Council

Meeting Date	16 July 2026
Title	Finance Report – May 2026
Author(s)	Busola Akinlabi, Financial Analyst. James Afolabi, Financial Planning & Analysis Manager. Alan Keshtmand, Head of Finance & Commercial
Executive Sponsor	Alastair Bridges, Executive Director of Resources

Executive Summary

	May 2026 Year to Date (YTD)			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Total Income	7,446	7,531	(85)	47,012
Total Expenditure	7,239	7,484	245	47,002
Surplus/(Deficit)	**207**	**47**	**160**	**10**

1. Financial Performance (Year-to-date)

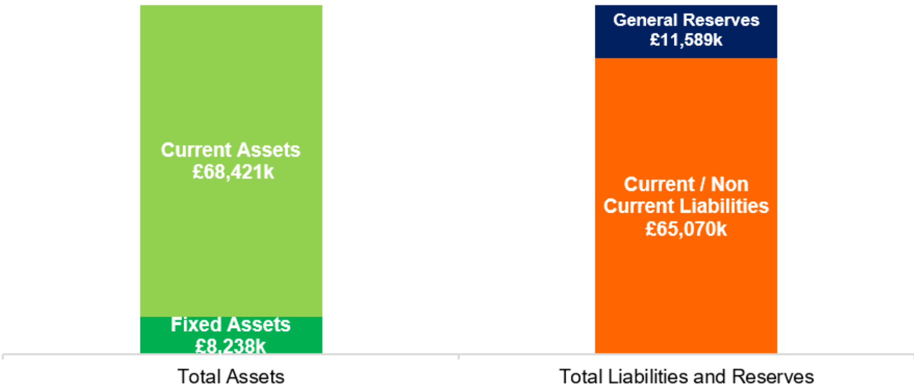
- **Surplus:** Year to date surplus of £207k is higher than the May budgeted surplus of £47k.
- **Income:** actual income of £7.4 million is £85k lower than the budget of £7.5 million, mainly due to lower registration volume than anticipated. This is partially offset by a slight increase in international application volumes.
- **Expenditure:** total expenditure of £7.2 million is £245k lower than the budget. This is mainly due to lower payroll costs as a result of unfilled vacant posts. This is partially offset by higher temporary staff costs.

2. Risks and Opportunities

- **Risks:** the report identifies several key risks, including a potential decrease in registration income and higher partners training costs than anticipated.

- **Opportunities:** potential upside from delay in recruiting for vacant posts and the release of frontloading contingency.

3. Balance Sheet and Reserves



- **Reserves:** General reserves stand at approximately £11.6 million, with realisable net assets of £9.2 million, representing just over two months of operating expenditure.

4. Conclusion

The financial performance as of May 2026 resulted in a surplus of £207k which is higher compared to the budgeted surplus of £47k. The frontloading programme, aimed at bringing 50% of cases in-house, has commenced. As of May 2026, 22 cases have been handled internally, in line with budget expectations. This has resulted in an estimated saving of approximately £111k compared to if these cases had been instructed to external providers. This would have impacted our actual surplus to £96k year to date. As part of the upcoming Q1 review and forecast, which will involve assessing the identified risks and opportunities, the full year outturn is likely to change.

Please note that these figures remain subject to change, as key year-end processes; including balance sheet reconciliations and income recognition reviews, are still ongoing to ensure all income and expenditure are accurately reflected in the final accounts.

Action required	The Council is asked to review the information provided and seek clarification on any areas.
Previous consideration	Previous finance report (March 2026) provided to the Council in May 2026.

Next steps	1. Year-end accounts completion. We will collaborate closely with our external auditors to provide them with the necessary information and documentation for their review. 2. Reforecasting exercise will be commencing in July with updated forecast figures to be included in July 2026 Finance Report.
Financial and resource implications	The implications are set out in the report.
Associated strategic priority/priorities	Technology-enabled regulatory excellence and organisational sustainability
Associated strategic risk(s)	5.a The resources we require to achieve our strategy are not in place or are not sustainable
Risk appetite	Financial - measured
Communication and engagement	Not applicable
Equality, diversity and inclusion (EDI) impact and Welsh language standards	No direct implications.
Other impact assessments	Not applicable
Reason for consideration in the private session of the meeting (if applicable)	Not applicable

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Executive Summary

	May 2026 Year to Date (YTD)			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Total Income	7,446	7,531	(85)	47,012
Total Expenditure	7,239	7,484	245	47,002
Surplus/(Deficit)	**207**	**47**	**160**	**10**

Note. To view the full year Budget profile for 2026-27, please refer to 'Appendix 6 – 2026–27 Budget Profile'.

May 2026 Year to Date

Actuals vs Budget

- Year-to-date actual surplus of £207k is £160k favourable compared to the May budgeted surplus of £47k.
- **Income:** £85k decrease in actual income of £7.4 million compared to budget of £7.5 million. This is primarily driven by lower than anticipated registration volumes, partially offset by slight increase in international application volumes (actuals of 187 vs budget of 142).
- **Expenditure:** Actual expenditure of £7.2 million is £245k lower than the budget, mainly due to lower payroll costs as a result of unfilled vacant posts. This is partially offset by higher temporary staffing to maintain service delivery.

Note.

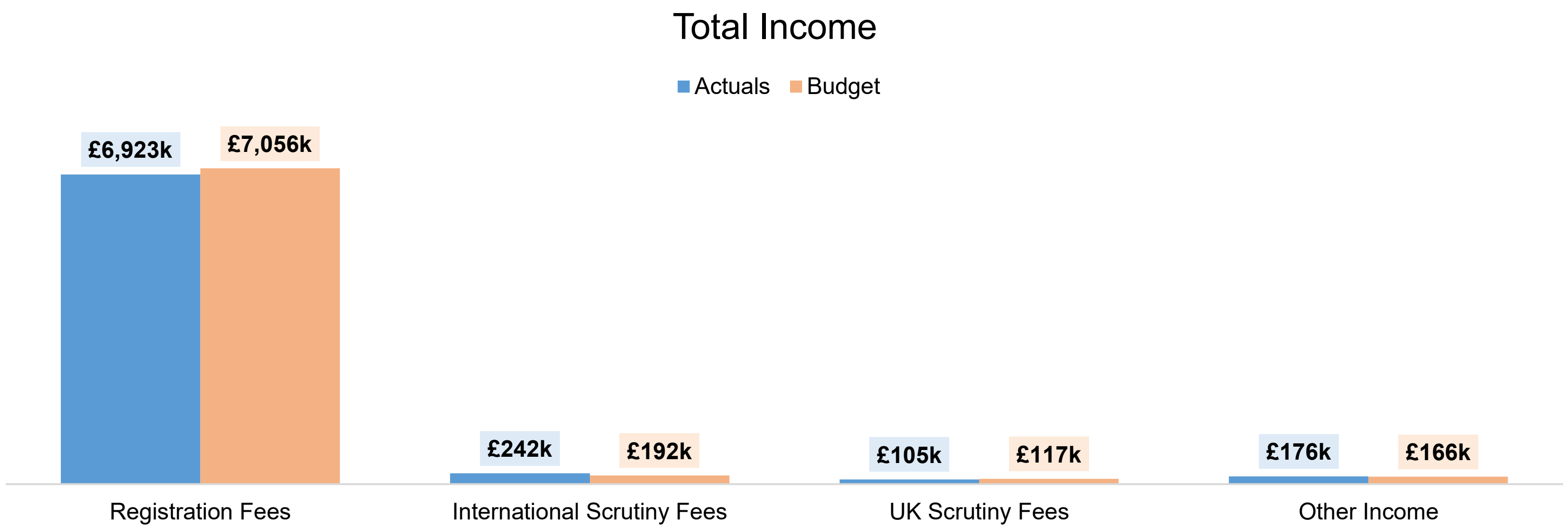
Total surplus is subject to change as other key year-end activities are still ongoing to ensure all income and expenditure are accurately reflected in our financials.

Summary Figures – May 2026 (YTD)

	May 2026 (YTD)			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Registration Income	7,270	7,365	(95)	46,080
Grant Income	0	0	0	0
Other Income	176	166	10	932
Total Income	**7,446**	**7,531**	**(85)**	**47,012**
Payroll Costs	3,435	3,608	173	21,866
Other Staff Costs	171	141	(30)	791
Non-Payroll Costs	3,590	3,695	105	23,311
Total Operating Expenditure	**7,196**	**7,444**	**248**	**45,968**
Exceptional Costs	43	40	(3)	1,034
Total Expenditure	**7,239**	**7,484**	**245**	**47,002**
Surplus/(Deficit)	**207**	**47**	**160**	**10**

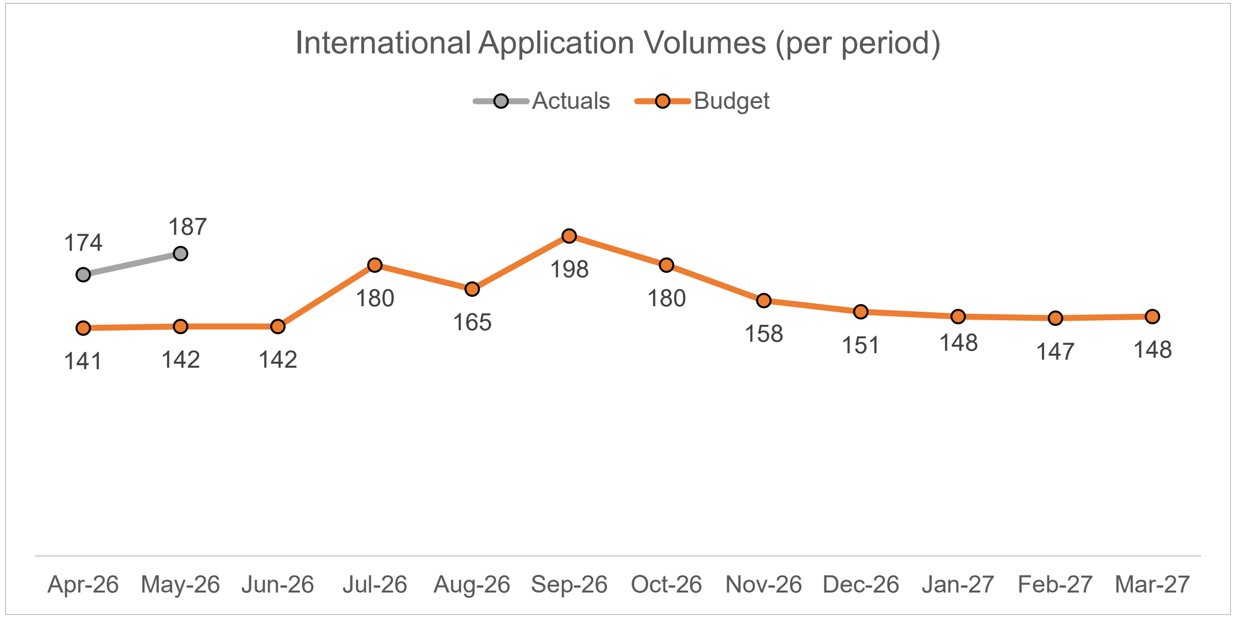
'Other Staff Costs' includes Temporary Staff, Training, Recruitment Fees and Other Employee Costs e.g. Life Assurance Costs.

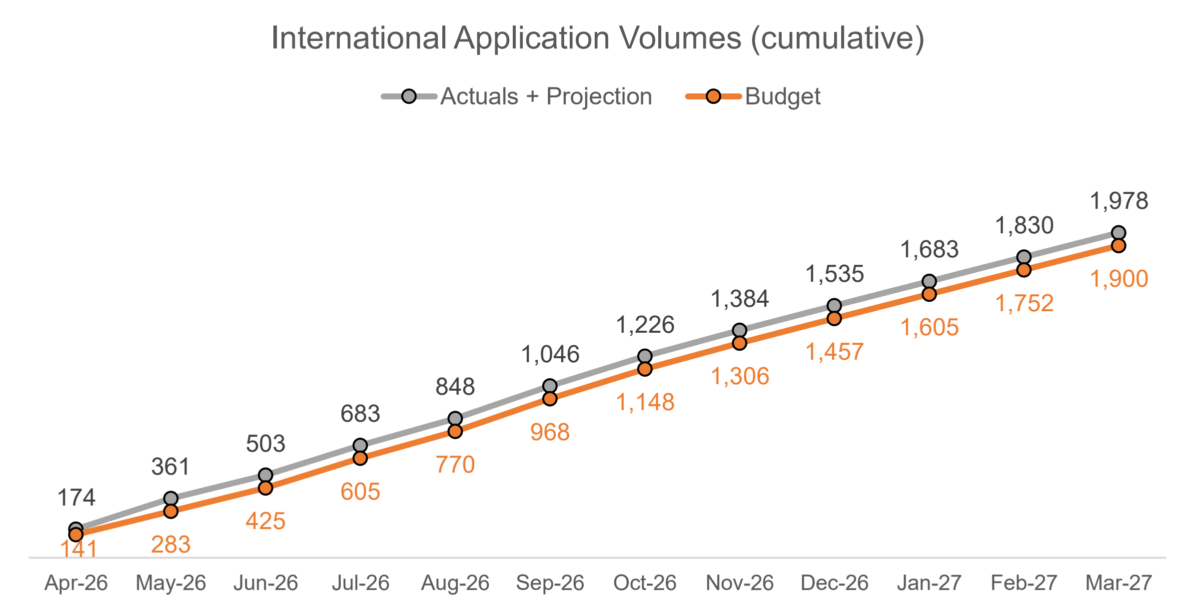
Total Income – May 2026 (YTD)



	May 2026 YTD			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Registration Fees	6,923	7,056	(133)	43,151
International Scrutiny Fees	242	192	50	1,289
UK Scrutiny Fees	105	117	(12)	1,640
Other Income	176	166	10	932
Grant Income	0	0	0	0
Total Income	**7,446**	**7,531**	**(85)**	**47,012**

International Income – May 2026 (YTD)

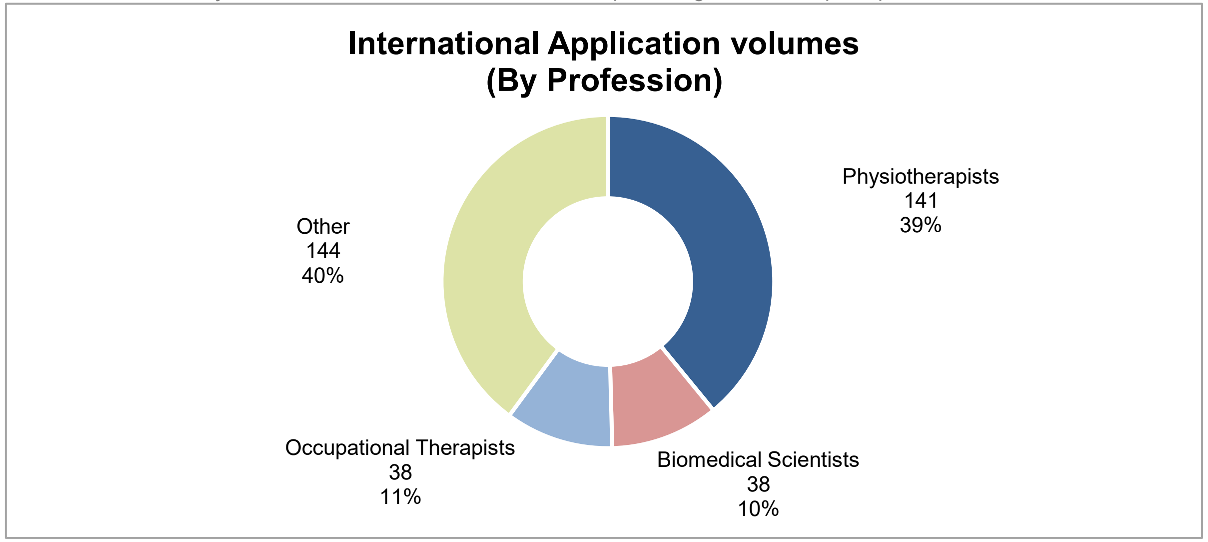




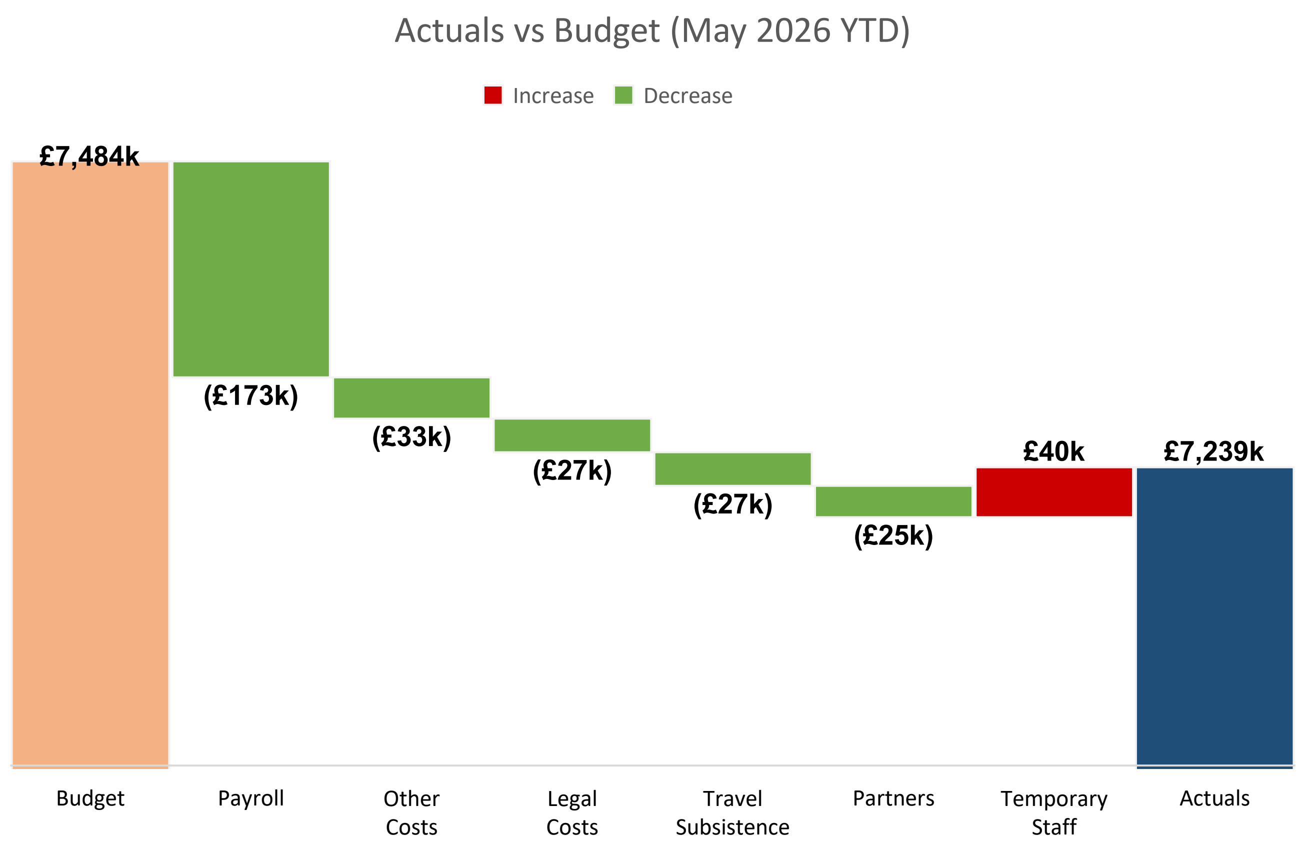
Note. 'Actuals + Projection' based on actual volumes for YTD plus budget for subsequent periods.

- **May 2026 Period Only:** Actual number of international applications of 187 which is slightly higher than the budget of 142 applications.
- **May 2026 Full Year:** Actual number of applications is 361 applications which is 78 applications higher than budget of 283.

Financial vs Operational Reporting: There will be a slight difference in the reported volumes of international applications, related to recognising applications based on received payments (financial) versus the number of applications processed (operational).



Expenditure – May 2026 (YTD) Actuals vs Budget (by Category)



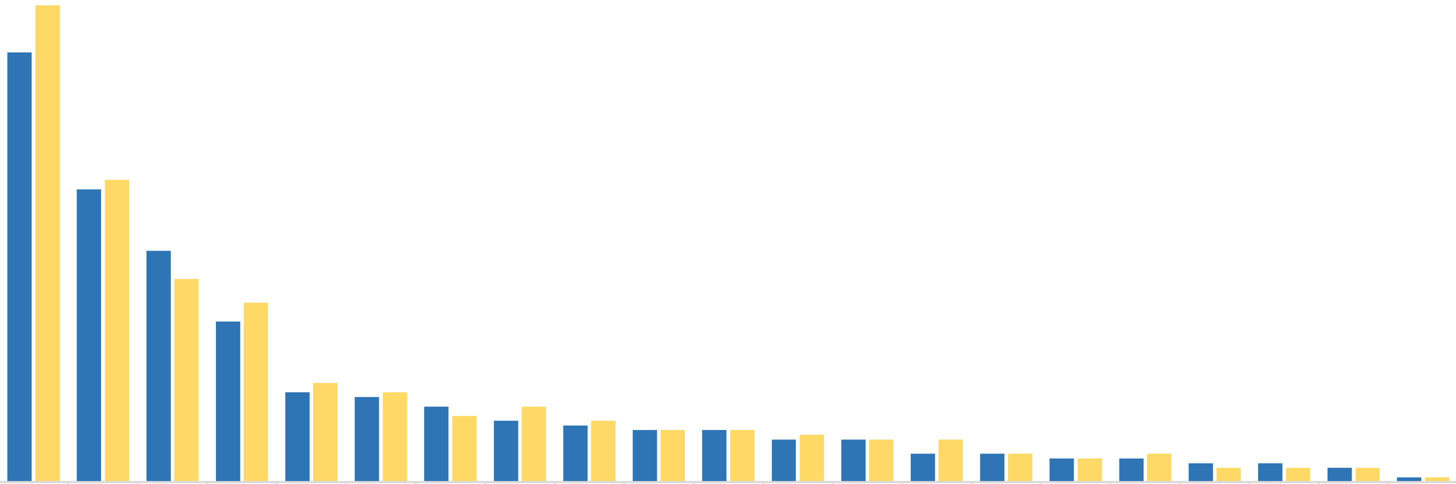
Note. Key variances above £25k.

To view the full year forecast, please refer to 'Appendix 2 - Income and Expenditure May 2026 (by Category)'

Total year to date expenditure of £7.2m is lower than the budget of £7.5m, with key variances as follows:

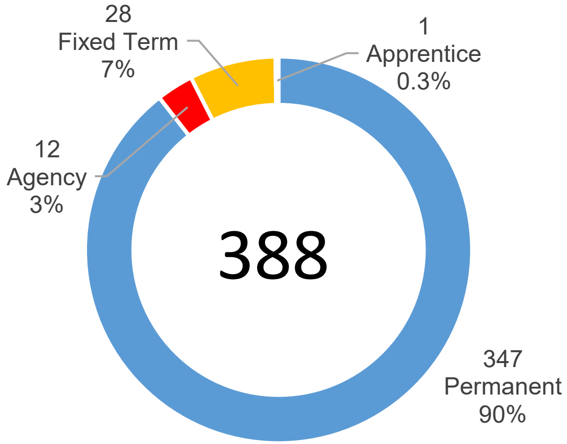
- **Payroll Costs: £173k** favourable mainly due to unfilled vacant posts in Fitness to Practise directorate (Regulatory Investigators).
- **Legal Costs: £27k** favourable mainly driven by lower number of new instructions than budgeted.
- **Travel & Subsistence: £27k** favourable mainly due to timing of costs.
- **Partners: £25k** favourable mainly due to timing of partners training.
- **Temporary Staff: £40k** adverse due to unbudgeted costs in FTP which is offset by lower payroll costs in FTP.

Employee FTEs as at 31 May 2026



	CPQ	REG	ADP	LGL	FIN	ITD	HUM	BUC	COM	ASC	POL	EDU	FAC	FIE	DIA	CEO	PLT	CCO	SEC	PAR	RDP	Total FTE
May-26 Actuals	91	62	49	34	19	18	16	13	12	11	11	9	9	6	6	5	5	4	4	3	1	388
May-26 Budget	101	64	43	38	21	19	14	16	13	11	11	10	9	9	6	5	6	3	3	3	1	406
Variance	10	2	(6)	4	2	1	(2)	3	1	0	0	1	0	3	0	0	1	(1)	(1)	0	0	18

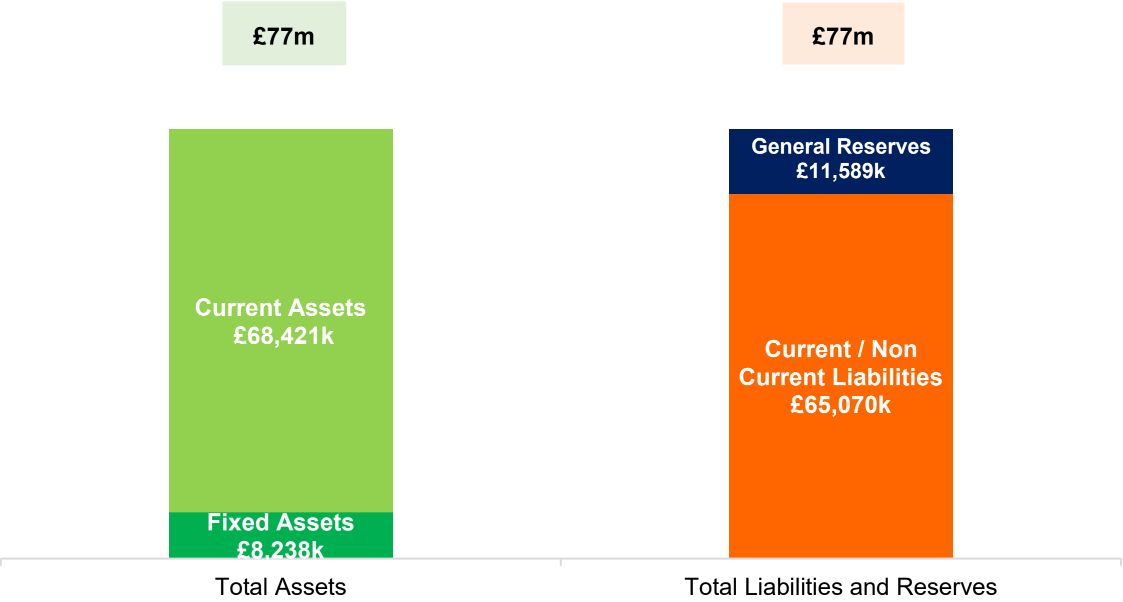
Actual FTE by Type



- **Case Progression and Quality:** actual FTEs below budget, mainly due to unfilled vacant posts for Regulatory Investigators positions.
- **Legal Services:** actual FTEs below budget due to Legal Administrator, Paralegal and Investigation Lawyer roles not yet filled.
- **Adjudication Performance:** actual FTEs above budget, driven by additional temporary resource to help address the current backlog of final hearings.

CPQ - Case Progression and Quality
REG - Registrations
ADP - Adjudication Performance
LGL - Legal Services
FIN - Finance and Commercial
ITD - IT and Digital Transformation
HUM - Human Resources
BUC - Business Change
COM - Communications
ASC - Assurance and Compliance
POL - Policy and Standards
EDU - Education
FAC - Facilities Management
FIE - FIE Team
DIA - Data Insight and Analytics
CEO - Chief Executive and Registrar
PLT - Professional and Upstream Regulation
CCO - Chair and Chief Executive Office
SEC - Governance
PAR - Partners
RDP - Regulatory Development and Performance

Balance Sheet and Reserves as at 31 May 2026



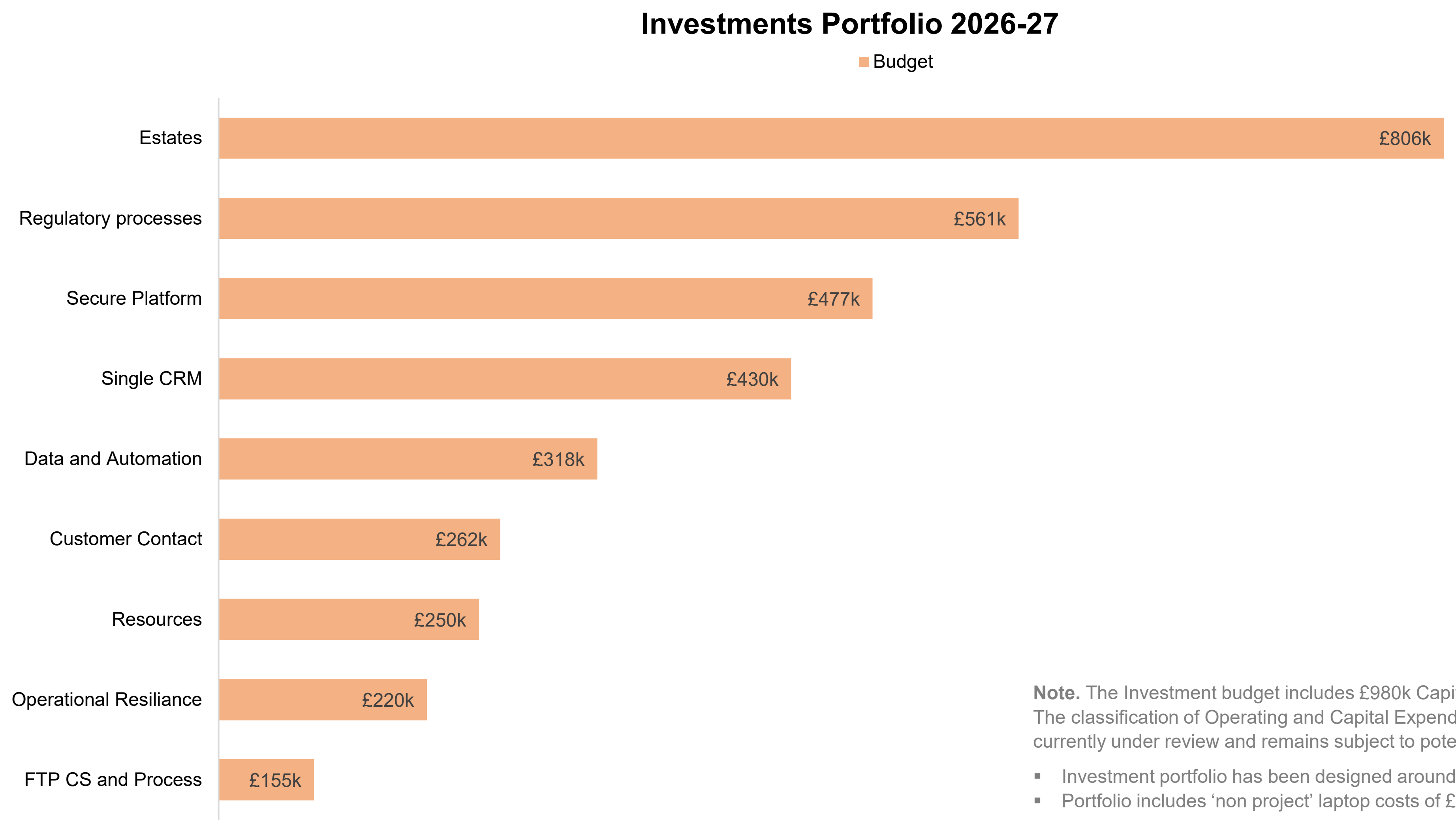
	31 May 2026 Actuals	31 May 2026 Forecast	Variance
	£'000	£'000	£'000
General Reserves	**11,589**	**11,429**	**160**
Realisable Net Assets	**9,151**	**8,561**	**590**

- **Current Assets:** mainly comprise cash and cash equivalents of around £32m and account receivables of around £37m.
- **Liabilities:** mostly relate to deferred income of around £60m as a result of registrants paying their fees in advance.
- **General Reserves (or Net Assets):** approximately £11.6m.
- **Positive Realisable Net Assets:** approximately £9.2m, calculated by taking our reserves position of £11.6m less our 'intangible assets' of around £2.4m (representing just over two months of total operating expenditure).

Note. The reserves policy requires us to hold positive Realisable Net Assets

Operating Reserves (Realisable Net Assets): are essentially the accumulation of surpluses without restrictions that are liquid (as opposed to invested in fixed assets). Having adequate reserves increases our ability to absorb or respond to temporary changes, such as the unanticipated event of significant unforecasted increases in expenditure and/or losses in income.

Investments Portfolio 2026-27



Note. The Investment budget includes £980k Capital Expenditure brought forward from 2025-26. The classification of Operating and Capital Expenditures within the Investment Portfolio is currently under review and remains subject to potential adjustment.

- Investment portfolio has been designed around a rolling 24-month delivery period
- Portfolio includes 'non project' laptop costs of £220k

Risks and Opportunities

Risks

Low	Medium	High
	Registration Income: potential decrease in registration income as a result of lower-than-expected registration volume. (£380k)	**Assurance and Compliance**: recalculation of payroll costs to reflect correct FTEs. (£33k)
		Partners Training: higher training costs due to finalised rates from legal provider. (£34k)

Opportunities

Low	Medium	High
Increase in International Income: additional application volumes. (£ - TBC)	**FTP Frontloading:** release of frontloading contingency if delivery remains on track. (£ - TBC)	**Vacant Posts:** potential delays in recruiting vacant posts across various departments. (£200k)

Note. Low/Medium/High Risk categories relate to the likelihood of the risk or opportunity materialising.

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APPENDICES

Appendix 1 – Income and Expenditure (By Department)

hcpc health & care professions council

	May 2026 (YTD)			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Total Income	**7,446**	**7,531**	**(85)**	**47,012**
Fitness to Practise	3,652	3,818	166	23,692
Registrations	627	635	8	3,539
IT and Digital Transformation	606	640	34	4,026
Chief Executive and Registrar	324	225	(99)	1,359
Finance and Commercial	296	339	43	1,747
Human Resources	252	259	7	1,583
Facilities Management	227	244	17	1,466
Business Change	174	211	37	1,231
Communications	166	173	7	1,096
Depreciation	165	171	6	1,188
Policy and Standards	143	127	(16)	824
Assurance and Compliance	142	132	(10)	786
Education	98	103	5	695
Data Insight and Analytics	68	71	3	432
Chair, Council and Committees	66	70	4	370
Professional and Upstream Regulation	52	65	13	407
Partners	45	66	21	407
Governance	39	50	11	288
Chair and Chief Executive Office	24	27	3	156
Regulatory Development and Performance	18	18	0	106
Major Projects	12	0	(12)	570
Total Operating Expenditure	**7,196**	**7,444**	**248**	**45,968**
Contingency	0	0	0	750
Other Exceptional Costs	43	40	(3)	284
Total Expenditure	**7,239**	**7,484**	**245**	**47,002**
Surplus/(Deficit)	**207**	**47**	**160**	**10**

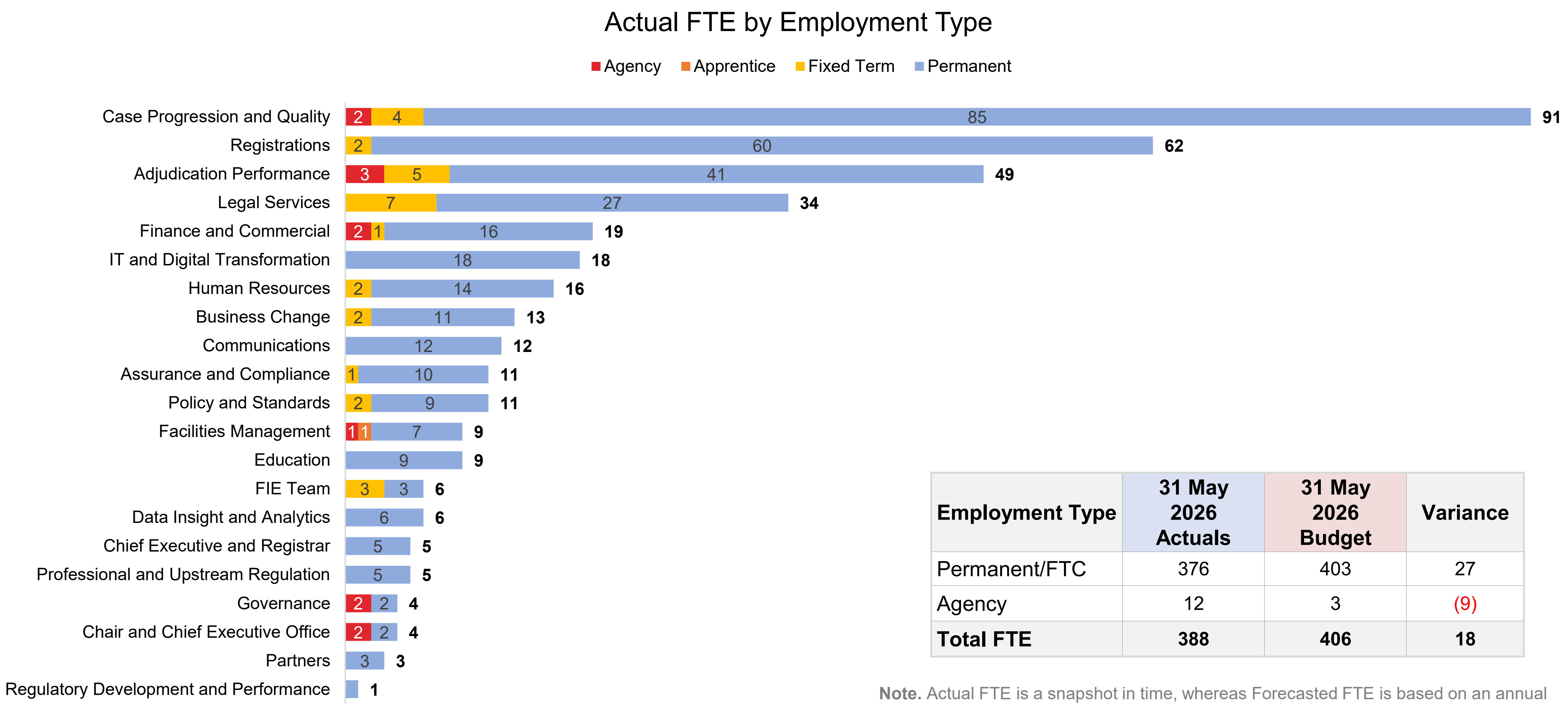
Note: 'Other Exceptional Costs' include Corporation Tax and Transformation Costs.

Appendix 2 – Income and Expenditure May 2026 (by Category)

	May 2026 (YTD)			Full Year
	Actuals	Budget	Variance	Budget
	£'000	£'000	£'000	£'000
Total Income	**7,446**	**7,531**	**(85)**	**47,012**
Payroll	3,435	3,608	173	21,866
Legal Costs	1,492	1,519	27	9,635
Partners	890	915	25	5,294
IT Costs	410	413	3	2,576
Professional Fees	333	344	11	2,381
Depreciation	165	171	6	1,188
Staff Related Costs	102	113	11	679
Temporary Staff	68	28	(40)	112
Property Costs	64	73	9	449
Office Services	63	66	3	456
Utilities	56	57	1	371
Other Costs	48	58	10	1,288
Corporation Tax	43	40	(3)	224
Communication Costs	41	17	(24)	171
Council Committee	19	25	6	79
Travel & Subsistence	10	37	27	233
Total Expenditure	**7,239**	**7,484**	**245**	**47,002**
Surplus/(Deficit)	**207**	**47**	**160**	**10**

Note. 'Other Costs' includes Bank Charges and Contingency. 'Staff Related Costs' includes Training, Recruitment Fees and Life Assurance Costs.

Appendix 3 – FTEs (as at 31 May 2026)



Employment Type	31 May 2026 Actuals	31 May 2026 Budget	Variance
Permanent/FTC	376	403	27
Agency	12	3	(9)
Total FTE	**388**	**406**	**18**

Note. Actual FTE is a snapshot in time, whereas Forecasted FTE is based on an annual view. For example, if an employee was hired on a 6-month contract at the beginning of the financial year, forecasted FTE would be shown as **0.5**, however, Actuals will be shown as **1.0**.

Appendix 4 - FTP – Frontloading – May 2026 (YTD)

New Cases	Apr-26	May-26	May-26 YTD	Full Year Projection
Case Volume	11	11	22	132
Estimated internal costs (£)	27,011	44,721	71,732	777,969
Equivalent external costs (£) – new fees*	84,453	98,527	182,980	2,006,656
Net savings realised (new pricing)	**57,442**	**53,806**	**111,248**	**1,228,687**
Equivalent external costs (£) – historic fees	60,720	70,840	131,560	1,442,760
Net savings realised (old pricing)	**33,709**	**26,119**	**59,828**	**664,791**

* Potential costs if frontloaded cases were instructed to our external legal provider (ELP).

May-26 Year to Date

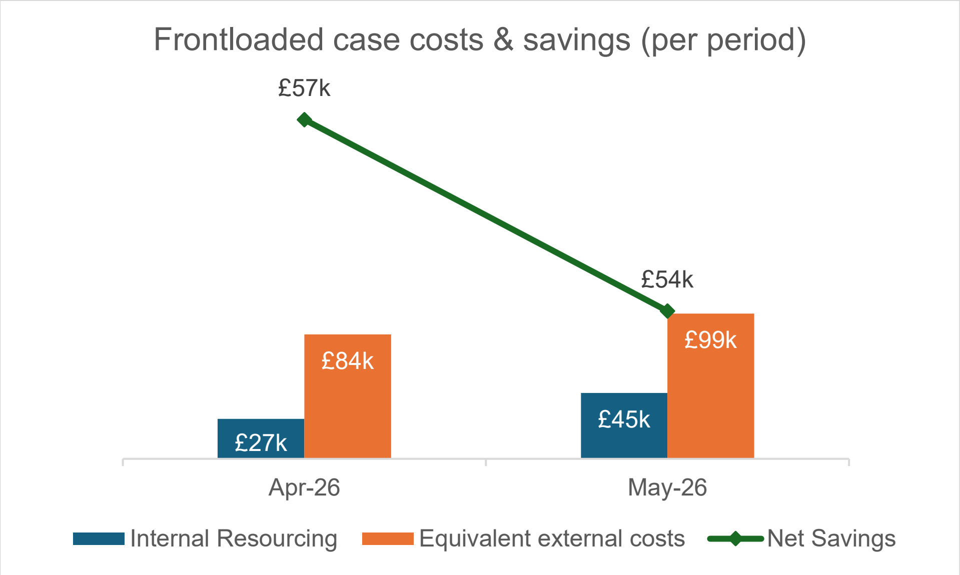
- **Frontloaded new cases:** total of 22 frontloaded cases were processed.
- **Net savings:** based on high-level assumptions, estimated savings from handling cases internally compared to instructing our external legal provider, is around £111k (or £60k based on historic fees).

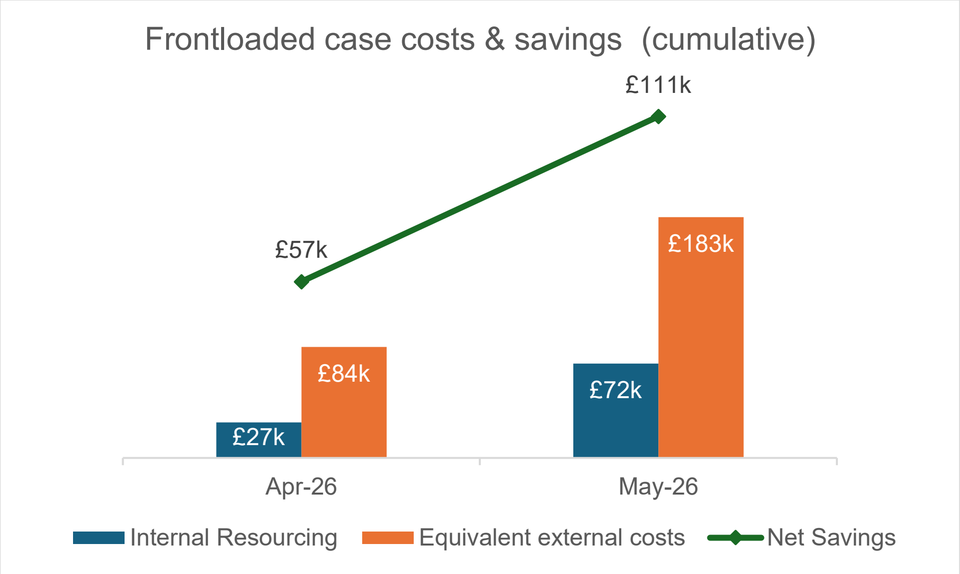
Full-Year Projection

- Expected net savings for 2026-27 is around £1.2 million (or £665k based on historic fees). This is based on relatively fixed costs for our internal frontloading legal team and advocacy costs, versus variable external legal costs driven by progression and volume of cases.

Note.

- Internal costs are based on actual payroll costs for frontloading legal team and estimated advocacy costs.
- Equivalent external costs are based on current fees for frontloaded cases, factoring phased costings based on case progression.



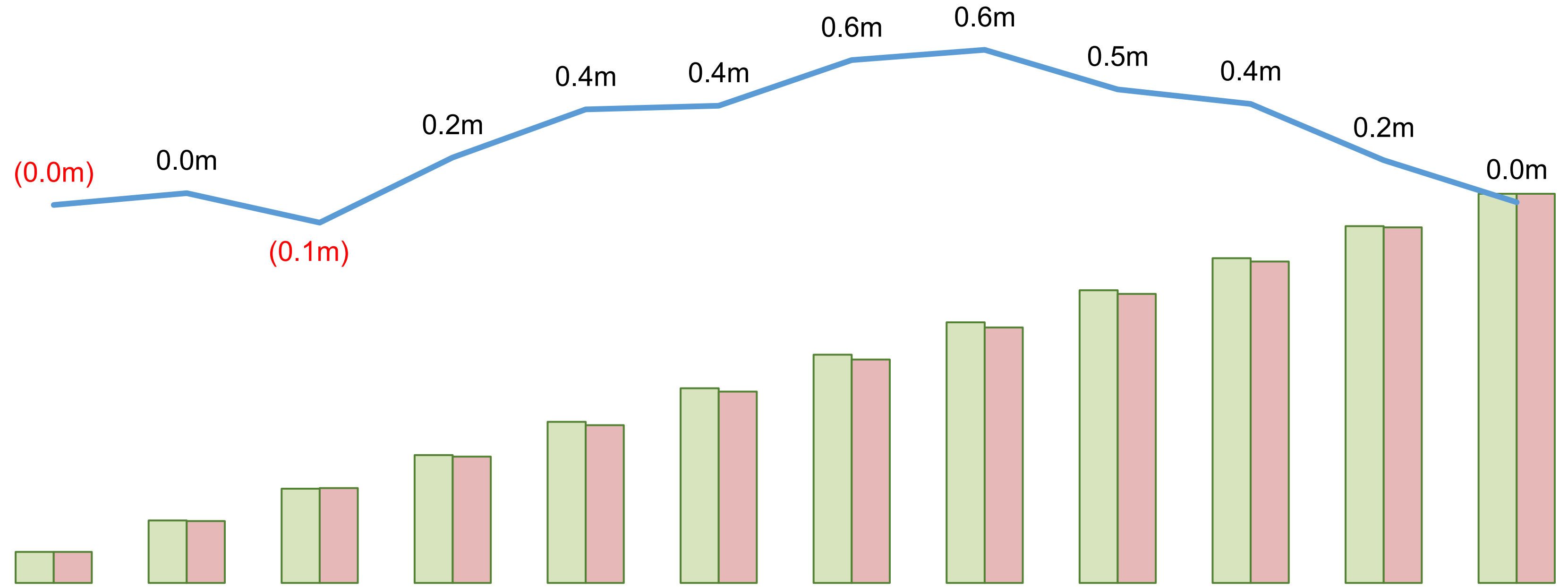


Appendix 5 – Contingency (as at 31 May 2026)

Description	£'000
General Contingency	350
Frontloading Contingency	400
2026-27 Budget Contingency	**750**

Appendix 6 – 2026–27 Budget Profile

2026-27 Budget (Running Total)



	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27
Income	3.8m	7.5m	11.4m	15.4m	19.4m	23.5m	27.6m	31.5m	35.4m	39.2m	43.1m	47.0m
Expenditure	3.8m	7.5m	11.5m	15.3m	19.1m	23.1m	27.0m	30.9m	34.9m	38.8m	42.9m	47.0m
Surplus/(Deficit)	(0.0m)	0.0m	(0.1m)	0.2m	0.4m	0.4m	0.6m	0.6m	0.5m	0.4m	0.2m	0.0m

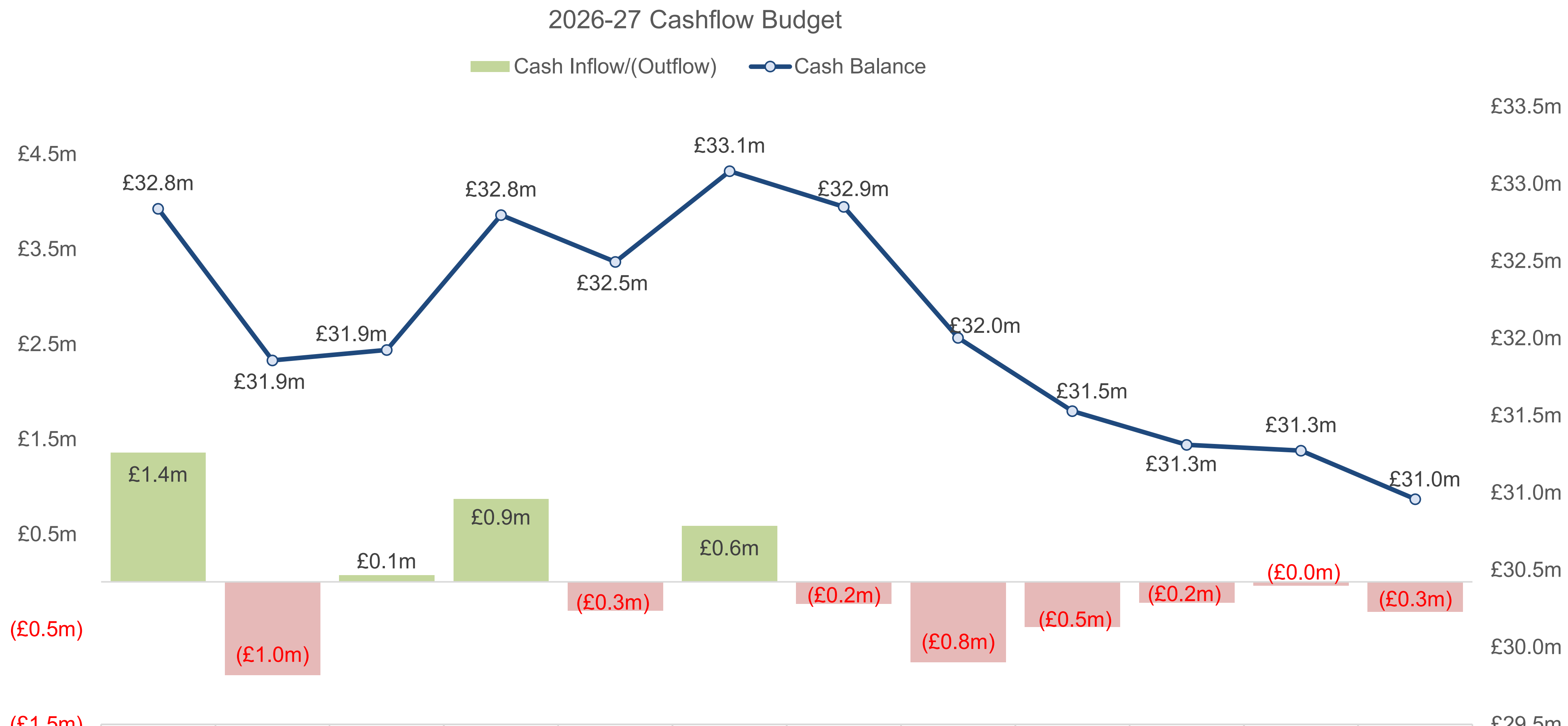
Income Expenditure Surplus/(Deficit)

Appendix 7 – Balance Sheet (as at 31 May 2026)

hcpc health & care professions council

	31 May 2026 Actuals	31 May 2026 Budget	Variance	31 March 2027 Budget
	£'000	£'000	£'000	£'000
Property, Plant & Equipment	5,800	5,906	(107)	6,594
Intangible Assets	2,438	2,868	(430)	3,442
Total Fixed Assets	8,238	8,774	(537)	10,036
Current Assets				
Trade and Other Receivables	36,565	37,865	(1,300)	37,235
Cash and Cash Equivalents	31,857	29,157	2,700	30,959
Total Current Assets	68,421	67,021	1,400	68,193
Total Assets	**76,659**	**75,796**	**863**	**78,230**
Current Liabilities				
Deferred Income	60,335	58,026	(2,309)	61,440
Trade and Other Payables - other liabilities	4,583	6,039	1,455	5,246
Total Current Liabilities	64,918	64,065	(853)	66,686
Non Current Liabilities	152	302	150	152
Total Liabilities	**65,070**	**64,366**	**(703)**	**66,838**
NET ASSETS	**11,589**	**11,429**	**160**	**11,392**
Opening General Reserves	11,382	11,382	0	11,382
Surplus/(Deficit)	207	47	160	10
TOTAL RESERVES	**11,589**	**11,429**	**160**	**11,392**

Appendix 8 – Cashflow Forecast (as at 31 May 2026)



	Apr-26 Actual	May-26 Actual	Jun-26 Budget	Jul-26 Budget	Aug-26 Budget	Sep-26 Budget	Oct-26 Budget	Nov-26 Budget	Dec-26 Budget	Jan-27 Budget	Feb-27 Budget	Mar-27 Budget
Cash Inflow/(Outflow)	£1.36m	(£0.98m)	£0.07m	£0.87m	(£0.30m)	£0.59m	(£0.23m)	(£0.85m)	(£0.48m)	(£0.22m)	(£0.04m)	(£0.31m)
Cash Balance	£32.84m	£31.86m	£31.93m	£32.80m	£32.50m	£33.08m	£32.85m	£32.00m	£31.53m	£31.31m	£31.27m	£30.96m

Council

Meeting Date	16 July 2026
Title	Capital expenditure (capex) policy
Author(s)	Alan Keshtmand – Head of Finance, Aihab Al Koubaisi - Financial Controller
Executive Sponsor	Alastair Bridges, Executive Director of Resources

Executive Summary

Overview

This capital expenditure (capex) policy sets out the principles and procedures for identifying, recognising, and managing capital expenditure in accordance with IAS 16 and IAS 38.

The policy defines the criteria for capitalisation, ensures consistent treatment of expenditure across the organisation, and establishes robust controls over the recording, monitoring, and reporting of fixed assets.

Purpose

The purpose of this policy is to:

- Ensure compliance with applicable accounting standards and financial reporting requirements
- Provide clear guidance on the distinction between capital and operational expenditure
- Promote consistency and accuracy in the recording of assets within the fixed asset register
- Strengthen financial governance, control, and audit readiness
- Support effective decision-making in relation to capital investment

Key Sections

The policy includes the following key areas:

- Definition and recognition of capital expenditure in line with IAS 16 and IAS 38
- Capitalisation criteria, including thresholds and development cost requirements
- Capital vs operational expenditure guidance, with practical examples

- Directly attributable costs, including staff, consultancy, and implementation costs
- Evidence requirements to support capitalisation decisions
- Depreciation and useful economic lives
- Assets Under Construction / Development (AUC/AUD) processes and controls
- Disposal of assets, including approval thresholds and documentation requirements
- Year-end asset review and impairment assessment in line with IAS 36

Key Changes from Previous Version

This revised policy introduces several important enhancements:

- Stronger alignment with accounting standards, including increased references to IAS 16 and IAS 38
- Expanded guidance and examples of both capital and operational expenditure across relevant departments
- Clearer definition of capital costs, including directly attributable expenditure
- Introduction of formal evidence requirements to support capitalisation decisions
- New sections added, including:
    - Assets Under Construction / Development (AUC/AUD)
    - Disposal of assets
    - Impairment review procedures
- Improved clarity and structure, supporting consistency, transparency, and audit compliance

Conclusion and recommendations

Following recommendation by the Audit and Risk Assurance Committee and the People and Resources Committee, the Council is now asked to approve the updated capex policy.

Action required	The Council is asked to approve the updated capex policy.
Previous consideration	The Audit and Risk Assurance Committee and the People and Resources Committee reviewed and recommended the updated capex policy to the Council at their meetings on 10 June 2026 and 11 June 2026 respectively. The capex policy was last approved by the Council in 2022.
Next steps	Following approval from the Council, the updated capex policy will be circulated and uploaded on the intranet.
Financial and resource implications	Ensuring the capex policy is adhered to by the organisation.
Associated strategic priority/priorities	Technology-enabled regulatory excellence and organisational sustainability

Associated strategic risk(s)	3.a Quality of our data leads to assumptions or gaps in understanding, and therefore inadequate or uninformed decision making
Risk appetite	Financial - measured
Communication and engagement	The Finance team was involved in updating the capex policy.
Equality, diversity and inclusion (EDI) impact and Welsh language standards	The equality impacts were considered when updating the capex policy.
Other impact assessments	Not applicable
Reason for consideration in the private session of the meeting (if applicable)	Not applicable

CAPITAL EXPENDITURE POLICY

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Contents

1. Definition of capital expenditure under IAS 16 and IAS 38

Capital expenditure (capex) refers to costs that are recognised as assets under International Accounting Standard (IAS) 16 - Property, Plant and Equipment, and IAS 38 - Intangible Assets. Expenditure is capitalised when it is directly attributable to creating, producing or preparing an asset so that it is capable of operating as intended by the organisation. This may include purchase costs, construction, development, installation, directly attributable staff time, and professional fees. Costs that do not meet these criteria-such as administrative overheads, research, feasibility studies, maintenance, and ongoing training-must be expensed.

2. Key principles for capitalisation

The purchase of individual assets or groups of assets costing more than £5,000 (including VAT), with a useful life of more than one year, and which are intended for use on a continuing basis, are classified as capital expenditure. Such assets, including equipment, furniture and property are recorded in our fixed asset register and depreciated/amortised over their useful economic life in line with the fixed asset policy.

Development costs relating to internally generated intangible assets are capitalised only when all of the recognition criteria set out in IAS 38 are met, and the organisation can demonstrate the following:

- Technical feasibility
- Intention to complete
- Ability to use
- Probable future economic benefit
- Availability of resources
- Reliable measurement of costs

Category	Policy Guidance
Buildings	Buildings are capitalised at cost and depreciated over their useful economic life or lease term, whichever is shorter. This include any costs that are directly attributable to bringing it to its finished condition. Any opening costs, advertising and promotional activities cannot be capitalised and are expensed to Business as Usual (BAU). Refer to Annexe 1: Buildings (Estates) – Operational vs Capital Expenditure
Capital Projects	These are capitalised at cost and should include all directly attributable costs up to the launch of the project. Items below the capitalisation threshold of £5,000 may be capitalised where they form part of a single integrated capital project. Staff costs are capitalised only to the extent that they are directly attributable to the development or construction of the asset. This includes permanent staff and contractor staff costs. The percentage of time spent on capital projects by employees must be recorded and approved using the “Employees Capex Project Time Allocation review – BUC” spreadsheet (refer to

	note 1 below). After the project has launched, all subsequent running costs are coded to BAU (Refer to Annexe 2: Capital Projects – Operational vs Capital Expenditure)
Leases	Leases are accounted for in accordance with IFRS 16. Right-of-use assets and lease liabilities are recognised for most leases, except for short-term leases (less than 12 months) and low-value assets, which are expensed.

3. Examples of capital expenditure costs

Under IAS 16 and IAS 38, directly attributable costs may include:

a) Implementation and installation services:

- External consulting or IT services required to implement and install the system.
- Any costs related to setting up servers, databases and other infrastructure to support software systems.
- Project management services for the implementation.

b) Customisation and development:

- Customising modules for specific finance functions (e.g. PO Creation).
- Integrating software systems (e.g. Registration CRM System/Business Central).
- Development work for tailored functionalities, such as bespoke reporting (e.g. Income & Expenditure Statement).

c) Data migration:

Data migration costs are capitalised only where they are necessary to bring the asset to the condition required for its intended use. Costs incurred in transferring data from legacy systems to a new system. This includes data extraction, transformation and loading processes.

d) Consultancy services related to initial setup:

Consultancy required to design the architecture or system framework, as well as to validate the business processes for the development project is capitalised (e.g. IBM consultancy around integration with the CRM system).

4. Operational costs that must be expensed include:

- Software as a service (SaaS) subscription fees
- Ongoing support and maintenance
- User licenses
- Staff training

- Cloud hosting fees
- Backup and disaster recovery
- System monitoring and security
- Minor system enhancements

Please refer to annex 3 for capital and operational expenditure examples relevant to departments.

5. Capital expenditure evidence requirements

In order to capitalise an asset and meet the policy standards of IAS 16 and IAS 38, it is essential to store, maintain, and ensure that the necessary evidence is readily available. Examples of evidence include the following:

- Timesheet or cost tracking: staff should record % of time spent on capital projects.[1]
- Project approval documentation: showing the project meets capitalisation criteria.
- Evidence of direct involvement: role descriptions, deliverables or signed time/assignment logs.
- Clear cut-off: costs stop being capitalised when the asset is ready for use (post go-live).

6. Assigning capital expenditure costs to the correct nominal accounts

It is essential that all capital expenditure costs are correctly coded to the appropriate capital expenditure nominal code. Accurate coding ensures that all eligible costs are capitalised in accordance with IAS 16 and IAS 38 and are subsequently captured within the fixed asset register.

Budget holders and purchase order owners must take particular care to assign the correct capital expenditure nominal code when raising purchase orders for assets or capital projects. This is critical for ensuring compliance with accounting standards and maintaining accurate financial records.

If you are unsure which nominal code to use, please consult your Finance Business Partner, the Financial Accountant, or the Financial Controller. They will be able to provide guidance to ensure that costs are classified correctly and treated appropriately for capitalisation purposes.

7. Depreciation

Depreciation is provided on tangible and intangible fixed assets to write them down to their estimated useful lives in equal instalments as follows:

Freehold or Long Leasehold premises	50 years
Office fit out and refurbishment	Period of the lease or useful economic life of the asset

[1] WIP – document not completed yet

Office furniture and equipment	4 years
Software system development	3 - 7 years
Computer equipment	3 years

The HCPC will revalue freehold/long leasehold premises in accordance with FRS102 and will use this valuation as deemed cost going forward.

8. Assets Under construction / development (AUC/AUD)

a) Monthly review of assets under construction / development

A monthly review of all Assets Under Construction (AUC) and Assets Under Development (AUD) will be undertaken jointly by the Finance Team and the Business Change Team. The purpose of this review is to assess the status, progress, and expected completion of each asset currently classified as AUC/AUD.

b) Treatment of AUC/AUD in the fixed asset register

In accordance with HCPC's capitalisation procedures and relevant accounting standards, AUC/AUD will be recorded within the fixed asset register.

However, these assets will not be depreciated while they remain under construction or development. Depreciation will only commence once the asset is deemed to be available for use and has transitioned from AUC/AUD to a completed and operational asset category, as set out in the depreciation policy.

c) Notification of asset completion and readiness for use

When an asset is confirmed as being in use, the Business Change Team must formally notify the Finance Team.

This notification must include a project completion report formally approved by ELT clearly stating that the asset is now operational and no longer under construction or development.

d) Transition to in-use and depreciation commencement

Upon receiving the approved project completion report, the finance team will:

Transfer the asset from the AUC/AUD category to the appropriate "In Use" asset classification within the fixed asset register. The finance team will then commence depreciation in line with HCPC's depreciation policy.

9. Disposal of assets

The disposal of obsolete or surplus equipment or furniture requires the prior approval of the Head of Finance if the net book value is equal to or less than £5,000 (collective value of items) and the prior approval of the Executive Director of Resources or CEO is required if the net book value exceeds £5,000.

A disposal form[2] must be completed and authorised before any assets are disposed of. In accordance with finance policy, this must be authorised by the respective personnel mentioned above.

The disposal form must include the following:

- Details of the asset(s) including asset number and location
- Reason for disposal
- Method of disposal
- Total Net Book Value (NBV)
- Potential costs of removal
- Any sale proceeds
- How sensitive data is being dealt with

When assets are sold, an invoice must be produced with all proceeds going to the HCPC.

The fixed asset register must be adjusted to reflect any disposals made in relation to all of the above.

10. Year-End asset utilisation and impairment review

a) Definition of IAS 36 – Impairment of Assets

IAS 36 requires entities to ensure that assets are carried at no more than their recoverable amount. An asset is considered impaired when its carrying amount exceeds the higher of:

- its fair value less costs of disposal, and
- its value in use (the present value of future cash flows expected to arise from the asset).

Where impairment indicators exist, entities must estimate the recoverable amount and recognise an impairment loss if necessary.

b) Annual confirmation of asset utilisation

At the end of each financial year, the Finance Team will contact asset owners across all departments to confirm whether each asset recorded on the fixed asset register is still being used as at year-end.

Asset owners must confirm:

- whether the asset remains in active use;

[2] Asset Disposal Form.xlsx

- whether it has been taken out of use, disposed of, or is being held for future use.

c) Assessment of impairment indicators

Asset owners are responsible for evaluating whether there are any indicators that an asset may be impaired in accordance with IAS 36. Indicators may include:

- Physical damage or deterioration;
- Obsolescence or significant underperformance;
- Major changes in operational requirements;
- Adverse economic, technological, market, or regulatory developments;
- Evidence that expected economic benefits have declined.

d) Quantifying impairment

Where impairment indicators are identified, asset owners must work with the Finance Team to:

- Determine the extent of the impairment;
- Provide a reasonable financial estimate of the impairment amount;
- Submit supporting information or evidence to justify the impairment assessment.

e) Finance team responsibilities

Upon receiving feedback from asset owners, the Finance Team will:

- Review all confirmations and impairment analyses for completeness and accuracy;
- Update the Fixed Asset Register to reflect any impairments;
- Ensure compliance with IAS 36 in calculating and recording impairment losses;
- Recognise impairment adjustments in the year-end financial statements.

11. Review and confirmation of fully depreciated assets

a) Objective of the review

The objective of this review is to ensure the fixed asset register (FAR) presents a true and fair view of the assets held by the organisation. Fully depreciated assets may continue to remain in operational use, and it is essential that the FAR accurately reflects which assets are still active and which have become obsolete.

b) Interim and year end review process of fully depreciated assets

During the interim and year end, the Finance Team will conduct a formal review with asset owners from the relevant departments to confirm the status of fully depreciated assets.

Asset owners will be required to verify whether:

- The fully depreciated asset is still being used by the organisation; or
- The fully depreciated asset is no longer in use and has become obsolete.

This review supports the integrity of the FAR and strengthens internal financial controls.

c) Treatment of fully depreciated assets still in use

Where a fully depreciated asset is confirmed as still being actively used, it will remain on the fixed asset register even though its net book value is nil.

This ensures transparency and proper representation of assets that continue to support operations despite being fully depreciated.

d) Treatment of fully depreciated assets no longer in use

If an asset owner confirms that a fully depreciated asset is no longer in use and has become obsolete, the finance team will remove the asset from:

- The fixed asset register; and
- The organisation's accounting system (Business Central).

The accounting treatment for derecognition is as follows:

- Credit the asset cost account;
- Debit accumulated depreciation;
- resulting in a net book value of zero and removal from the financial records.

e) Example of a fully depreciated asset no longer in use

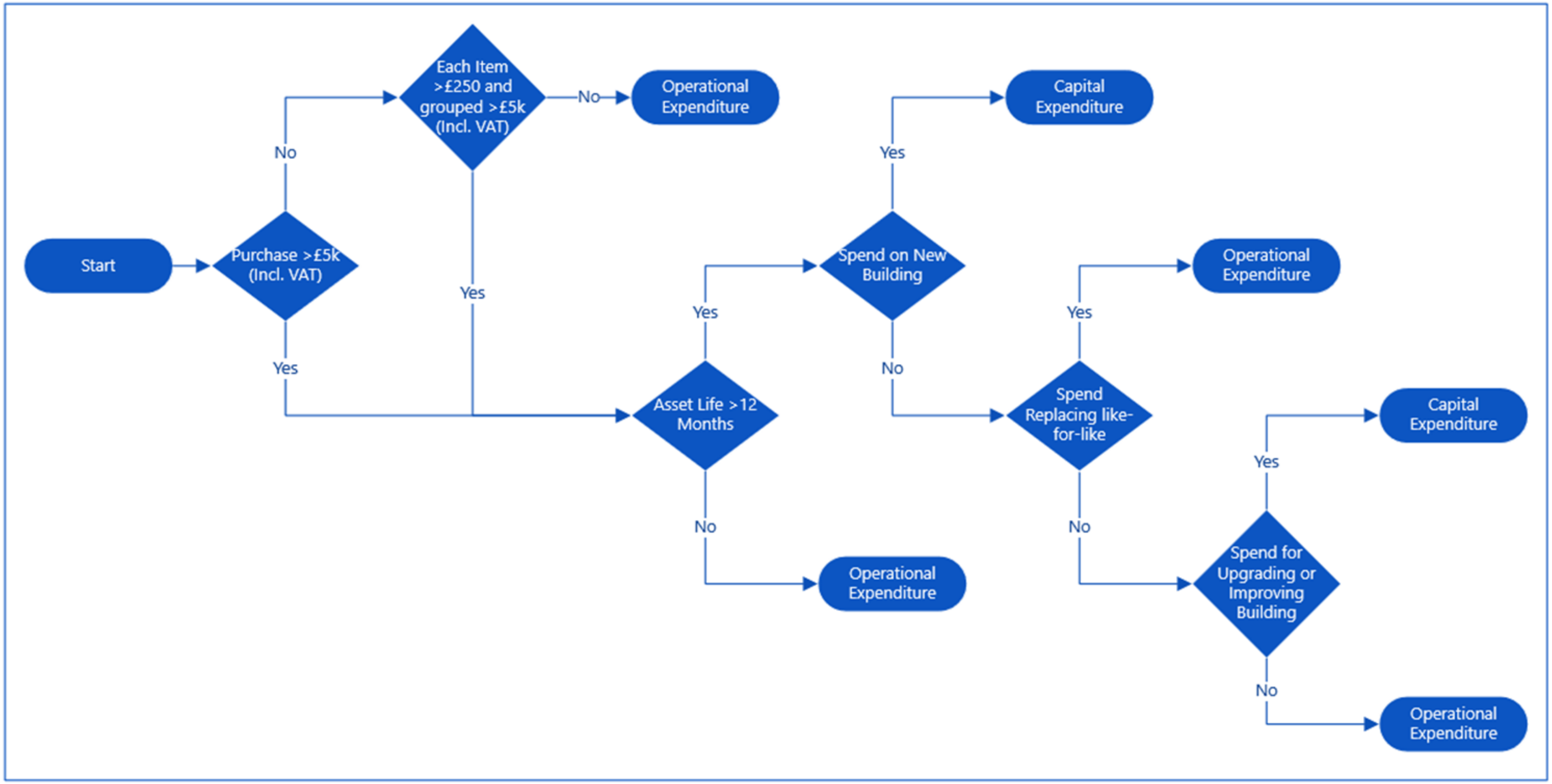
If the organisation replaces its legacy system with a new system, the legacy system becomes obsolete and should no longer remain on the FAR. This fully depreciated legacy system must be removed from fixed asset register using the derecognition process described above.

f) Responsibility and timing

The interim/year end review will be carried out collaboratively between the Finance Team and all asset owners. Asset owners are responsible for providing accurate and timely confirmation of the operational status of assets assigned to their departments.

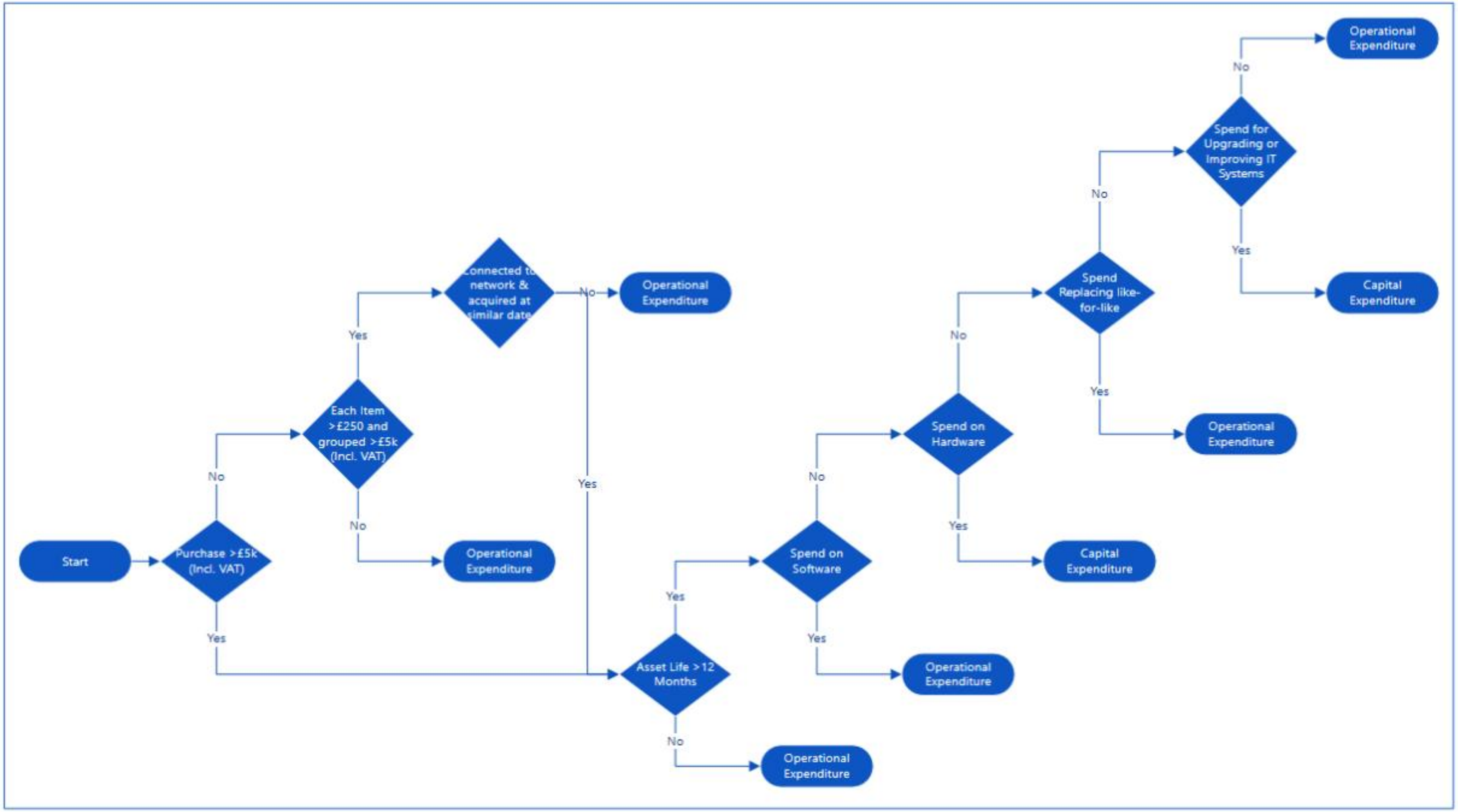
ANNEXE 1

Buildings (Estates) – Operational vs Capital Expenditure



ANNEXE 2

Capital Projects – Operational vs Capital Expenditure



ANNEXE 3

Department	Capital Expenditure	Operational Expenditure
IT & Digital Transformation	[1] Salaries of software developers, system architects or testers building a new regulatory database, finance system or ERP. [2] Project management and configuration time spent developing a bespoke module in-house (e.g. online registration portal). [3] For example, IT developer spends 60% of their time developing the new 'Registrant Self-Service Portal' (a new intangible asset), 60% of their salary and NI/pension can be capitalised.	[1] IT helpdesk support, bug fixing or system maintenance. [2] Time spent evaluating potential vendors or writing business cases.
Finance & Commercial	[1] Staff time spent designing and implementing a new financial reporting system (e.g. Business Central or Workday Adaptive Planning). [2] Process redesign directly tied to the system build (e.g. creating automated workflows, chart of accounts restructuring) [3] For example, Systems Accountant and FP&A Manager work on implementing a new financial reporting tool for 6 months. Their directly attributable project hours are capitalised to the software system asset.	[1] Routine management accounting, reconciliations and financial control work. [2] Preparation of budgets, forecasts or finance reports.
Facilities Management	[1] Time spent managing or supervising the office refurbishment, new leasehold improvements or fit-out projects. [2] Involvement in project planning and contractor oversight. [3] For example, Facilities Manager supervises a new HQ fit-out project for three months, 25% of their annual salary is capitalised as part of the leasehold improvement cost.	[1] Regular facilities maintenance, cleaning, or health and safety inspections. [2] Time spent managing existing leases or daily building issues.

Business Change (Projects/Product Management)	[1] Programme or project management time directly attributable to delivering capital projects (ERP, digital transformation, new regulatory systems). [2] Time spent coordinating implementation phases, testing, or go-live. [3] For example, Project Manager leads the Digital Transformation Programme, delivering new online platform. Their time and that of the Business Analyst(s) working on configuration are capitalised.	[1] Project reporting, benefits tracking or organisational change activities not essential to asset creation.
Human Resources	[1] HR staff configuring and implementing a new HR or payroll system (if part of a capital project) [2] Internal project resource working directly on design, data migration and testing. [3] HR System Project Lead works three months on implementing the new HR platform. Their salary and on-costs for that period can be capitalised to 'HR System' asset.	[1] Training delivery, policy design or recruitment [2] BAU HR operations
Communications	[1] Staff directly involved in developing digital content or web architecture, if it forms part of a capitalised digital asset (e.g. regulatory website). [2] Digital Content Manager codes and integrates the new website portal interface. Their time can be capitalised as part of the web development costs.	[1] Campaigns, communications plans or stakeholder engagement.