

**Health Professions Council
Report and Financial Statements**

Year Ended
31 March 2003

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DRAFT FOR DISCLOSURE TO COUNCIL 4 JUNE 2003

Subject to final audit clearance from BDO Stoy Hayward and National Audit Office.

(The National Audit Office has indicated that a Statement of Internal Control, a Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and a copy of the Accounts Direction will need to be included.)

HEALTH PROFESSIONS COUNCIL

Annual report and financial statements for the year ended 31 March 2003

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Bankers

National Westminster Bank PLC, Walworth Road Branch, P O Box 3171, 290 Walworth Road
London, SE17 3RQ

Investment Advisors

Carr Sheppards Crosthwaite Limited, 2 Gresham Street, London, EC2V 7QN

Chief Executive and Registrar

Mr M J Seale

Registered Office

Park House, 184 Kennington Park Road, London SE11 4BU

Auditors

BDO Stoy Hayward, Emerald House, East Street, Epsom, Surrey, KT17 1HS
The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London,
SW1W 9SP

Solicitors

Kingsley Napley, Knight's Quarter, 14 St John's Lane, London, EC1N 4AJ
Bircham Dyson Bell, 50 Broadway, London, SW1H 0BL
Ormerods, Green Dragon House, 74-70 High Street, Croydon, Surrey, CR0 9XN

HEALTH PROFESSIONS COUNCIL

Report of the Council for the year ended 31 March 2003

The Council submit their first report together with the audited financial statements for the year ended 31 March 2003.

COUNCIL MEMBERS AND THEIR RESPONSIBILITIES AND POWERS

Members during the year

All Council members were appointed on 1 April 2002 and served throughout the year, except as shown below:

Professor Norma Brook	President
Mr Colin Lea	Vice President
Mrs Shaheen Chaudry	
Mr Robert Clegg	
Miss Mary Crawford	
Ms Christine Farrell	
Ms Ann Foster	
Professor John Harper	
Professor Anthony Hazell	
Dr Robert Jones	
Professor Sir John Lilleyman	
Professor Jeff Lucas	Alternates:
Miss Morag MacKellar	Dr Graham Beastall
Ms Joanna Manning	Mr Michael Barham
Mrs Clare McGartland	Mr Michael Collins
Mr William Munro	Ms Helen Davis
Dr John Old	Mr Paul Frowen
Mr Keith Ross	Mr Lawrence Hughes (resigned 24 April 2002)
Miss Pam Sabine	Professor Rosemary Klem
Mrs Jackie Stark	Professor Carol Lloyd
Mrs Barbara Stuart	Mr Ian Massey (appointed 12 June 2002)
Dr Anna Van Der Gaag	Mrs Jacqueline Pearce
Professor Diane Waller	Miss Gillian Pearson
Mr Neil Willis	Mr Gordon Sutehall
Dr Alexander Yule OBE	Miss Eileen Thornton

Method of appointment or election of Council members:

The Council shall consist of 12 members who are appointed on being elected under the Council's election scheme ("registrant members"), 11 members who are appointed by the Privy Council ("lay members") and 12 members are appointed on being elected under the Council's election scheme ("alternate members"). The numbers of members (e.g. 12) is linked to the number of professions currently being registered by the Council at the present time. The Council appoints an alternate member for every registrant member, alternate members having the same functions as registrant members but only able to vote if registrant members are not present. There should be at least one lay and registrant member for each home country within the United Kingdom.

HEALTH PROFESSIONS COUNCIL

Report of the Council for the year ended 31 March 2003 (Continued)

Statement of the Council Members' responsibilities:

The purpose of this statement is to distinguish the Council's responsibilities for the financial statements from those of the auditors as stated in their report.

The Health Professions Order 2001 requires the Council to prepare accounts for each financial year which give a true and fair view of the Council's state of affairs at the end of the year and of its surplus or deficit for that period. In preparing those accounts the Council are expected to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts.
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Council will continue in business.

The Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and to enable them to ensure that the financial statements comply with the provision of the Health Professions Order 2001.

NARRATIVE INFORMATION

The objects of the Council

The Health Professions Council has been set up to safeguard the health and well-being of persons using or needing the services of registrants.

The Health Professions Council replaces the old Council for Professions Supplementary to Medicine (CPSM) and was set up by the Health Professions Order 2001.

Organisational structure

Four statutory committees have been set up to deal with conduct and competence, the health of professionals registered with HPC, investigating complaints and the establishment and monitoring of training and education standards. In addition, three non-statutory committees have been set up: the Finance and Resources Committee (to which an Audit and a Remuneration Committee reports), the Registration Committee and the Communications Committee. All committees are chaired by a member of the Council.

The HPC has the following departments under a Chief Executive and Registrar: Communications, Directors, Education and Policy, Finance, Human Resources, Information Technology, Legal Services, Office Services, Project Management, Registration (UK), Registration (International and Grandparenting) and Secretary to Council.

HEALTH PROFESSIONS COUNCIL

Report of the Council for the year ended 31 March 2003 (Continued)

Financial results

The Health Professions Council (HPC) commenced operations on 1 April 2002 and acquired the activities, assets and liabilities of the Council for Professions Supplementary to Medicine (CPSM) at that date. The Net Assets taken over totalled £3,845,311 but a change in the policy of income recognition from a cash received basis to one of apportioning income over the period to which it relates required a reduction to £2,416,615.

There was an operational deficit of expenditure over income of £893,681 for this first year which is set out in these financial statements. The deficit has been funded from reserves which were further diminished by unrealised losses on investments of £514,492. At 31 March 2003 reserves had reduced to £1,008,442.

Fee income was received at the level previously charged by CPSM (largely £22 per annum). Following a consultation process which took place during the year, the Privy Council has been requested to permit a rise in fees to £60 per annum in most cases. Investment income net of realised losses on sales of investments totalled £88,424. More would have been received but £500,000 was withdrawn from the investment portfolio to support revenue expenditure.

A revenue grant of £1,816,452 was received from the Department of Health to cover most of the initial set-up costs of the new organisation. These covered costs relating to the refurbishment of the office building, communications, the consultation exercise, specific legal work in relation to establishing the rules and procedures of the new organisation and other administrative costs.

A capital grant of £983,198 was also received to fund the creation of a new computerised registration system. This is held in the balance sheet until the system is fully operational in the new financial year and depreciated.

The balance sheet of the organisation shows fixed assets totalling £4,014,055. Of this tangible fixed assets are largely the freehold land and buildings and the computerised registration system. The investment portfolio is managed by stockbrokers and was worth £1,322,147 at 31 March 2003.

Net current assets included deferred income of £2,238,563, being registration and retention fees received in advance. Creditors falling due after one year refers to the capital grant in respect of the registration system, credit for which will be received as the system is depreciated.

The financial position is much as was expected after one year. A further deficit is anticipated for the year ending 31 March 2004 but thereafter, subject to the Privy Council's approval of the new fee levels, operational surpluses will be attained, replenishing the reserves to reasonable levels.

AUDITORS

BDO Stoy Hayward were appointed as the first auditors to the Council. BDO Stoy Hayward have expressed their willingness to continue in office.

By order of the Council

PROFESSOR NORMA BROOK

President

4 June 2003

HEALTH PROFESSIONS COUNCIL

Report of the independent auditors

To the members of Health Professions Council

We have audited the financial statements of the Health Professions Council for the year ended 31 March 2003 on pages 6 to 14 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of Council and auditors

The Councils' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Council Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health Professions Order 2001. We also report to you if, in our opinion, the Councils' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Council's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Councils' Report and the President's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Health Professions Order 2001 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Health Professions Order 2001 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and were hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

HEALTH PROFESSIONS COUNCIL

Report of the independent auditors (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Council's affairs as at 31 March 2003 and of its deficit for the year then ended and have been properly prepared in accordance with the Health Professions Order 2001.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Epsom, Surrey, England

4 June 2003

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Consolidation

The financial statements consolidate the financial position and results of the Council and its wholly-owned subsidiary the Professions Supplementary to Medicine Charitable Trust. The financial statements of the charitable trust are consolidated under the acquisition method of accounting. No separate income and expenditure account for the Council alone is presented as the results of the charitable trust are shown in note 8. No balance sheet for the Council alone is presented as all of the assets and liabilities of the group are held by the Council.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Freehold buildings	- 2% per annum
Office furniture and equipment	- 25% per annum
Computer equipment	- 25% per annum
Registration system software	- 33% per annum

Grant income and expenditure

All grants receivable are included in the income and expenditure account when the expense has been incurred. All costs relating to the refurbishment of freehold buildings have been expensed in the income and expenditure account on the basis that these costs do not necessarily enhance the value of the properties.

Fee income

Fee income, comprising registration fees and retention fees, is recognised on an accruals basis according to the period it relates.

Investment income

Bank deposit interest is credited on a received basis. Dividends and interest on fixed interest securities are recognised when due.

Investments

Investments are listed on a recognised stock exchange and are at market value at the balance sheet date.

Deferred capital grants

Grants receivable in respect of tangible fixed assets are released to the income and expenditure account over the same period as the assets.

Computer software

Computer software, other than the registration system software, is charged to the Income and Expenditure Account in the year of acquisition.

Pensions

Contributions to the Flexiplan defined contribution pension scheme (see Note 13) are charged to the income and expenditure accounts in the year in which they become payable. The assets of the scheme are held separately from those of the Council in an independently administered fund.

Value Added Tax

The Council is not registered for value added tax. All costs incurred are expensed in the income and expenditure account.

HEALTH PROFESSIONS COUNCIL

Notes forming part of the financial statements for the year ended 31 March 2003 (continued)

2 FEE INCOME (by profession)	2003
	£
Arts Therapists	47,934
Chiropodists	214,786
Clinical Scientists	89,204
Dietitians	165,080
Medical Laboratory Scientific Officers	570,516
Orthoptists	31,179
Occupational Therapists	673,570
Paramedics	221,732
Physiotherapists	1,072,579
Prosthetists and Orthotists	18,997
Radiographers	643,952
Speech and Language Therapists	252,625
	<u>4,002,154</u>

3 INVESTMENT INCOME	2003
	£
Bank deposit interest	11,227
Investment deposit interest	7,428
Fixed interest securities	21,294
Quoted UK equities	53,103
	<u>93,052</u>

4 EXPENDITURE	Staff costs	Other costs	Total 2003
	£	£	£
President	-	48,636	48,636
Council	60,366	160,629	220,995
Chief Executive and Registrar	166,777	17,958	184,735
Education and Policy	94,595	98,126	192,721
Operations	801,457	19,324	820,781
Directors	209,276	65,604	274,880
IT Department	189,529	286,678	476,207
Finance	164,412	159,840	324,252
Administration	137,971	1,374,497	1,512,468
Legal Services	67,112	868,822	935,934
Human Resources	121,593	140,139	261,732
Communications	81,097	1,000,259	1,081,356
Committees & Working Groups	-	466,014	466,014
	<u>2,094,185</u>	<u>4,706,526</u>	<u>6,800,711</u>

HEALTH PROFESSIONS COUNCIL

Notes forming part of the financial statements for the year ended 31 March 2003 (*continued*)

5 DEFICIT OF EXPENDITURE OVER INCOME

	2003 £
This is stated after charging:	
Depreciation	167,035
Auditors' remuneration	
- audit fees	15,925
- other fees	48,065

6 PAYROLL COSTS

	2003 £
Wages and salaries	1,407,410
Social security costs	137,770
Pension costs	152,856
Other payroll expense including recruitment and temporary staff	396,149
	<u>2,094,185</u>

The average weekly number of employees was 51.

Council Members' Remuneration

Council members do not receive any remuneration for their services but receive an attendance allowance. Such allowances, totalling £188,537, were paid to 20 members during the year.

7 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Office Furniture and Equipment £	Computer equipment £	Registration system software £	Total £
<i>Cost or valuation</i>					
Additions	1,291,333	241,479	342,933	983,198	2,858,943
Disposals	-	-	-	-	-
At 31 March 2003	<u>1,291,333</u>	<u>241,479</u>	<u>342,933</u>	<u>983,198</u>	<u>2,858,943</u>
<i>Depreciation</i>					
Charge for the year	26,000	35,995	105,040	-	167,035
Disposals	-	-	-	-	-
At 31 March 2003	<u>26,000</u>	<u>35,995</u>	<u>105,040</u>	<u>-</u>	<u>167,035</u>
Net book value					
At 31 March 2003	<u>1,265,333</u>	<u>205,484</u>	<u>237,893</u>	<u>983,198</u>	<u>2,691,908</u>

Freehold property comprises Park House, 184 Kennington Park Road, London, SE11 4BU and 20 Stannary Street. For accounts purposes, the value of the land has been apportioned at £100,000.

HEALTH PROFESSIONS COUNCIL

Notes forming part of the financial statements for the year ended 31 March 2003 (continued)

8 INVESTMENTS	2003
	£
Additions	2,343,921
Disposals	<u>(507,282)</u>
	1,836,639
Unrealised losses on investments	<u>(514,492)</u>
At 31 March 2003	<u><u>1,322,147</u></u>
Historical cost value at 31 March 2003	<u><u>1,761,502</u></u>

All listed investments are managed on a pooled basis by a professional manager on behalf of the Council and UK held investments are listed on the London Stock Exchange.

The following investment represents more than 5% of the total held investment portfolio valuation:

7,783 Glaxo SmithKline Ordinary 25p

9 DEBTORS	2003
	£
Other debtors	935,799
Prepayments	<u>101,393</u>
	<u><u>1,037,192</u></u>

All amounts shown under debtors fall due for payment within one year.

10 CREDITORS: amounts falling due within one year	2003
	£
Capital grant receivable	273,110
Taxation and social security	49,623
Other creditors and accruals	<u>1,484,014</u>
	<u><u>1,806,747</u></u>

11 DEFERRED INCOME	2003
	£
Registration fees in advance	63,982
Retention fees in advance	<u>2,174,581</u>
	<u><u>2,238,563</u></u>

HEALTH PROFESSIONS COUNCIL

Notes forming part of the financial statements for the year ended 31 March 2003 (continued)

12 CREDITORS: Amounts falling due after one year	2003
	£
Capital grant receivable	<u>710,088</u>

13 PENSION FUNDING ARRANGEMENTS

The Council has pension obligations to both present and former staff. These are met by the operation of The Council for Professions Supplementary to Medicine Retirement Benefits Scheme and contributions to the FlexiPlan 1 Scheme operated by FPS Trustee Company Limited ("FlexiPlan").

The first scheme was closed in June 1995 and has no active members. On 28 March 2002 all members of the Scheme were served with a statutory notice of closure. The benefits are secured by insurance policies issued by The Scottish Life Assurance Society. The last actuarial valuation as at 23 April 2001, showed that the assets of the fund were sufficient to meet the future requirements of the scheme.

FlexiPlan is a money purchase scheme which offers a targeted final salary benefit. It is a multi-employer scheme and, as such, is exempt from the full disclosure requirements of FRS 17 as each employer is unable to identify its share of the underlying assets and liabilities.

14 THE PROFESSIONS SUPPLEMENTARY TO MEDICINE CHARITABLE TRUST

Health Professions Council controls the Professions Supplementary to Medicine Charitable Trust which is Registered Charity No. 313795. The Trust's financial results for the year are as follows:

	2003
	£
Statement of Financial Activities	
Incoming Resources	352,001
Resources Expended	(352,001)
Net Incoming Resources for the year	<u>0</u>
Balance Sheet	
Current Assets	<u>100</u>
Accumulated Fund	<u>100</u>

HEALTH PROFESSIONS COUNCIL

Notes forming part of the financial statements for the year ended 31 March 2003 (*continued*)

15 ACQUISITION

On 1 April 2002, the Health Professions Council (HPC) acquired the activities, assets and liabilities of the Council for Professions Supplementary to Medicine (CPSM). At 1 April 2002, the net assets acquired were as follows:

	2003 £	2003 £
FIXED ASSETS		
Tangible fixed assets		1,564,026
Investments		<u>2,146,012</u>
		3,710,038
CURRENT ASSETS		
Debtors and prepayments	77,076	
Cash at bank and in hand	<u>1,300,067</u>	
	1,377,143	
CREDITORS: amounts falling due within one year		
Registration fees in advance	21,301	
Retention fees in advance	2,099,406	
Creditors and accrued expenses	<u>549,859</u>	
	2,670,566	
NET CURRENT LIABILITIES		<u>(1,293,423)</u>
NET ASSETS ACQUIRED		2,416,615
Change of CPSM accounting policy to deferred income method under HPC		1,428,696
CPSM Net Assets		<u><u>3,845,311</u></u>

Note:

The Health Professions Council accounts for its subscription income on an accruals basis. However, CPSM had previously accounted for its subscription income on a cash basis. In order for the financial statements to remain consistent, the net assets of CPSM has been reduced by £1,428,696 to reflect this accounting policy change.