Physiotherapists	3,300,962
Prosthetists / orthotists	64,819
Radiographers	1,885,001
Speech and language therapists	890,782
	13,550,077

5 Notional credit

	2009 £
Cost of capital	64,844

Notional cost of capital is calculated as 3.5 per cent (2008, 3.5%) of the average capital employed by the Council in the year.

6 Investment income

	2009 £
Bank deposit interest	137,729
Investment deposit interest	4,331
Fixed interest securities	13,344
Quoted equities	53,108
	208,512

7 Taxation

	2009 £
Current tax:	
UK corporation tax on profits of the year	24,530
Adjustment in respect of prior years	(30,419)
Total current tax credit	(5,889)
Deferred taxation:	
Origination and reversal of timing differences	-
Total deferred tax	-
Tax on profit on ordinary activities	(5,889)

Factors affecting tax credit for year:
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

Deficit on ordinary activities before tax	(380,910)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2008, 30%)	(106,655)
Effect of:	
Non-taxable income	(3,806,330)
Write off of unrealised losses on investments not taxed	97,734
Loss / (profit) on disposal of investments	4,162
Expenses not deductible for tax purposes	3,847,010
Benefits of small companies starting rate relief	(8,177)
Capital allowances (in excess of) / less than deprecation	(3,214)
Adjustment in respect of prior years	(30,419)
Current tax credit for the period	(5,889)

There is a potential capital gains tax asset within the Health Professions Council's subsidiary, 22–26 Stannary Street Limited, if company assets are sold in the future and the losses can be used against a future capital gain. The amount of the asset is contingent on the cost base for tax purposes exceeding the sale price. Assuming a sale price of £785,000, the contingent tax asset would be in the region of £410,000 (2008, contingent liability of £145,000). No sale is anticipated in the foreseeable future and no contingent tax asset has been recognised in the accounts.

8 Property, Plant and Machinery

	Freehold properties	Assets under construction	Office furniture and equipment	Computer equipment	Total
	£	£	£	£	£
Group					
Cost or valuation:					
At 1 April 2008	3,090,000	-	387,804	592,045	4,069,849
Additions	539,690	116,853	18,544	64,240	739,327
Disposals	-	-	(36,502)	(12,220)	(48,722)
Revaluation	(1,109,690)	-	-	-	(1,109,690)
31 March 2009	2,520,000	116,853	369,846	644,065	3,650,764
Depreciation:					
At 1 April 2008	-	-	347,835	459,060	806,895
Charge for the year	52,994	-	24,844	57,321	135,159
Disposals	-	-	(36,502)	(11,699)	(48,201)
Reversal on revaluation	(52,994)	-	-	-	(52,994)
31 March 2009	-	-	336,177	504,682	840,859
Net book value:					
At 31 March 2009	2,520,000	116,853	33,669	139,383	2,809,905
At 31 March 2008	3,090,000	-	39,969	132,985	3,262,954

Freehold properties
The valuations of freehold land and buildings were made on 12 March 2009 by Stiles Harold Williams, Chartered Surveyors, on an open market value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 6th Edition.

Park House, comprising the land and buildings of 184 Kennington Park Road, London SE11 4BU and the adjoining land and buildings of 20 Stannary Street and 22–26 Stannary Street was valued at £2,520,000. The historic cost of the Park House property was £1,659,254 (2008, £1,659,254) and accumulated depreciation based on cost was £411,633 (2008, £378,448).

Stiles Harold Williams did not believe that there was a material difference between Existing Use Value and the Market Value of the property.

8 Property, Plant and machinery (continued)

	Freehold properties	Office furniture and equipment	Computer equipment	Total
	£	£	£	£
Council				
Cost or valuation:				
At 1 April 2008	1,970,000	387,804	592,045	2,949,849
Additions	-	18,544	64,240	82,784
Disposals	-	(36,502)	(12,220)	(48,722)
Revaluation	(235,000)	-	-	(235,000)
31 March 2009	1,735,000	369,846	644,065	2,748,911
Depreciation:				
At 1 April 2008	-	347,835	459,060	806,895
Charge for the year	27,200	24,844	57,321	109,365
Disposals	-	(36,502)	(11,699)	(48,201)
Revaluation	(27,200)	-	-	(27,200)
Impairment charges	-			-
31 March 2009	-	336,177	504,682	840,859
Net book value:				
At 31 March 2009	1,735,000	33,669	139,383	1,908,052
At 31 March 2008	1,970,000	39,969	132,985	2,142,954

Freehold properties

The valuations of freehold land and buildings were made on 12 March 2009 by Stiles Harold Williams, Chartered Surveyors, on an open market value basis, in accordance with the Statement of Asset Valuation Practice No 4 and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 6th Edition.

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Stiles Harold Williams did not believe that there was a material difference between Existing Use Value and the Market Value of the property.

Computer equipment

Computer equipment additions included new laptops and upgrading switches.

9 Other Intangible assets

	Finance System £	Registration System £	Total £
Group and Council			
Cost or valuation:			
At 1 April 2008	39,924	2,026,371	2,066,295
Additions	19,004	483,488	502,492
31 March 2009	58,929	2,509,859	2,568,787
Amortisation:			
At 1 April 2008	-	1,573,034	1,573,034
Charge for the year	10,931	200,491	211,422
31 March 2009	10,931	1,773,525	1,784,456
Net book value:			
At 31 March 2009	47,998	736,333	784,331
At 31 March 2008	39,924	453,337	493,261

10 Impairment of freehold property

	2009 £
Net expenditure account	848,896
Revaluation reserve	207,800
Depreciation	52,994
Total impairment	1,109,690

11 Investments In subsidiary

	2009 £
Council	
Cost	
At 1 April 2008 and 31 March 2009	1,043,279
Asset impairment	
At 1 April 2008 and 31 March 2009	293,279
Net book value	
At 1 April 2008 and 31 March 2009	750,000

The Councils investment is 100% holding in 22/26 Stannary Street Limited, a company registered in England and Wales. The principal activity of 22/26 Stannary Street Limited is that of a property company which provides office space to the Council.

12 Financial Assets

	2009
	£
Group and council	
Listed investments as at 1 April 2008	1,528,047
Additions	498,165
Disposals	(329,743)
Change in market value	(349,051)
At 31 March 2009	1,347,418
Historical cost value at 31 March 2009	1,721,865

All listed investments are managed on a pooled basis in a nominee account by Rensburg Sheppards, professional funds managers on behalf of the Council. Within the portfolio, UK and offshore investments are listed on the London Stock Exchange.

No investments are held which account for more than five per cent of the investment portfolio (2008, nil)

13 Trade receivables

	Group 2009	Council 2009
	£	£
Prepayments	302,360	302,360
Other receivables	51,847	51,847
Amounts due from subsidiary undertakings	-	1,844,520
	354,207	2,198,727

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

14 Cash and cash equivalents

	Group and Council 2009
	£
Balance at 1 April 2008	4,899,109
Net change in cash	442,756
Balance at 31 March 2009	5,341,865

The following balances at 31 March were held at:

	£
Commercial banks and cash in hand	5,241,865
Short term investments	100,000
Balance at 31 March 2009	5,341,865

15 Trade payables and other current liabilities

	Group 2009 £	Council 2009 £
Corporation tax	24,530	24,530
Other taxation and social security	111,952	111,952
Other payables	975,915	975,915
Accruals	1,541,584	1,224,543
	2,653,981	2,336,940

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

16 Deferred income

	Group 2009 £	Council 2008 £
Registration fees in advance	262,884	262,884
Renewal fees in advance	6,843,185	6,843,185
	7,106,069	7,106,069

17 Pension funding arrangements

The CPSM Scheme

This final salary scheme was closed in June 1995 and has no active members. On 28 March 2002, all members of the CPSM Scheme were served with a statutory notice of closure. At March 2009, the scheme had 9 (2008, 10) deferred members (members whose benefits are not yet in payment) and 8 (2008, 12) members with pensions in payment. The benefits are secured by insurance policies issued by The Scottish Life Assurance Society ("Scottish Life").

Winding-up the scheme is reliant on Scottish Life securing pensions which increase in-line with the requirements of the scheme rules. The rules provide for a minimum pension increase of three per cent per annum. In addition, in relation to service after 1997, if increases in the Retail Prices Index (RPI) exceed three per cent, then increases must be provided at the rate of increase in RPI, subject to a cap of five per cent.

The last actuarial valuation was provided on 23 April 2001. The latest non-actuarial valuation (solvency quotation) by Scottish Life in February 2008 indicated that the assets of the fund were sufficient to meet the future requirements of the scheme. In 2007, the Health Professions Council appointed a firm of pension lawyers to work with the trustees to resolve the outstanding issues pertinent to winding-up the scheme, including how any new surplus would be distributed.

The Capita Federated FlexiPlan Scheme

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

The Capita Federated FlexiPlan scheme is a multi-employer scheme comprising at least 70 active employers at 31 March 2009. Entrust Pension Recovery Ltd ("Entrust") was appointed as the corporate trustee in May 2007 and KPMG appointed as the scheme administrators and actuaries to the trustees in July 2008. The scheme is covered by the Pension Protection Fund (PPF) for which a levy is payable. The Health Professions Council was advised by Entrust in April 2008 that the employer's share of this levy was nil. At 31 March 2009, there were no active contributing members remaining in the Capita scheme. Employer contributions of £60 per month were being made in order to retain an employer presence in the scheme until it is wound-up.

The most recent actuarial valuation of the scheme had an effective date of March 2005 and indicated that the value of the scheme's assets were greater than the value of the scheme's liabilities. To date, no consistent and reasonable basis for splitting the assets and liabilities of the plan across the more than 350 employers who have historically participated in the scheme has been identified and therefore the Health Professions Council is exempt from the full requirements of FRS17. The scheme is therefore treated on a defined contribution accounting basis in these financial statements. However, should a future net deficit be identified upon scheme valuation (scheme liabilities greater than scheme assets), the Health Professions Council is likely to bear its share of funding this deficit on a basis yet to be determined.

The Friends Provident Scheme
This is a designated stakeholder, defined contribution scheme open to Health Professions Council employees from May 2008. At 31 March 2009, there were 53 active members (employees) in the pension scheme.

18 22–26 Stannary Street Limited

The summary financial results for the period to 31 March 2009 for the subsidiary company 22–26 Stannary Street Limited are as follows:

Profit and loss account	**2009 £**
Turnover	68,754
Operating expenses	(125,113)
Operating loss	(56,359)
Impairment on freehold land and buildings	(848,896)
Operating loss before taxation	(905,255)
Taxation	-
Loss for the year	(905,255)

Balance sheet	**2009 £**
Tangible fixed assets	901,853
Current assets	-
Current liabilities	(2,161,561)
Total assets less current liabilities	(1,259,708)

Represented by:	
Called up share capital	9,251
Share premium account	9,000
Capital redemption reserve	3,500
Profit and loss account	(1,281,459)
Shareholders' funds	(1,259,708)

19 Related-party transactions

The Council's sponsoring department is the Privy Council, with whom no transactions took place. The main entity with which the Health Professions Council has dealt with during the year was the Department of Health. A grant was received from the Department of Health in June 2008, totaling £74,307 (2008, £48,648) towards the set-up costs of regulating practitioner psychologists. See also note 14.

There were various transactions with Council members and non-Council Committee members during the year. Council members and non-Council Committee members receive an attendance allowance when they attend Council or Committee meetings. Such allowances, totaling £244,725 (2007–08, £227,202), were accrued and paid to 41 members, including five non-Council Committee members (40 members in 2007–08).

Transactions with subsidiary companies which are greater than 90 per cent owned by the Health Professions Council are not disclosed, as consolidated financial statements of the Health Professions Council are publicly available.

20 Financial instruments

The details of the various categories of financial assets are outlined in note 9 (Listed investments), note11 (Receivables) and note 21 (Analysis of funds). The details of the various categories of financial liabilities are outlined in note 12 (Creditors: amounts falling due within one year).

Exposure to credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, is not considered to be significant. The Health Professions Council does not use financial instruments that increase its own credit risk profile and has no external debt exposure. It uses a variety of risk mitigations including credit rating assessments to assess credit risk of counter parties including suppliers and financial institutions.

21 Currency and liquidity risk

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

The Health Professions Council adhered to its reserves policy at all times during the year. HPC's reserves policy is to maintain a reverse level that is a minimum of 3 months operating expenditure. Due to renewal cycles and the payment methods of registrant fees, the Health Professional Council holds a significant amount of cash in short-term money-market accounts and investment holdings to cover the expenditure expected to be incurred over the payment period.

22 Interest rate risk

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

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

Money market – surplus funds are held in a combination of short-term money-market and special interest-bearing accounts. Competitive rates are sought on money-market investments and the special interest-bearing account earns a preferential interest rate compared to the instant access interest rate.

Investment fund – at 31 March 2009 fixed interest investments accounted for 20.74 per cent (2008, 18.87%) of the fund and generate a yield of 6.91 per cent (2008, 13.71%). The remainder of the fund is invested in a diversified portfolio of equities and bonds where there is always a risk of diminution in value.

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