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**Professional Standards Authority for Health and Social Care**

**Annual Report and Accounts and  
Performance Review Report 2014/2015**

**Volume I  
Annual Report and Accounts 2014/2015**

## **Professional Standards Authority for Health and Social Care**

### **Professional Standards Authority for Health and Social Care Annual Report and Accounts and Performance Review Report 2014/2015**

#### **Volume I: Annual Report and Accounts 2014/2015**

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# 1. Chair's foreword

This last year has seen the effective integration of the new roles and responsibilities we acquired in the Health and Social Care Act 2012. The Accredited Registers programme for health and social care professions not covered by statutory registration already covers 65,000 practitioners in 25 health and care occupations and 18 registers have been accredited. Accredited registers are a new and proportionate approach to providing assurance in the health and care workforce. We are pleased they are gaining acceptance and recognition.

We have also firmly established the process for providing advice to the Privy Council on appointments to the councils of the regulators, ensuring that merit, independence and openness are central. During the last year, we advised the regulators, and consequently the Privy Council, on 14 appointments by six regulators. Our new responsibility to manage our own Board appointments was commenced during the year and the first two appointments were made by the Privy Council.

The final key element of the 2012 legislation is the change to our funding basis. This will come into effect on 1 August 2015, the Fee Regulations having come into force in April. Our Governance and Operations team has worked hard to prepare for the change and to restructure our accounting and reporting arrangements to ensure transparency between our four income streams.

During the last year, we also strengthened our legal resources and reshaped the way we approach the assessment of final fitness to practise decisions by the regulators. We have reviewed over 4,000 decisions. We appealed 22 cases to the High Court. Our appeals were settled by consent or upheld in all those cases.

We are also planning to improve and refocus our process for reviewing the performance of the health and social care regulators. Extensive discussions with the regulators have resulted in proposals for a more risk-based approach that will allow us to focus directly on particular regulatory functions. A formal consultation will take place this summer with the new arrangements coming into effect in autumn 2015.

Our commitment to improving regulation and building a research base has continued with work on the research potential of our own database in association with Surrey University, a successful research conference and a new collaboration with St Catherine's College, Oxford. We are also revising our right-touch regulation in light of its practical applications so far.

The delivery of this substantial programme of work is a tribute to our hard-working and talented staff but also to the effective oversight of the Board. We are fortunate in the quality and commitment of our non-executives and their strategic direction for the Authority. We were sorry to lose Sally Irvine and Ann Curno at the end of their period in office; they both made a huge contribution to the quality of our work. We are pleased to welcome Antony Townsend and Renata Drinkwater in their place. I am confident that the Authority is well led by the directors and Board as we go through further challenging times.



Baroness Jill Pitkeathley OBE  
Chair

## 2. Strategic report

### About the Professional Standards Authority

#### *Who we are*

- 2.1 The Professional Standards Authority for Health and Social Care (the Authority) was established on 1 December 2012. Its role and duties are set out in the Health and Social Care Act 2012.<sup>1</sup>
- 2.2 The Authority continues the work of the Council for Health Care Regulatory Excellence (CHRE), which was constituted by the Health and Social Care Act 2008<sup>2</sup> and was a transformation of the Council for the Regulation of Health Professionals (set up in April 2003 by the National Health Service Reform and Health Care Professions Act 2002).<sup>3</sup>
- 2.3 The Authority has a Board comprising seven non-executive members and one executive member, the Chief Executive, who is appointed by the Board.
- 2.4 The non-executive members are appointed by the Privy Council, Scottish and Welsh ministers, and the Department of Health, Social Services and Public Safety in Northern Ireland.
- 2.5 The Authority, which is currently classified as an unclassified public body, was funded during 2014/2015 by the Department of Health in England and by the devolved administrations in Northern Ireland, Scotland and Wales.

#### *Our role and what it entails*

- 2.6 Under the acts of Parliament that govern what we do, we have the powers to carry out a range of activities to promote the health and well-being of patients, service users and the public in relation to the regulation of health and social care professionals.
- 2.7 We have duties and powers in relation to:
  - The oversight of nine statutory bodies that regulate health and social care professionals in the UK
  - The provision of advice to, and undertaking investigations for, government
  - The accreditation of the voluntary registers held by non-statutory regulators of health and care professionals
  - The provision of advice to other similar organisations in the UK and overseas.

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<sup>1</sup> Available at [www.legislation.gov.uk/ukpga/2012/7/contents/enacted](http://www.legislation.gov.uk/ukpga/2012/7/contents/enacted)

<sup>2</sup> Available at [www.legislation.gov.uk/ukpga/2008/14/contents](http://www.legislation.gov.uk/ukpga/2008/14/contents)

<sup>3</sup> Available at [www.legislation.gov.uk/ukpga/2002/17/contents](http://www.legislation.gov.uk/ukpga/2002/17/contents)

## What we do

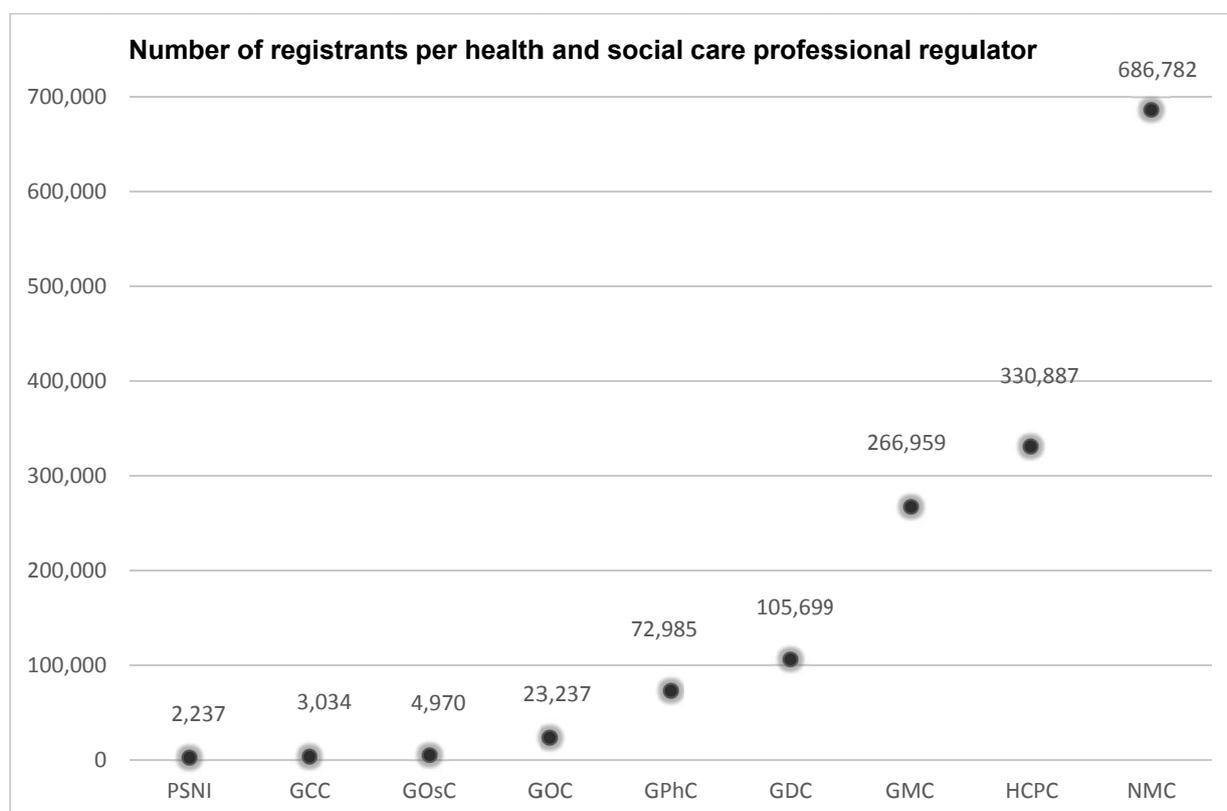
### *Oversight of the regulators*

- 2.8 The Authority has powers to:
- Audit the initial stages of fitness to practise cases and report on our findings in relation to each regulator
  - Review the outcome of final fitness to practise cases and to refer them to court if we consider that the outcome is unduly lenient and fails to protect the public
  - Investigate, compare and report on the performance of each regulatory body. We are specifically required to report to Parliament on how far each regulatory body has complied with any duty imposed on it to promote the health, safety and well-being of patients, service users and the public
  - Give directions requiring a regulatory body to make rules under any power the body has to do so.
- 2.9 We promote the health and well-being of patients, service users and the public in the regulation of health and social care professionals. To do this, we listen to people's views and concerns and consider them when developing our work. We have an active programme of engagement with patients, service users and members of the public.
- 2.10 We assist the Privy Council in the exercise of their appointment powers in respect of the regulatory bodies, and support the quality of appointments to regulators' councils. In consultation with the regulatory bodies, we have produced standards for the Privy Council relating to recruitment and appointments to the regulators' councils.
- 2.11 We scrutinise and oversee the work of the nine regulatory bodies that set standards for the training and conduct of health and social care professionals.
- 2.12 We promote good practice and right-touch regulation. We work with the regulatory bodies to improve quality and share good practice. For example, we share learning points arising from the scrutiny of fitness to practise cases and organise seminars to explore regulation issues.
- 2.13 We share good practice and knowledge with the regulatory bodies, conduct research and introduce new ideas about regulation to the sector. We work closely with, and advise, the four UK government health departments on issues relating to the regulation of health and care professionals. In addition, we monitor policy in the UK and Europe.
- 2.14 The regulatory bodies are the:
- **General Chiropractic Council** (GCC) which regulates chiropractors in the UK
  - **General Dental Council** (GDC) which regulates dentists, dental nurses, dental technicians, dental hygienists, dental therapists, clinical dental technicians and orthodontic therapists in the UK
  - **General Medical Council** (GMC) which regulates doctors in the UK

- **General Optical Council (GOC)** which regulates optometrists, dispensing opticians, student opticians and optical businesses in the UK
- **General Osteopathic Council (GOsC)** which regulates osteopaths in the UK
- **General Pharmaceutical Council (GPhC)** which regulates pharmacists and pharmacy technicians in England, Wales and Scotland
- **Health and Care Professions Council (HCPC)** which regulates arts therapists, biomedical scientists, chiropodists/podiatrists, clinical scientists, dieticians, hearing aid dispensers, occupational therapists, operating department practitioners, orthoptists, paramedics, physiotherapists, practitioner psychologists, prosthetists and orthotists, radiographers and speech and language therapists in the UK, and social workers in England
- **Nursing and Midwifery Council (NMC)** which regulates nurses and midwives in the UK
- **Pharmaceutical Society of Northern Ireland (PSNI)** which regulates pharmacists in Northern Ireland.

2.15 Details of the number of registrants in each health and social care professional regulator we oversee (as at 31 March 2015) are shown below.

**Table 1 Number of registrants per health and social care professional regulator**



## **Advice to, and investigations for, governments**

### ***UK-wide regulation; working with all four governments***

- 2.16 We support the work of the Secretary of State, the National Assembly for Wales, Scottish ministers and the Department of Health, Social Services and Public Safety in Northern Ireland on issues affecting the regulation of health and social care professionals and any matter connected with a health or care profession.

### ***Advising health ministers***

- 2.17 The Secretary of State and Health ministers in Scotland, Wales and Northern Ireland may request advice from us about the regulation of health and/or social care professionals or request that we investigate matters of concern.
- 2.18 The cost of this work is currently funded by the Department of Health and the devolved administrations. The Health and Social Care Act 2012 states that when the Authority is independent, the Department of Health and devolved administrations will pay a fee, to be determined by the Authority, for this work.
- 2.19 We consult with the UK government and the governments in Wales, Scotland and Northern Ireland on the development of guidelines for the sector. In addition, we keep abreast of international policies, particularly in Europe, that may affect health and social care regulation in the UK. We work with colleagues in the UK and abroad, ensuring that we are aware of these developments and that we strengthen our relationships with these partners.

### **Accreditation of voluntary registers**

- 2.20 The Authority has a role in strengthening quality and patient safety by setting standards for voluntary registers and accrediting them.
- 2.21 The purpose of the accreditation programme is to encourage the development of professional conduct, ethical practice and high standards of performance in groups associated with, or affiliated to, the delivery of health and social care where the occupation is not statutorily regulated.
- 2.22 We provide information about the accreditation programme on our website and work with interested groups to encourage their participation in the scheme and their preparation for accreditation.

### **Advice provided to other organisations**

- 2.23 Our legislation permits us to provide advice or auditing services to regulatory bodies and to others that have similar functions to those of a regulatory body, whether or not these functions relate to health or social care. This work is paid for by the organisation requesting the advice.

### **Our values**

- 2.24 Our values act as a framework for our decision-making. They are at the heart of who we are and how we would like to be seen by our partners. We are committed to being:
- Focused on the public interest
  - Independent

- Fair
  - Transparent
  - Proportionate.
- 2.25 Our values will be explicit in the way we work: how we approach our oversight of the registration and regulation of those who work in health and social care, how we develop policy advice and how we engage with all our partners. We will be consistent in the application of our values in what we do.
- 2.26 We are independent but hold ourselves accountable to the public and to the parliaments and assemblies of the UK for what we do and how we do it.
- 2.27 We listen to the views of people who receive care. We seek to ensure that their views are acted upon in the registration and regulation of people who work in health and social care.
- 2.28 We promote and support right-touch regulation<sup>4</sup> This is regulation that is based on an assessment of risk that is targeted and proportionate and provides a framework in which professionalism can flourish and organisational excellence can be achieved.<sup>5</sup> We will apply the principles of right-touch regulation to our own work.

### **Our aim**

- 2.29 The Authority works to raise standards and encourage improvements in the registration and regulation of people who work in health and social care. We do this in order to promote the health, safety and well-being of patients, service users and other members of the public.

### **Strategic objectives**

- 2.30 The Authority's strategic objectives, which were agreed by the Board in September 2014, are set out below.
- 2.31 The Authority will work to:
- Reconfigure our processes for the oversight of the statutory regulators to ensure that they are risk-based, targeted, right-touch and continue to focus on outcomes for public protection
  - Ensure we have the research and policies in place to maintain our thought leadership now and in the next phase of regulatory reform
  - Deepen our understanding of good regulation through international knowledge exchange, bringing benefits to the UK
  - Establish the value that Accredited Registers add to consumer protection and the public interest and make the model sustainable
  - Deliver effective financial management to inspire confidence internally and externally in our new funding arrangements

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<sup>4</sup> Professional Standards Authority. 2010. Right-touch regulation. Available at <http://www.professionalstandards.org.uk/policy-and-research/right-touch-regulation>

<sup>5</sup> Organisational excellence is defined as the consistent performance of good practice combined with continuous improvement.

To deliver these strategic objectives, the Authority will work to maintain and develop a high performing staff team and Board properly recognised, valued and resourced.

- 2.32 The Board, in recognition of the financial and operational changes the Authority would face post the implementation of the Fee Regulations and the particular need for clear separation of income and expenditure of the different workstreams, in addition to setting revised strategic objectives, set the following business principles for the Authority:
- All fees from the regulatory bodies will be applied only to our statutory functions of regulatory oversight and improvement as set out in the legislation
  - Any surplus or deficit generated against our budget as approved by the Privy Council will be used in the calculation of the following year's fee. While it would be our intention that any unused funds would be used to offset the following year's requirements, the Authority is likely to be subject to Corporation Tax, and surplus income (including fees) may accordingly be subject to tax
  - The pricing of commissions and consultancy contracts will cover all costs associated with the work. Any surplus arising will be deployed at the Board's discretion to support our organisational objectives in the public interest
  - All fees for accreditation or renewal from occupational registers will be applied only to provide and develop the accredited registers programme. Any surplus generated will be retained for the benefit of the programme
  - To ensure transparency we will:
    - Publish our annual accounts and fully disclose our audited financial statements
    - Show clearly our income and expenditure in relation to each of the Authority's four functions
    - Publish an auditor's statement setting out our compliance with these business principles.
- 2.33 These will come into use once the Fee Regulations become fully operative.

### **The year under review**

#### ***Volume of work***

- 2.34 We mentioned last year that we were seeing an increase in the number of fitness to practise cases received. The number has continued to increase during 2014/2015. Likewise, the number of appeals lodged by the Authority, where we considered a decision to be unduly lenient, has continued to increase. Full details are given in the section detailing the work of our Scrutiny and Quality team.
- 2.35 In May, following concerns raised with us by a whistle-blower about the management and support processes of the GDC's Investigating Committee, we decided to carry out an investigation. This work, which was not anticipated, was undertaken by the Scrutiny and Quality team with the assistance of external legal advisers.

### ***Collaboration***

- 2.36 Given our busy year, we have been very appreciative of the support and collaboration that we have received from the regulatory bodies. The GDC, the GPhC and the GOC have all permitted members of their staff to work with us in the development of policies and processes.

### ***Regulation of Health Professionals***

- 2.37 During the year, we contributed to the work undertaken by the Department of Health regarding the prospective implementation of legislation to enact the proposals made by the Law Commission following their review of the Regulation of Health Professionals. This legislation would bring the eight UK and Great Britain regulators we oversee under a single statute and, in doing so, amend certain aspects of the current legislation. For this, we attended regular meetings with the Department of Health and the regulators we oversee to discuss the department's response to the Law Commissions' Bill. We also took part in discussions – face-to-face and by email – with officials on specific areas of policy, mostly in relation to fitness to practise, to share our expertise in this area.

### ***Risk and uncertainty***

- 2.38 The uncertainty regarding the timing of changes to our funding arrangements and the impact this might have on our status and operations continued during 2014/2015. We are pleased that with the enactment of The Professional Standards Authority for Health and Social Care (Fees) Regulations 2015 (the Fee Regulations) on 1 April 2015, we now know that fees will become payable from 1 August 2015.
- 2.39 In light of the enactment of the Fee Regulations, we have been working with the Department of Health to prepare a submission to the Office of National Statistics for the reclassification of the Authority, recognising its changing relationship to the Department and government. We anticipate that this submission will be made in December 2015 and that any change will be backdated to April 2015.
- 2.40 We have continued to build on our previous work to segment our finances and operations.
- 2.41 We approached the Department of Health to request additional financial support for the Accredited Registers programme and were pleased that it was provided.
- 2.42 Several legislative changes that were proposed during 2014/2015 have caused concern and proved challenging.
- The General Medical Council (Fitness to Practise and Over-arching Objective) and the Professional Standards Authority for Health and Social Care (References to Court) Order 2015 gave the GMC powers to appeal decisions by the Medical Practitioners Tribunal Service (MPTS). The Authority will need to have in place a new process for scrutinising and referring MPTS decisions to the courts. This will be different from our usual process for scrutinising and referring the final decisions of the other regulators
  - The Order also changes our grounds for appealing final panel decisions made by all nine regulators, and the GMC's objective would be amended to

match these grounds. This change to our grounds for referral would almost certainly result in additional costs for all parties, the Authority included, while its impact is tested in the courts.

- The Health and Social Care (Safety and Quality) Act 2015 will change the Authority's and the non-medical regulators' over-arching objectives, bringing them in line with the proposed new GMC objective. At the time of writing, it is unclear when the change will be brought about and what impact it will have on the Authority's work.

2.43 We also worked with the Department of Health and the Department for Business, Innovation and Skills to exclude the Authority from the economic growth duty in the Deregulation Bill, on the grounds that it would be disproportionate and ineffective in relation to our work.

### ***Key performance indicators***

2.44 In our annual business plan, we set out key performance indicators (KPIs) for our work. Our performance against them is discussed regularly with our sponsor unit at the Department of Health.

2.45 Our performance against the KPIs during 2014/2015 is set out below:

<b>Workstream</b>	<b>KPI</b>	<b>Performance</b>
<b>Section 29 decisions</b>	All (100%) relevant decisions to be considered within statutory deadlines	100%
<b>Complaints about regulatory bodies</b>	All (100%) complaints acknowledged within five working days	100%
<b>DPA and FOI enquiries</b>	All (100%) FOIA and DPA requests dealt with within statutory deadlines	100%
<b>Finance</b>	To pay undisputed invoices: 60% in five days. 100% in 10 days.	53% by value 59% by volume in 5 days 100% in 10 days
<b>HR</b>	Sickness no more than 2.5%.  Staff turnover less than 10%.	Sickness: 1.5%  19% for permanent staff
<b>Complaints about the Authority</b>	100% of complaints acknowledged in five days 100% of complaints to be completed within 28 days	100%  100%
<b>Accredited registers</b>	Within 15 working days from confirmation of the payment to the Authority, applications will have completed the initial documentary review.  Applications will be put before the Panel within 21 days of receipt of all information/documentation required.	75% 3 of 4 new applications   100%

## ***Employees***

- 2.46 The Authority is committed to enabling all employees to achieve their full potential in an environment characterised by dignity and mutual respect. Our employment policies seek to create a workplace in which all employees can give their best, and can contribute to the Authority's and their own success.
- 2.47 We retain the services of Right Corecare and our staff have access to assistance and counselling if required. Details of our staff sickness rates can be found in the Remuneration Report.
- 2.48 The Authority recognises the business benefits of having a diverse workforce and is committed to maintaining a culture in which diversity and equality are actively promoted and where discrimination is not tolerated. We operate a fair and open selection policy relating to applications for employment and internal promotion.
- 2.49 In 2014/2015, 75 per cent of our senior management team was female, while overall, 74 per cent of the workforce was female. Further information about the senior management team can be found in the Remuneration section of this report and in the notes to the accounts.
- 2.50 Our staff turnover during the year has significantly increased and is a cause for concern given the loss of expertise, knowledge and skills. Of equal concern is the difficulty in recruiting new staff in a competitive market where many other employers are free to determine their own salary scales.
- 2.51 We encourage our staff to work with charities and other community organisations. Members of staff are currently involved with National Voices, Comic Relief and Research Ethics.

## ***Sustainability***

- 2.52 Due to our size, the Authority is not required to provide a sustainability report. We do seek to minimise the impact of our activities on the environment.
- 2.53 Our office was refurbished, before we became tenants, in accordance with the BREEAM environmental assessment standard, which looks at heating, lighting, recycling and other matters, and has an 'excellent' rating. The Authority occupies 2.58 per cent of the building, part of which is occupied by the Authority's tenants.
- 2.54 Rainwater is collected and used to supply the sanitary facilities, reducing our clean water consumption.
- 2.55 Our offices have facilities to separate waste for recycling, and to encourage staff to do this, no waste is collected from bins at desks. Waste is separated into glass, recyclable, non-recyclable and food waste. A contractor separates the mixed recyclables. No waste goes to landfill. Waste that cannot be recycled is incinerated. For the Authority, based on 2.58 per cent of the building total, 0.10 tonnes were incinerated and 3.2 tonnes were recycled. Food waste is used to produce compost for the landscaped areas around the building. The cost of all waste disposal is included in our building service charges.
- 2.56 Our gas and water consumption is calculated as 2.58 per cent of the total. Our electricity is separately monitored and the consumption for the space rented from the landlord is known. This does not, however, include the consumption by the

Authority's tenants. Our consumption for 2014/2015 and the previous year is set out below.

	2014/2015	2013/2014
Gas	4,932kWh	4,982kWh
Electricity	69,739kWh	72,406kWh
Water	145.30m <sup>3</sup>	162.62m <sup>3</sup>
Waste removed	3.44 tonnes	3.17 tonnes

- 2.57 The installation of waste compactors has reduced the frequency of collections from daily to fortnightly, reducing vehicle emissions.
- 2.58 We seek to minimise the impact of our own activities on the environment. When equipment is purchased, consideration is given to energy consumption and so on. We use recycled materials where such alternatives are available and provide value for money.
- 2.59 We continue seek to reduce the use of paper by maximising the use of our intranet and website for the dissemination of information. We are also using electronic versions of meeting papers where technically practical. Where paper is used, we look to reduce its consumption through the active management of printers requiring double-sided printing.
- 2.60 We use 'off-white recycled paper' for our day-to-day needs. We used 77 cases of paper in 2014/2015 (142 cases in 2013/2014).
- 2.61 When travel is necessary, we use public transport as much as possible and have increased our use of telephone and video conferencing to avoid the need to travel. When possible, journeys within the UK and Europe are made by train.
- 2.62 We have continued to collect environmental information regarding journeys made by Board and staff members.

Mode of travel	2014/2015		2013/2014	
	CO <sup>2</sup> /kg Total	CO <sup>2</sup> /kg Average per full-time equivalent*	CO <sup>2</sup> /kg Total	CO <sup>2</sup> /kg Average per full-time equivalent*
Air*	8,601	268	11,078	320
Rail	738	23	760	22

\* This information only relates to flights booked through our central supplier. Some international flights booked separately, often by commissioning organisations, are not included.

Approved by the Board.



Harry Cayton  
Accounting Officer

5 June 2015

## 3. Chief Executive's report

### Introduction

- 3.1 As this report shows, the Authority has continued to focus on public protection, the improvement of professional regulation and the effective delivery of all our statutory functions.
- 3.2 We conducted our annual performance review of all the regulators between September 2014 and May 2015 and this is described in detail in Volume II of this report. We have also continued with our risk-based cycle of audits of the initial stages of fitness to practise decisions.
- 3.3 In the past year, our workload from reviewing all final fitness to practise decisions by the regulators has continued to grow and the proportion of cases we appeal, although very small, has also continued to grow.
- 3.4 The Accredited Registers programme, although still relatively new, is now fully integrated into our work plans, governance and financial management. With 18 registers accredited covering some 65,000 professionals, it is making a valuable contribution to choice and quality in health and care.
- 3.5 Our policy work and our research programme have continued to grow in influence.
- 3.6 In the last year, we have, in response to a commission from the Department of Health, provided advice on the Duty of Candour. We also looked in detail at issues around social work, a relatively new area of responsibility for us. In research, we are examining how we can make the most effective use of the data we ourselves hold on professional performance. Our annual research conference was well attended and widely praised.
- 3.7 Our international reputation, as demonstrated by the large number of requests for help and advice we receive, is significant. We have been pleased to continue our relationship with regulatory bodies in New Zealand, Canada and Ireland. We have advised colleagues in Hong Kong on the establishment of accredited registers there. We were pleased to win a contract from the Australian Council of Health Ministers to advise on the efficiency and cost effectiveness of health professional regulation in Australia as part of their review of the National Accreditation and Registration Scheme.
- 3.8 We are committed to best practice in governance and operations and financial management. We have spent particular time and effort in preparing for our new financial arrangements as set out in the Health and Social Care Act 2012 and the consequent Fee Regulations. The new arrangements have required a significant shift in our budgeting and accounting practices and have caused us to think carefully about new risks and new assurances. The Board has been particularly mindful of these matters while, at the same time, maintaining the high productivity and quality of our activities.

### Reappointments

- 3.9 Public appointments are generally made for an initial term of four years, which can be extended for a second term. The total time served should not exceed

eight years. When CHRE was established, the Council members were appointed for varying initial terms in order to facilitate future continuity.

- 3.10 The 2012 Act made changes to the governance of the Authority, including changes to the arrangements for appointments to the Board of the Authority.
- 3.11 At the end of 2014, two Board members, Ann Curno and Sally Irvine, stood down at the end of their terms of office. Following a recruitment process using our Appointment Principles, the Privy Council appointed Renata Drinkwater and Antony Townsend as new members of the Board, each for a four-year term. Andrew Hind was also reappointed as Audit Committee Chair for a further two years.
- 3.12 Details of the directorships and significant interests held by the board are contained within the register of interests held on our website.<sup>6</sup>

## Oversight of the regulators

### *Scrutiny and quality*

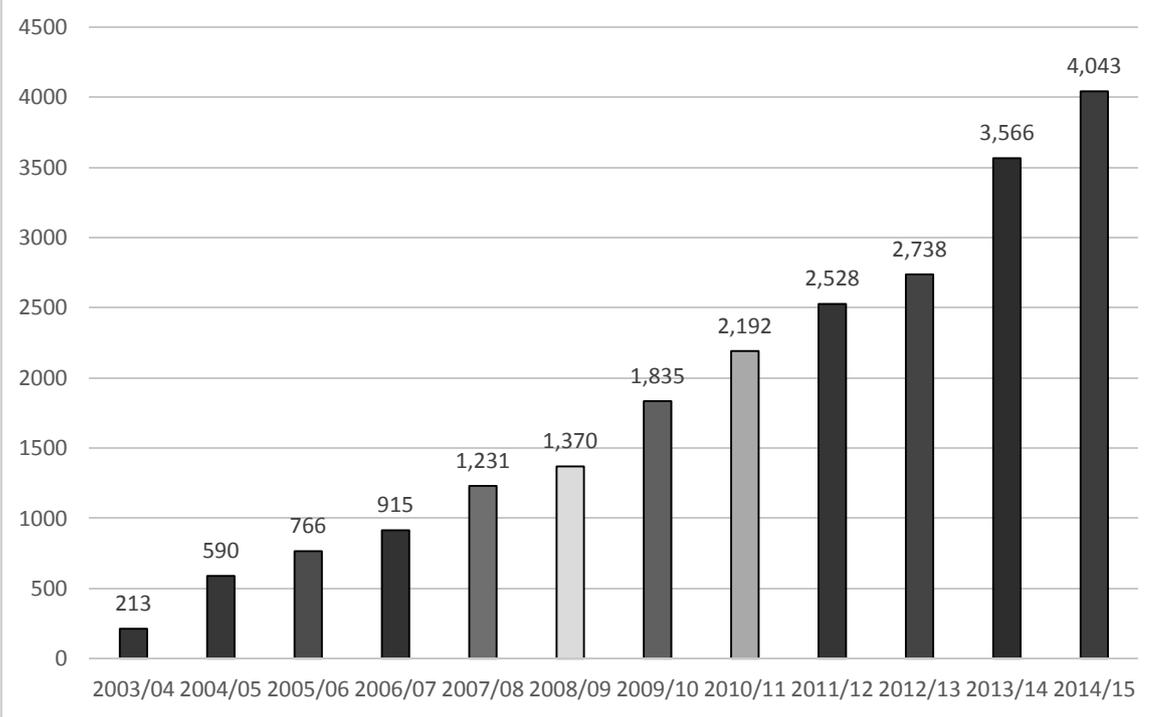
- 3.13 This work supports our first strategic objective:
  - 1. Reconfigure our processes for the oversight of the statutory regulators to ensure that they are risk-based, targeted, right-touch and continue to focus on outcomes for public protection**
- 3.14 This year, we have again seen a 13 per cent increase in the number of fitness to practise cases notified to us by the regulators, from 3,566 in 2013/2014 to 4,043 in 2014/2015. This continues the trend of increases in the number of cases year-on-year, which we noted in last year's report. The majority of the cases (nearly 65 per cent) relate to the NMC panel decisions.
- 3.15 Of the 4,043 cases we received in 2014/2015, 2,918 were closed with no requirement for more information. We identified learning points as feedback for the regulators in 833 cases. By comparison, in 2013/2014, we identified learning points in 632 cases.
- 3.16 We have a range of powers to scrutinise the regulators to ensure that patient safety and public protection are central to their work. Under Section 29 of the National Health Service Reform and Health Care Professions Act 2002, we can refer final fitness to practise decisions made by the nine regulatory bodies to court (a referral by us is treated as an appeal). We do this if we consider that a decision is unduly lenient (within the meaning of that phrase, as set out in case law) and that a referral is desirable for public protection. We have continued to use these important powers where necessary for the protection of the public.
- 3.17 During 2014/2015, we considered 49 cases at formal Section 29 case meetings, compared to 29 cases during 2013/2014. We referred 21 cases to court; in 2013/2014, we referred 12 cases to court. In 26 of the cases considered at formal Section 29 case meetings, we did not make a referral to court and instead fed back learning points to the regulators. In the remaining two cases, we took no further action.

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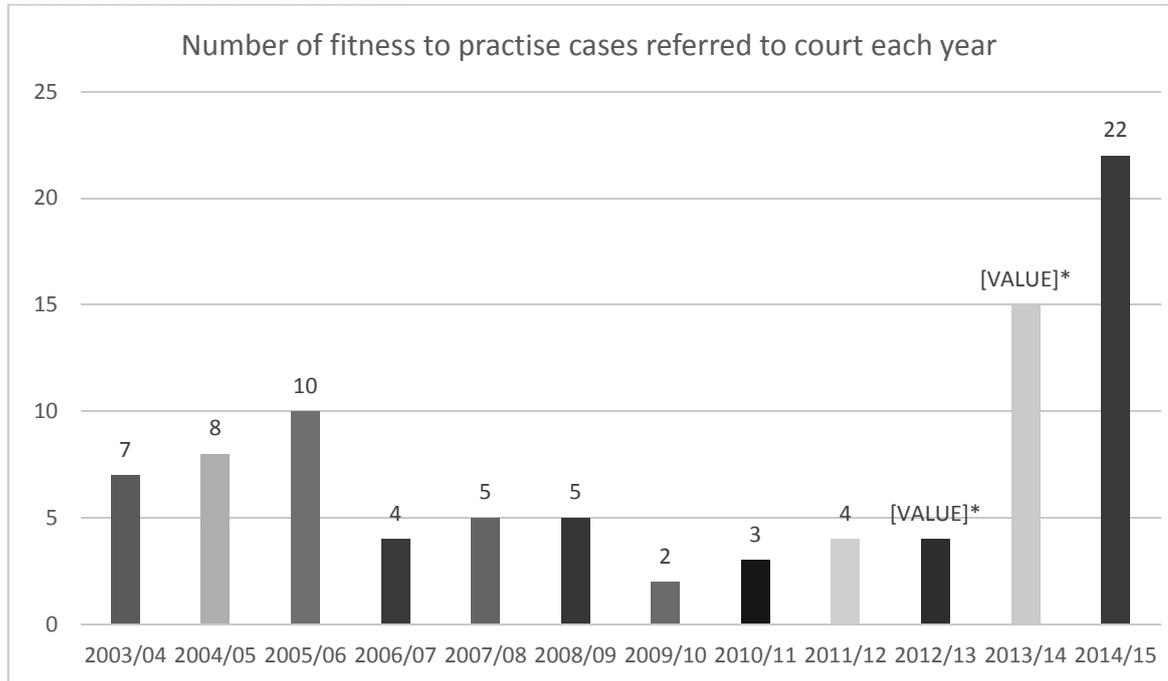
<sup>6</sup> <http://www.professionalstandards.org.uk/docs/default-source/board-related-documents/board-register-of-interests-2014.pdf?sfvrsn=0>

- 3.18 While the number of fitness to practise cases being managed by the regulators has continued to rise (see table 2), there continues to be only a small number of cases where the criteria for a court referral are met (see table 3). However, it is worthy of note that we have referred to court 1 in 200 cases during 2014/2015, compared to 1 in 300 cases during 2013/2014. Most of the appeals related to the NMC decisions (14 out of 21) and we did not lodge any appeals in respect of decisions made by the GCC, the GOsC, the GOC, the PSNI or the GDC during 2014/2015. Sixty-five per cent of the decisions we considered related to the NMC and this is reflected in the referral rate.
- 3.19 Examples of three cases that we referred to court during 2014/2015 are set out on pages 16 to 21.
- 3.20 During 2014/2015, we audited the handling of cases closed at the initial stages of the fitness to practise process by the following regulators: the GOsC, the GCC, the PSNI, the GDC and the NMC. The reports of our audit findings in relation to the GOsC, the GCC, the PSNI and the GDC are available on our website. Our NMC audit report will become available on our website once it has been published.

**Table 2 Number of fitness to practise cases reviewed annually**



**Table 3 Cases referred to court**



\* In 2012/2013, four cases in total were referred to court, with one case withdrawn by the CHRE/Authority.

\* In 2013/2014, we referred 15 cases, not 12 as published in our 2013/2014 Annual Report.

3.21 Further information regarding fitness to practise cases can be found in Volume II of this report.

***Performance review***

3.22 The Authority is required to report annually on how the regulators are fulfilling their statutory duties and protecting the public. We do this by assessing their performance against a set of agreed standards. The performance review this year took place between September 2014 and May 2015. Full details and a comprehensive report are in Volume II of this Report.

3.23 In the summer of 2014, the Authority embarked on a full-scale re-examination of the performance review process. Our aim was to make it more focused on areas of risk, change or improvement, and to better anticipate issues that may arise. We have been greatly helped by the active collaboration of the regulators in this revision and we will shortly consult on the new arrangements, which we plan to bring into operation in the autumn of 2015.

## Case study 1: Responsibility of the nurse to take appropriate action in response to an unexpected death

The Authority referred this decision of the NMC's Conduct and Competence Committee (CCC) to the High Court in January 2015.

As a result of our appeal, the case was sent back to the CCC so that it could be decided again, based on a full consideration of all the relevant evidence and all the appropriate allegations. The CCC at the original hearing had not been provided with all the relevant evidence and some important aspects of the case had not been included as allegations.

The case concerned an NMC registrant working at a nursing and residential home who did not attempt resuscitation (CPR), did not dial 999 and did not complete an incident form or document the incident, in respect of a patient who had been found unresponsive by a health and care assistant.

The Authority identified a number of concerns about the NMC's approach to investigating and presenting this case to the CCC, including the fact that the NMC did not call any of the health and care assistants who had been on duty during the relevant shift to give oral evidence at the hearing (instead, the NMC attempted to rely on the hearsay evidence contained in their unsigned, written statements). The NMC also failed to provide the CCC with a copy of the home's written policy on how staff should respond to an unexpected death.

Once it had heard the NMC's evidence, the CCC concluded that it was insufficient to demonstrate that the observations made by the registrant were inadequate or that the registrant should have commenced CPR or that the registrant should have dialled 999. The CCC concluded that the registrant had undertaken some clinical observations, which had led her to make a professional judgment not to start CPR. The CCC decided that only the failure to complete an incident form or to document the incident amounted to misconduct. The CCC imposed a two-month suspension on the registrant.

The Authority referred the CCC's decision to the High Court on grounds that there had been several serious procedural irregularities in the preparation of the case by the NMC and in the consideration of the case by the CCC. The grounds were that:

- The NMC had not alleged that the registrant had failed to carry out an adequate assessment of the patient's condition before deciding not to attempt CPR
- The NMC had failed to put before the CCC sufficient evidence of the written policy of the care home, which set out how members of staff were to respond in these situations, and/or sufficient evidence that the patient's condition required the registrant to begin resuscitation and that the emergency services should have been called by the registrant

- Had the allegations adequately reflected the failures in the registrant's response to the death of the patient, the CCC would have made a finding of misconduct in relation to those failures
- The failures in the registrant's response to the death of the patient remain unaddressed in light of the limited basis for the CCC's finding of misconduct – and that leaves patients and the wider public interest at risk.

The NMC conceded all of the Authority's grounds of appeal. The registrant did not engage with the Authority or the High Court.

The High Court upheld the Authority's appeal, quashed the decision of the CCC and remitted the matter to a differently constituted panel of the CCC for a complete rehearing of the case. The High Court also directed that for the rehearing, the NMC:

- Must include allegations that the registrant had failed to carry out a proper assessment of the patient's condition before deciding not to attempt CPR and/or deciding not to call the emergency services
- Must include a copy of the written policy of the care home setting out how members of staff are to respond to an unexpected death
- Must use its best endeavours to obtain signed witness statements and to call oral evidence from the health and care assistants (or if that evidence cannot be obtained, the NMC must place the available written evidence before the CCC in support of the first two allegations).

In order to avoid the potential risk of harm that was created by the High Court's quashing of the suspension order (which left the registrant free to practise unrestricted, pending the outcome of the remitted CCC hearing), the High Court also imposed an injunction (under Section 37 of the Senior Courts Act 1981) to prevent the registrant from practising before the case has concluded.

## **Case study 2: The significance of dishonesty for a health and care professional**

The Authority referred this decision of the HCPC's CCC to the High Court in June 2014.

The HCPC registrant, a biomedical scientist, had been convicted in the criminal courts (having pleaded guilty) of dishonestly making false representations for personal gain (he had forged a Master of Science (MSc) certificate in order to get a job that he was not qualified for). He was sentenced to 6 months' imprisonment, suspended for 12 months, as well as being required to undertake 200 hours of unpaid work.

The HCPC asked the CCC to decide whether or not the registrant's fitness to practise was impaired on the basis of his criminal conviction. The Authority's concern was that both the HCPC, in presenting the case, and the CCC, in deciding it, had failed to properly take into account the aggravating factors set out below.

The registrant applied for an “acting up” post with his current employer (“the Trust”). That post required the individual holding it to have an MSc qualification (which the registrant knew he did not have). The registrant applied for the job nevertheless, and was invited for an interview, which took place on 21 April 2011, at which he was reminded that he would need to show his MSc certificate. He was offered the post, subject to bringing in his original MSc certificate.

The registrant’s dishonest acts (which covered a period of months) began on the day of the interview, before his submission of the forged MSc certificate to his employer:

- When asked for the MSc certificate, the registrant told his employer that he had not brought it with him and gave a dishonest account of how he had completed his MSc at Lancaster University (‘University’)
- The registrant lied to a junior colleague in the workplace, AM, so that he could obtain a copy of AM’s MSc certificate (which he then used) as well as his date of birth.
- The registrant made up an email address in order to contact the University that had issued AM’s MSc certificate (pretending to be AM)
- The registrant emailed the University pretending to be AM and lied about changing his faith and his name in an effort to support his attempts to obtain an original MSc certificate
- After submitting the MSc certificate to his employer in support of his job application:
- The registrant also lied to outside organisations including the University and the police
- He attempted a cover up by making a dishonest report to the police about a “Mr K” who he said had provided the certificate to him
- The registrant sustained his lies during two investigatory interviews with the Trust
- He only admitted to his employer that he had forged the MSc certificate after the criminal court case had taken place
- The registrant’s lies were sophisticated and calculated and made both in writing and verbally. They involved the adoption of a false persona.

At the CCC hearing in January 2014, the CCC decided that the registrant’s fitness to practise was not impaired as a result of his criminal conviction.

The Authority referred this case to the High Court on grounds that included:

- The CCC’s decision and/or the charge did not reflect the full nature and extent of the registrant’s misconduct
- The CCC’s decision that the registrant’s fitness to practise was not impaired was inconsistent with the seriousness of its finding that he had been dishonest
- The CCC had failed to give adequate weight to the registrant’s lack of insight

- The CCC had erred in placing undue weight on the criminal court's sentence and/or failed to distinguish between the purpose of a criminal sentence and the purpose of a regulatory sanction.

The HCPC and the registrant defended this appeal. The High Court upheld the Authority's appeal. The High Court decided that the CCC's decision was not one that the CCC could have reasonably imposed. The High Court said that:

- The registrant had breached a fundamental tenet, honesty, which lies at the heart of professionalism and is essential to the public's trust in all health and care professions
- His dishonesty gave rise to real public health risks
- A finding of impairment of the registrant's fitness to practise was required in order to mark the professional unacceptability of such dishonesty, based on his provision of a forged MSc certificate to his employer alone
- The registrant's creation of a web of dishonesty, with different lies being told to different people at different times on different subject matters, made his misconduct even more serious and that demanded a finding of impairment of his fitness to practise.

The High Court substituted a decision of impairment for the registrant's fitness to practise, as well as ordering that he be suspended from practising for a period of six months. This suspension would be reviewed by the CCC before it expired, in order to establish whether or not the registrant's fitness to practise remained impaired.

### **Case study 3: The effect of allegations as inadequate to reflect the gravity of the registrant's misconduct**

The Authority referred this decision of the NMC's CCC to the High Court in June 2014.

As a result of our appeal, the case was sent back to the CCC for it to decide again, based on considering the motivation behind the registrant's actions in addition to considering the actions themselves.

The allegation considered by the CCC at the hearing was that following an incident between another nurse (Charge Nurse X) and Patient A in April 2011, the registrant had failed to complete a serious incident report in relation to an allegation that Patient A had assaulted Charge Nurse X and that he also failed to immediately report that he had witnessed Charge Nurse X acting inappropriately, including inappropriate physical restraint towards Patient A.

The registrant admitted the allegations and said that he did not report the incident immediately 'because it was witnessed by around five other staff, none of whom were willing to say that they had witnessed an assault...he therefore doubted and was uncertain about what he had seen...seeing a staff member assault a patient was an extraordinary and bizarre occurrence, which left him feeling confused and shocked'.

The CCC concluded that the registrant's fitness to practise was impaired and that conditions of practice were the appropriate sanction, as they could be formulated to address the issues identified in the registrant's practice. The CCC also stated that there was no evidence of the registrant being generally incompetent or any evidence of attitudinal problems. The CCC rejected imposing a more severe sanction (a suspension order) on the basis that suspending the registrant would not address the concerns identified in the registrant's practice, or allow him the opportunity to improve his knowledge and understanding so that he could safely return to unrestricted practice.

The Authority referred this case to the High Court on the grounds that included:

- A serious procedural irregularity – the allegations considered by the CCC did not sufficiently reflect the seriousness of the registrant's misconduct
- Alternatively, the sanction imposed was unduly lenient
- The CCC had given inadequate reasons for its decision to impose conditions of practice instead of suspension or striking off.

The evidence available to the NMC about the incident was:

- Charge Nurse X alleged that she had been assaulted by Patient A and reported this assault to the police (April 2011)
- The registrant, who had witnessed the incident, provided a brief factual report in which he did not raise any concerns about the incident and made no other comments (orally or in writing) about what he had witnessed (April 2011)
- The registrant's employer began a fact-finding process (led by the acting ward manager, S), which involved speaking to staff who had witnessed the incident. Again, the registrant did not raise any concerns at this time.
- Once the matter was referred to the police (on the basis that Patient A had assaulted Charge Nurse X), the police contacted those who had witnessed the incident in order to obtain witness statements
- It was only when the police contacted the registrant in August 2011 that the registrant sent an email to S in which he asked for his name to be removed from the witness list as 'the statement that I give would not help [Charge Nurse X's] case as I did have concerns for the events of the shift/period on question...I feel that I should be supportive to team members, and support their case. Please could you advise the most appropriate course of action. Thanks'
- S responded to the registrant's email by suggesting they discuss his concerns. On the same day, the registrant told his supervisor that he had concerns about what he had witnessed in April but was unsure of how to proceed; he reported that he had seen Charge Nurse X standing on a sofa, jumping onto the back of Patient A and holding her in a headlock; he also stated that Charge Nurse X had been verbally abusive to Patient A
- S did not hear anything more from the registrant and so she escalated her concerns as well as sending another email to the registrant advising him that if he had concerns about the incident on 22 April, it was his duty to inform her

- During a disciplinary investigation in January 2012, the registrant confirmed that he had seen Charge Nurse X standing on a sofa, getting on to Patient A's back and holding her in a headlock and that prior to this, Charge Nurse X had been making threats to the patient
- When asked why he did not immediately escalate his concerns, he said that he was waiting for people to come to him, that he had reported the matter to his supervisor and that initially his interest was to protect Charge Nurse X.

The NMC and the registrant opposed the Authority's appeal. The High Court upheld the appeal, quashed the CCC's decision and remitted the case back to the CCC with a direction to the NMC to include an allegation about the motivation behind the registrant's actions.

The High Court held that while it may not have been necessary to include an allegation of dishonesty, there was ample evidence to justify an allegation that the registrant had deliberately failed to report the incident in order to protect Charge Nurse X and, in doing so, put Charge Nurse X's interests ahead of those of Patient A.

The High Court said '...the root cause of the problem lies in the failure by the NMC to adequately reflect the seriousness of the registrant's conduct in the charges... This is therefore a case of undercharging, not because the NMC should have alleged dishonesty, but because in these particular circumstances, the reasons why there was a failure by the registrant to report the incident for five months matter a great deal in evaluating:

- (a) the true seriousness of the registrant's behaviour and
- (b) what the appropriate sanction should be – including making a decision as to whether this is really a problem that can be rectified by further education, or whether there is a deep-seated attitudinal problem, and therefore whether the public interest would demand a period of suspension.'

Due to the serious procedural irregularity that had occurred in the proceedings before the CCC, the High Court said that it was impossible to evaluate whether the sanction of a conditions of practice order was unduly lenient, and noted that there was a real possibility that a more serious sanction would have been imposed if all relevant factors had been taken into account.

### ***Scrutiny of regulators' council appointments processes***

- 3.24 The Authority assists the Privy Council with appointments to the regulatory councils (excluding the PSNI).
- 3.25 The aspects of the Authority's assistance that are not specified in the Health and Social Care Act 2012 are the subject of a memorandum of understanding concluded between the Privy Council and the Authority in February 2013. The Authority provides advice to the Privy Council in relation to all open competitions for appointments and reappointments processes and, if the Privy Council requests it, in relation to any other aspect of the Privy Council's appointment function. We have published two documents detailing our approach, describing

the scrutiny process we use, and providing good practice guidance on making council appointments.

- 3.26 In 2014/2015, we provided advice to the Privy Council in relation to 12 processes run by six regulators. Eight of these processes related to appointments via open competition, covering 14 vacancies including two Chair roles. Four of these processes related to reappointments, covering six vacancies. We advised the Privy Council that it could have confidence in all of these processes.
- 3.27 In the course of our scrutiny, we have identified areas for improvement as well as instances of good practice. We have shared these with the individual regulators throughout the year and will also share the learning with eight of the regulators at a future seminar. We have also issued revised guidance to the regulators to make it clear how we expect them to manage due diligence checks and any potential conflicts of interest that applicants or the selection panel members may have.

### **Standards and policy**

- 3.28 This work supports our second and third strategic objectives:
- 2. Ensure we have the research and policies in place to maintain our thought leadership now and in the next phase of regulatory reform**
  - 3. Deepen our understanding of good regulation through international knowledge exchange, bringing benefits to the UK**

### ***Policy and research projects***

- 3.29 In November 2014, we issued a Call for Views on Right-touch regulation. It is four years since we published our paper that sets out the approach we consider best practice in regulation. The paper has attracted considerable attention here and internationally. We are focusing on areas that require clarifying or amending and improving our understanding of key areas and concepts, such as risk and proportionality. This will enable us to gauge who Right-touch regulation has reached, how it has been interpreted and applied, and how it could be further developed and improved.
- 3.30 During the year, we commissioned two pieces of research to help us understand more about public views regarding social workers and the main roles and issues within the profession. The Health and Social Care Act 2012 expanded our role to include overseeing the regulation of social workers in England. To help us fulfil this role, we commissioned the Social Care Workforce Research Unit at King's College London to find out what the existing literature tells us about the roles carried out by social workers in England and to help us identify the main issues of relevance to regulating the profession.
- 3.31 We also wanted to understand what research has already been done to explore what people who use social work services and other members of the public think about the conduct, competence and regulation of social workers in England. The University of East Anglia carried out this research for us.
- 3.32 We carried out work to explore the potential for using information stored on our database in a preventative manner. We commissioned the University of Surrey to assess the usefulness of the data we hold on the nine regulators final fitness to

practise cases. We will be undertaking further work on this with the regulators in the next year.

### ***Consultations***

- 3.33 We responded to a larger than usual number of consultations, 24, including several Section 60 Orders, regulatory consultations in Scotland, Wales and:
- The NMC's proposals to introduce revalidation
  - The Department of Health's proposal to introduce a statutory duty of candour for health and care providers in England and the Scottish Government's proposal for a similar duty in Scotland
  - The Department of Health's proposals to introduce a fit and proper person test for directors of health and care providers in England.
  - Responded jointly with the health and care professional regulators to the Welsh Language Commissioner's proposals for an enforcement policy for the Welsh Language Standards.
- 3.34 We continue to encourage improvement in regulation through discussion, debate and encouraging research. We received positive feedback on our 2015 Symposium on Understanding Complaints. Fifty-six people from 28 organisations attended the event. There were presentations from the GMC, the Authority, the Care Quality Commission, the Scottish Public Services Ombudsman, the Financial Ombudsman Service, the Office of Gas and Electricity Markets (ofgem), and iWantGreatCare.
- 3.35 We have continued to build our links with the academic community and now have more than 80 on our list of academics from various disciplines interested in different aspects of regulation. We held our second academic conference this year in collaboration with Warwick Business School. Eighty-five people attended our 'Assessing the impact of regulation' conference from 20 academic institutions, 14 regulatory organisations, and 10 other types of organisations, including consultancies, government departments, the Council for Licensure, Enforcement and Regulation (CLEAR), and the Health Foundation.
- 3.36 We are in the process of becoming a partner in the Centre for Values Based Practice at St Catherine's College, Oxford. Two important pieces of research which encourage fresh thinking on the part of regulators have been reported: Preventing small problems becoming big problems in health and care by Zubin Austin and the Picker Institute, commissioned by HCPC; and Exploring and explaining the dynamics of osteopathic regulation, professionalism and compliance with standards in practice by Gerry McGivern et al. for the GOsC.
- 3.37 We contributed to several conferences including the Policy Forum for Wales seminar on 'Safe and compassionate health and social care in Wales' and the Annual Scottish Regulation conference. We also spoke at international conferences including the CLEAR conference, held in the USA, and the International Association of Medical Regulatory Authorities (IAMRA) conference.
- 3.38 We were represented at several Department of Health working groups including the Safer Care Working Group, the Cavendish Governance Board, the Health and Social Care Strategy Workforce Forum and the Herbal Medicine Working Group.

- 3.39 We held two workshops with some members of our Public Stakeholder network to help us develop our approach to patient, service user and public engagement.
- 3.40 To try to make it easier for people to understand the purpose of the regulators' fitness to practise processes, we have published a statement explaining their purpose. We will use the statement in our work and communications and would welcome other people adopting it.

### ***Legislative reform***

- 3.41 A considerable amount of our time this year was spent responding to a number of proposals for legislative change.
- 3.42 We wrote to the Department of Health to highlight how the Law Commissions' draft bill could be amended to deliver improvements in the interests of good regulation. The Department sought our feedback on a number of occasions to inform their formal response to the Law Commissions' recommendations – including on proposals to expand the regulatory bodies' rule-making powers and proposals for disposal of cases and sanctions.
- 3.43 In September, we responded to the Department of Health's consultation on a Section 60 Order that would:
- Introduce a change to the Authority's grounds for referral under Section 29 and the GMC's objective
  - Give the GMC a right of appeal
  - Establish the MPTS as a statutory committee of the GMC.
- 3.44 We engaged in discussions with the Department about how the Authority would intervene in cases that the GMC has chosen to appeal, as it creates practical difficulties and may weaken public protection. We received assurances from the Department that it will be brought into force by means of a Commencement Order, and that this will only happen once these matters are addressed.
- 3.45 We gave our views, in a very limited timeframe, on the changes to the wording of our objective proposed by the Health and Social Care (Safety and Quality) Bill (the Private Member's Bill brought by Jeremy Lefroy MP with Government backing). The bill was passed in March 2015. We understand that the provision relating to us will be brought into force by means of a Commencement Order in tandem with the GMC Section 60 Order mentioned above.
- 3.46 We have also discussed our concerns with the Department that the programme of legislative reform was not sufficiently focused on public protection, risked creating greater inconsistencies across the regulators and that the pace of reform allowed insufficient time for engagement.

### ***Advice to ministers***

- 3.47 In November, we responded to the Secretary of State for Health's request for advice. The Authority was asked to work with the nine regulators we oversee to support progress in introducing a consistent approach to a professional duty of candour as outlined in Hard Truths (the Government's response to the Francis Report), and to advise the Department of Health on that progress. We concluded that there had been good co-operation between the regulators, which

demonstrated their shared strong commitment to encouraging candour and the reporting of errors. They reached a near consensus on a common approach to candour and, in October, several regulators published a joint statement about the professional duty of candour.

### ***Accredited Registers Programme***

3.48 This work supports our fourth strategic objective:

#### **4. Establish the value that Accredited Registers add to consumer protection and the public interest and make the model sustainable**

3.49 The Health and Social Care Act 2012 has given the Authority the power to accredit registers that meet our standards in the interests of service users and the public. The Accredited Registers programme, launched in 2013, applies to the health and care sector in the UK. It was established to provide assurance that registers are well run and meet the Authority's 11 standards, including:

- Governance
- Setting standards for registrants
- Education and training
- Managing the register
- Complaints handling
- Provision of information
- Risk management.

3.50 Being accredited means that an organisation has satisfied the Authority that it meets its high standards. It is a mark of quality. Accredited registers are entitled to use the Authority's accreditation mark (shown below) so that they can be distinguished easily.



3.51 The quality mark gives extra peace of mind for anyone looking for a practitioner, letting them know that anyone who holds the mark has committed to the high standards of personal behaviour, technical competence and business practice (where applicable) of the organisation holding an accredited register.

3.52 We have so far accredited 18 registers, covering 25 occupations and approximately 65,000 practitioners. Accreditation is reviewed annually. All registers accredited in the first year of operation had their first annual review and have been successful. By the end of the financial year, two organisations were undergoing assessment for initial accreditation and four were going through their annual review.

3.53 The following registers have been accredited:

- Academy for Healthcare Science
- Alliance of Private Sector Practitioners
- Association of Child Psychotherapists
- Association of Christian Counsellors
- British Acupuncture Council
- British Association for Counselling and Psychotherapy
- British Association of Play Therapists
- British Association of Sport Rehabilitators and Trainers
- British Psychoanalytic Council
- Complementary and Natural Healthcare Council
- COSCA (Counselling and Psychotherapy in Scotland)
- Federation of Holistic Therapists
- National Counselling Society
- National Hypnotherapy Society
- Play Therapy UK
- Society of Homeopaths
- UK Council for Psychotherapy
- UK Public Health Register

3.54 To encourage learning and improvement, we held a seminar for accredited registers in October 2014. In addition, we ran four workshops (webinars) for organisations planning or preparing to apply for accreditation with us. As reported last year, we also held a conference in March 2014.

3.55 In March 2015, we published our first report about the Accredited Registers Programme, describing the development and growth of the programme, the scale of improvement it has generated among registers and its benefit to the public. The report 'Accredited Registers – Ensuring that health and care practitioners are competent and safe' explains our approach to successfully implementing government policy, developing a unique alternative to assuring registration of health and care practitioners based on right-touch regulation principles. It demonstrates why it is valuable to have a means of assurance situated at the midpoint of the 'continuum of assurance'.

3.56 It is two years since we launched the programme and the report provides evidence of the scale of changes and improvements made by registers in order to meet our Accreditation Standards. It also demonstrates how accredited registers help to improve the health and well-being of patients and service users and contribute to the economy. With the kind permission of patients and service users, we included a range of stories about their experiences to illustrate the real benefits to their lives.

- 3.57 The report explains how accredited registers can help a range of stakeholders achieve major policy objectives, such as supporting public health goals, contributing to better education outcomes for children, improving end of life care, and supporting older people with maintaining their independence. It illustrates this workforce sector and shows, for the first time, the scale of this hidden workforce and their underused potential to make a real difference to people's health and well-being.
- 3.58 At the time of writing, we are arranging meetings with key stakeholders to discuss how accredited registers could support them in achieving their policy objectives as well as improve and raise standards of care. We were also organising a round table event with senior decision and policy makers to discuss the benefits offered by accredited registers. We will report on the outcome of these engagement activities in our next annual report.
- 3.59 We received and considered 25 concerns and complaints about accredited registers under our 'Raising a concern about an Accredited Register' policy. Concerns were also raised through our call for information process open throughout an organisation's accreditation life and were considered by the Accreditation Panel during annual reviews of accreditations.
- 3.60 We commissioned an independent review of our Accreditation Standard 9 (Education and Training). The outcome of the review was considered by our Board and accredited registers were consulted with. At the time of writing, we are preparing to issue a public consultation on the proposals for change.
- 3.61 We delivered presentations about the programme at different events and met with several stakeholders during the year. We also responded to consultations relevant to the programme and to accredited registers.

#### ***Advice provided to other organisations***

- 3.62 We submitted our evidence to the House of Commons Health Committee on the performance of the GMC, the NMC, and the GDC ahead of their accountability hearings. This is part of the committee's arrangement to work more closely with the Authority, which was announced in its response to the Francis Report. We also submitted evidence to the House of Commons Public Administration Select Committee for its follow-up session on the Parliamentary and Health Service Ombudsman's Report into severe sepsis and midwifery supervision and regulation.
- 3.63 During the year, we were contracted to carry out a cost effectiveness and efficiency review, as part of a wider review for the Australian government of their National Registration and Accreditation Scheme for registering and regulating health and care professionals. We worked in collaboration with the Centre for Health Services Economics and Organisation. We provided our report in October and it will be published in due course.
- 3.64 The Chinese University of Hong Kong, on behalf of the Food and Health Bureau in Hong Kong, commissioned the Authority to provide consultancy on options for an assured voluntary registration system. Staff visited Hong Kong in September 2014 to meet and share learning with several stakeholders, including professional associations, academics and government officials.

## **Governance and operations**

3.65 This work supports our fifth and sixth strategic objectives:

**5. Deliver effective financial management to inspire confidence internally and externally in our new funding arrangements**

**6. To deliver these strategic objectives, the Authority will work to maintain and develop a high performing staff team and Board properly recognised, valued and resourced.**

### ***Accounts and audit***

3.66 Our accounts have been prepared according to Determinations by the Secretary of State pursuant to Schedule 7, Paragraph 15 of the National Health Service Reform and Health Care Professions Act 2002, as amended by the Health and Social Care Act 2008 and the Health and Social Care Act 2012.

3.67 Details about the NHS Pension Scheme and the treatment of pension liabilities in the accounts are set out in accounting policies within the notes to the accounts (note 1).

3.68 Our external auditor is the Comptroller and Auditor General.

3.69 Grant Thornton were contracted to undertake the internal audit function via the Regulators Hub Internal Audit framework arrangement.

3.70 This report has been prepared in accordance with the 2014/2015 Government Financial Reporting Manual (FReM) issued by HM Treasury.

3.71 So far as we are aware, there is no relevant audit information of which the auditors are unaware, and we have taken all the steps to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### ***Sick absence***

3.72 A total of 130.5 days (2013/2014: 97 days) were lost due to sickness absence in the year. This equates to 3.2 days (2013/2014: 2.3 days) per person.

### ***Financial summary***

3.73 Grant-in-aid funding for 2014/2015 comprised £3.46 million (2013/2014: £2.8 million) from the Department of Health and £0.30 million (2013/2014: £0.33 million) from the devolved administrations. At 31 March 2015, we had reserves carried forward of £1.04 million (2013/2014: £0.80 million) after net operating costs of £3.46 million (2013/2014: £3.20 million).

3.74 An analysis of accounting policies is shown in note 1 to the accounts. There have been no significant changes to these during the year.

### ***Transparency***

3.75 The Authority is committed to the provision of information to the public.

3.76 Our creditor payment policy is maintained in accordance with the government's Better Payment Policy, which currently provides for payment of suppliers within

five working days of receipt of invoice, except in the instance where there may be a query or dispute regarding an invoice.

- 3.77 This target is challenging, especially for a small organisation, and could only be achieved if we employed more staff. Accordingly, we aim to pay 60 per cent of undisputed invoices within five days and 100 per cent within 10 days.
- 3.78 During the 2014/2015 financial year, 100 per cent of invoices were paid within 10 days and 59 per cent (by number of invoices) and 53 per cent (by total invoice value) within five days. Details of our payment record can be found on our website.<sup>7</sup>
- 3.79 No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.
- 3.80 The balance owed to trade payables as at 31 March 2015 was £57,000 (2013/2014: £73,000). As a proportion of the total amount invoiced by suppliers in the year, this is equivalent to 9.6 days (2013/2014: 15 days).
- 3.81 Other information that can be found in the government disclosure and transparency sections of our website include:
- Expenditure over £25,000
  - Board member expenses
  - Executive team expenses
  - Hospitality
  - Staff salaries
  - Staff organogram.



Harry Cayton  
Accounting Officer  
5 June 2015

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<sup>7</sup> [www.professionalstandards.org.uk/about-us/disclosure-and-transparency/government-disclosure/payment-statistics](http://www.professionalstandards.org.uk/about-us/disclosure-and-transparency/government-disclosure/payment-statistics)

## 4. Remuneration report

- 4.1 Our pay policy incorporates a band structure within which staff can progress along incremental points within a given band alongside a performance appraisal process. No separate performance-related pay bonuses are paid. Progression through the pay band increments is subject to meeting certain performance standards as defined in the policy.
- 4.2 In 2010/2011, the Authority was instructed by the Department of Health that as the annual increments were not contractual, the Cabinet Office guidelines prohibited us from paying them. Accordingly, 2014/2015 was the fifth consecutive year that the staff received no increments.
- 4.3 Normal practice would be for the Remuneration Committee to consider an annual uplift to reflect a cost of living increase payable from April. In line with the pay guidance for government employees issued by the Cabinet Office in 2010, the uplift payable in 2014/2015 was centrally determined.
- 4.4 Contracts are generally offered on a permanent basis. If they are offered on a fixed-term basis, this is to reflect the nature and context of the work involved. The notice period required is determined by the position of the post holder. We treat termination payments and provisions for compensation for termination on a case-by-case basis in consultation with our advisers.

### Senior managers' contracts

Name	Title	Date of contract	Unexpired term	Notice period
Linda Allan	Director of Governance and Operations	15 March 2010	Permanent contract	3 months
Christine Braithwaite	Director of Standards and Policy	17 May 2010	Permanent contract	3 months
Harry Cayton	Chief Executive	1 August 2007	Permanent contract	6 months
Rosalyn Hayles	Director of Scrutiny and Quality	15 August 2010	Permanent contract	3 months

- 4.5 A register of senior managers' interests is available on our website

### Senior managers' salaries

Name	Salary 2014/2015 £'000	Expenses payments (taxable) Total £000	Performance pay and bonuses £'000	Long-term performance pay & bonuses £'000	All pension- related benefits £'000	TOTAL 2014/2015 £'000
Linda Allan	85–90	0	0	0	20–25	110–115
Christine Braithwaite	85–90	0	0	0	30–35	115–120
Harry Cayton	140–145	0	0	0	15–20	160–165
Rosalyn Hayles	85–90	0	0	0	25–30	115–120
Name	Salary 2013/2014 £'000	Expenses payments (taxable) Total £000	Performance pay and bonuses £'000	Long-term performance pay & bonuses £'000	All pension-related benefits £'000	TOTAL 2013/2014 £'000
Linda Allan	80–85	0	0	0	15–20	95–100
Christine Braithwaite	80–85	0	0	0	10–15	90–95
Harry Cayton	140–145	0	0	0	25–30	165–170
Rosalyn Hayles	75–80	0	0	0	15–20	90–95

This table has been audited by the Comptroller and Auditor General.

- 4.6 All senior managers in the year were members of the NHS Pension Scheme.
- 4.7 Total remuneration includes salary and all pension-related benefits calculated in accordance with the NHS Pensions guidance,<sup>8</sup> which seeks to quantify the increase in pension benefits in the year by comparing the overall pension benefits at the beginning of the year with those at the end of the year. There were no non-consolidated performance-related pay, benefits-in-kind or severance payments in 2014/2015 or 2013/2014.
- 4.8 The Authority is required to disclose the relationship between the remuneration of the highest paid director (in our case, the Chief Executive) and the median remuneration of the Authority workforce.

<sup>8</sup> Disclosure of Senior Managers' Remuneration (Greenbury) 2015

- 4.9 The remuneration of the Chief Executive in the financial year 2014/2015 was £144,000. This was 3.51 times the median remuneration of the workforce, which was £41,000.
- 4.10 The remuneration of the Chief Executive in the financial year 2013/2014 was £142,000. This was 3.47 times the median remuneration of the workforce, which was £41,000.
- 4.11 No employee received remuneration in excess of the Chief Executive in 2014/2015 or 2013/2014. Remuneration ranged from £20,000 to £144,000 (2013/2014: £20,000 to £142,000).

## Pensions

Name	Title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 as at 31 March 2015 (bands of £5,000)	Lump sum at age 60 related to accrued pension as at 31 March 2015 (bands of £5,000)	Cash Equivalent Transfer Value as at 1 April 2014 (to the nearest £1,000)	Cash Equivalent Transfer Value as at 31 March 2015 (to the nearest £1,000)	Real increase in the Cash Equivalent Transfer Value during the reporting year (to the nearest £1,000)
Linda Allan	Director of Governance and Operations	0–2.5	N/A*	5–10	N/A*	86	120	33
Christine Braithwaite	Director of Standards and Policy	0–2.5	5–7.5	10–15	40–45	259	314	52
Harry Cayton	Chief Executive	0–2.5	0–2.5	20–25	20–25	409	456	43
Rosalyn Hayles	Director of Scrutiny and Quality	0–2.5	N/A*	5–10	N/A*	44	67	22

\* Not applicable in the 2008 scheme

This table has been audited by the Comptroller and Auditor General.

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure – and from 2005/2006, the other pension details – include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. A CETV is calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real increase/(decrease) in CETV**

This reflects the increase/(decrease) in CETV. It takes account of the increase in accrued pension due to inflation, contributions paid by the employer and employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

- 4.12 No compensation has been paid to former senior managers, or payments made to third parties for the services of a senior manager.
- 4.13 No senior manager had expenses subject to UK tax.

**Authority members' remuneration**

- 4.14 Remuneration for the Chair and Board members is not subject to superannuation.
- 4.15 The payments made to the Board are also subject to Cabinet Office guidance and have not increased since 2009/2010. The Chair receives remuneration of £33,688 pa (2013/2014: £33,688 pa); members receive annual remuneration of £7,881 (2013/2014: £7,881) and the Audit and Risk Committee Chair receives annual remuneration of £13,135 (2013/2014: £13,135). Members' remuneration during the year amounted to £90,494 (2013/2014: £90,696) including social security costs.
- 4.16 Members' remuneration is subject to tax and national insurance through PAYE.
- 4.17 In addition, expenses amounting to £14,717 (2013/2014: £12,056) were reimbursed to Board members. Travel expenses related to travel to the Authority's offices are subject to tax.
- 4.18 Members' remuneration has been audited by the Comptroller and Auditor General

4.19 Payments to individual members are disclosed below.

***Payments made to the Authority's Board members during 2014/2015***

	<b>2014/2015 Salary (bands of £5,000)</b>	<b>2013/2014 Salary (bands of £5,000)</b>
<b>Chair</b>		
Jill Pitkeathley	30–35	30–35
<b>Members</b>		
Ann Curno*	5–10	5–10
Renata Drinkwater**	0–5	Not applicable
Ian Hamer	5–10	5–10
Andrew Hind (Audit and Risk Committee Chair)	10–15	10–15
Sally Irvine*	5–10	5–10
Stuart MacDonnell	5–10	5–10
Jayne Scott	5–10	5–10
Antony Townsend**	0–5	Not applicable

\* Up to 31 December 2014

\*\* From 1 January 2015

Harry Cayton



Accounting Officer

5 June 2015

## 5. Statement of the Board's and the Accounting Officer's responsibilities

### **The Board's responsibilities**

- 5.1 Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 7, Paragraph 16 (2) of the National Health Service Reform and Health Care Professions Act 2002, as amended by the Health and Social Care Act 2008, the Authority is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Department of Health, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, total changes in taxpayers' equity and cash flows for the financial year.
- 5.2 In preparing the accounts, the Authority is required to:
- Observe the accounts direction issued by the Secretary of State, with the consent of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
  - Make judgements and estimates on a reasonable basis
  - State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
  - Prepare the statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

### **The Accounting Officer's responsibilities**

- 5.3 The Accounting Officer for the Department of Health has appointed the Chief Executive as the Authority's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

## 6. Governance statement

### The Authority's Board

- 6.1 The Board of the Authority has corporate responsibility for ensuring that the Authority fulfils its statutory duties and for promoting the efficient, economic and effective use of its resources.
- 6.2 The Authority's Board comprises seven non-executive members and one executive member. All non-executive members of our Board have been appointed from the public so that we are completely independent of the health and social care professional regulators that we oversee.
- 6.3 Schedule 7 of the National Health Service Reform and Health Care Professions Act 2002, as amended by the Health and Social Care Act 2008 and by the Health and Social Care Act 2012, provides directions for the appointment of members to the Authority. Under the provisions of the 2012 Act, Board members from England are appointed by the Privy Council following a recruitment process conducted by the Authority.
- 6.4 We have an executive team covering our three areas of work: scrutiny and quality; policy and standards; and our governance and operations.

### Board members

Board member	Appointed by
Jill Pitkeathley (Chair)	Privy Council
Ann Curno*	Secretary of State for England
Renata Drinkwater**	Privy Council
Ian Hamer	Welsh ministers
Andrew Hind	Secretary of State for England
Sally Irvine*	Secretary of State for England
Stuart MacDonnell	Department of Health, Social Services and Public Safety in Northern Ireland
Jayne Scott	Scottish ministers
Antony Townsend**	Privy Council
Harry Cayton	Authority's Board

\* Up to 31 December 2014

\*\* From 1 January 2015

### Chair of the Board

- 6.5 The Chair is responsible to the Secretary of State for the Department of Health for England and to the devolved administrations. The Chair has a particular leadership responsibility on the following matters:
- Formulating the Authority's strategy
  - Ensuring that the Board, in reaching decisions, takes proper account of any relevant guidance provided by the ministers or the sponsor departments
  - Promoting the efficient, economic, and effective use of resources, including staff
  - Encouraging high standards of propriety
  - Ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions made and, where appropriate, the views of individual members.

### Attendance at Board meetings held in public

- 6.6 There were six Board meetings held in public between 1 April 2014 and 31 March 2015.

Council member	Number of meetings attended	Possible
Jill Pitkeathley (Chair)	6	6
Ann Curno*	4	4
Renata Drinkwater**	2	2
Ian Hamer	6	6
Andrew Hind	6	6
Sally Irvine*	4	4
Stuart MacDonnell	5	6
Jayne Scott	6	6
Antony Townsend**	2	2
Harry Cayton	6	6

\* Up to 31 December 2014

\*\* From 1 January 2015

- 6.7 During the year under review, the Board was active in ensuring that the Authority's existing statutory functions were maintained and that the risks the Authority was encountering were being addressed. It achieved this by effective use and monitoring of the risk register and by remaining vigilant about the quality of our outputs.
- 6.8 During the year, the Board also developed an assurance framework to better track the confidence it can have in its management of risk and to retain its focus on achieving its strategic objectives.
- 6.9 The Board is confident that it continues to receive appropriate, complete and relevant reports from the executive to ensure that it can fulfil its strategic role and can hold the executive to account. Quality assurance is provided by both the Scrutiny Committee and the Audit and Risk Committee, which report to the Board. The Board also reviews all key policy papers and reports to ensure they

meet the high standards it expects. The Board also receives finance reports and reviews the risk register twice a year.

- 6.10 The Board plays an important role in establishing the strategic direction for the Authority and considers this and related issues at its annual planning day.
- 6.11 The Board also reviews its own performance as part of its strategic planning. It discussed the way in which Board appraisals are undertaken and the Chairs of the Audit and Risk Committee and Scrutiny Committee now provide comment to the Chair before appraisals are held. The Board considers that it is functioning effectively.
- 6.12 Maintaining the quality of our work is an important consideration for the Board. It reviews important publications and reports prior to publication and takes a close interest in research and policy development.
- 6.13 The Board also reviews information it receives about the Authority's performance from external parties including the statutory regulators, the accredited registers and the Departments of Health in England, Scotland, Wales and Northern Ireland.
- 6.14 All members of the Board are appraised annually by the Chair and are able to comment on the performance of both the Chair and the Chief Executive. The Chair is appraised by a senior civil servant in the Department of Health.
- 6.15 The detail of quality assurance is delegated to the Scrutiny Committee and to the Audit and Risk Committee. We report on their activities separately. The Terms of Reference for the two committees are reviewed annually. In 2015, the Scrutiny Committee's Terms of Reference were revised to ensure it was able to give proper attention to the Accredited Registers programme.

### **Committees and working groups of the Board**

#### ***Audit and Risk Committee***

- 6.16 The Authority established an Audit and Risk Committee to support it in its responsibilities for risk control and governance. The committee reviews the comprehensiveness of assurances in meeting the Board's and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.
- 6.17 Four Audit and Risk Committee meetings were held between 1 April 2014 and 31 March 2015.
- 6.18 Members' attendance at committee meetings during 2014/2015 was as follows:

<b>Committee member</b>	<b>Number of meetings attended</b>
Andrew Hind (Chair)	3
Stuart MacDonnell	3
Jayne Scott	4

- 6.19 The minutes of meetings are formally reported to the Board, as is the committee's opinion on the risk register and the changes made to it.
- 6.20 The committee reviews its Terms of Reference and work programme annually and reports any changes that it proposes to the Board. Each year, it formally reports to the Board on:
- Its work during the previous financial year
  - The assessment of information governance arrangements
  - The internal audit reports submitted to it
  - The views and opinions of the external auditors.
- 6.21 The committee sets its own work programme for the coming year at its December meeting and this influences the work programme set for the internal audit.

*Regulators internal audit hub*

- 6.22 During 2013/2014, we were part of the Department of Health Internal Audit Hub. We were, however, conscious of the likely change to the Authority's finances and status and that the Department of Health Hub would not be the best location for us. As of April 2014, we became a member of the Government Regulators Internal Audit Hub. The Authority was party to the tender for the Hub's internal audit provision and the Hub's internal auditors, Grant Thornton (GT), have been our internal auditors for 2014/2015.
- 6.23 The internal audit work this year focused on:
- Income assurance and business development, in particular, the need to minimise cross-subsidy between the different workstreams
  - IT resilience and the need to ensure that the IT provision was capable of supporting the business.

*Income assurance and development – Phase 1 Fees Internal Audit report*

- 6.24 The committee received a report on the review of the work being undertaken by the Authority to minimise 'cross-subsidy'. The review, which included three information findings, concluded:

There is a very good degree of knowledge and awareness of the financial and reputational impact of the proposed regime, and the need for the Authority to undertake the necessary steps in preparation for the fee regime 'going live'.... Following our discussions with management and our review of the relevant evidence, we have concluded that the key question around managing cross-subsidies is being adequately addressed.

*Income assurance and development – Phase 2 Accredited Registers Internal Audit report*

- 6.25 The committee received a report on the review of the effectiveness and efficiency of the delivery of the Accredited Registers programme, especially against the original plans drawn out for it, including an assessment of the financial viability of the programme. The review, which had two significant findings, concluded that:
- The financial results and projections for the AR programme confirmed that it is operating and being accounted for separately from other income

streams within the Authority, with standalone accounts providing clear visibility of performance...Management recognise the need for further work to establish how the effective management of the accreditation register work can be balanced with making it financially sustainable within an acceptable period.

#### *Risk register*

- 6.26 The Directors Group reviews the risk register quarterly. Every six months, the updated report is considered by the Audit and Risk Committee and thereafter by the Board. Risks are added, updated or deleted outside of this process when the need arises.
- 6.27 During the year, the committee reviewed the risk register maintained by the executive. The main risks discussed, some of which are covered in detail in the strategic report, related to the timing of new funding arrangements, the increasing volume of work and the need to retain staff.

#### *Assurance framework*

- 6.28 The committee also considered how the Board members could be assured about the operation of the Authority and how this could be documented. In doing so, the committee sought to identify a format that was proportionate and informative.
- 6.29 The document that was produced, the Assurance Framework, is intended to record and inform Board members of the evidence they can rely on to provide assurance to them in relation to the running of the Authority and the mitigation of risks.
- 6.30 The document is linked to the risk register and is regularly updated.

#### ***Scrutiny Committee***

- 6.31 The Scrutiny Committee reviews, monitors and reports on the operation of the Authority's scrutiny and oversight of the nine health and care professional regulatory bodies and provides quality assurance of the Accredited Register programme.
- 6.32 At its meeting in January 2015, the committee approved draft changes to its terms of reference to clarify its role in scrutinising the Authority's Accredited Register programme. The amendments to the committee's Terms of Reference were approved subsequently at a Board meeting.
- 6.33 During 2014/2015, the format of the Scrutiny Committee's meetings followed the model decided at its meeting in December 2013 (with updates on various areas of work being included as standing items on each agenda: the Authority's scrutiny of the appointments processes used by eight of the regulators in respect to their Council members; the exercise by the Authority of its Section 29 right to refer 'unduly lenient' decisions made by the regulators' fitness to practise panels to court; concerns about the regulators received by the Authority; audit and performance review; and the Accredited Registers programme).

- 6.34 There were three Scrutiny Committee meetings held between 1 April 2014 and 31 March 2015. Dr Sally Irvine and Ann Curno attended their final committee meeting in October 2014, with new members joining the committee at its 2015 meetings. Members' attendance at each meeting is shown below.

Committee member	Number of meetings attended
Sally Irvine (Chair)*	2
Ann Curno*	2
Ian Hamer (Chair)**	4
Renata Drinkwater**	2
Antony Townsend**	2

\* Up to 31 December 2014

\*\* From 1 January 2015

#### *Initial stages audits*

- 6.35 At all of the Scrutiny Committee's meetings, the committee was updated on the progress of the audit reports from the 2014 audit cycle, with four of the five audit reports noted as having been published at the March 2015 meeting.

#### *Review of final fitness to practise decisions (the Authority's Section 29 jurisdiction)*

- 6.36 At its meetings in October 2014 and March 2015, the Scrutiny Committee reviewed decisions taken to refer to court/not to refer to court individual regulators' fitness to practise panel decisions that had been taken at Section 29 case meetings. At the October meeting, the committee reviewed a sample of these decisions taken between March and September 2014. At the March meeting, it reviewed a selection of these decisions taken in the period since the October meeting.
- 6.37 During both of these meetings, the committee also reviewed a small sample of cases that had not been referred for consideration at Section 29 case meetings.
- 6.38 At the January 2015 meeting, the new Board members were provided with an introduction to the various areas of work scrutinised by the committee, including the Authority's Section 29 jurisdiction. The committee did not consider any Section 29 decisions at that meeting.

#### *Annual performance review of the regulators*

- 6.39 At the meeting in January 2015, the committee was updated on the Authority's progress in developing a new model for consultation concerning the annual performance review of the regulators, following consideration of this at various Board meetings since mid-2013.

#### *Other work*

- 6.40 The committee has regularly reviewed the Authority's handling of concerns about the regulators and has received regular updates on the progress of individual

Section 29 appeals. The committee was updated on the Authority's scrutiny of the processes that the regulators use in the appointment of Council members.

- 6.41 At its meeting in October 2014, the committee gave its views regarding recognition of specialist practice as opposed to the recognition of discrete occupations and what the role of the Authority should be if asked to approve new occupations to be added to accredited registers in the Authority's Accredited Registers programme. In January 2015, the committee was informed of concerns regarding funding of the programme, with the Authority applying for a subvention from the Department of Health. It was explained that the Authority envisaged this may be required going forward, with a decision from the Department awaited.
- 6.42 At the meeting in January 2015, the committee fed back comments about the committee's Terms of Reference. The Chief Executive agreed that he would redraft the Terms of Reference to clarify the committee's role in relation to the Accredited Registers programme and that this would then go to the Board meeting on 21 January 2015 for approval.
- 6.43 The committee also indicated that it should be suggested to the Audit and Risk Committee that they should review the new performance review process in 2016.

#### *Accredited registers*

- 6.44 The Scrutiny Committee carried out its scrutiny of the Accredited Registers programme. It received progress updates on applications going through initial assessment and annual reviews of accreditation. It reviewed a sample of applications and scrutinised the assessment.
- 6.45 It also provided advice on policy issues raised by a request from an accredited register for the Authority to consider the addition of two new occupations to their register. The issues included the role of the Authority in approving new occupations, the impact of its decision on registers' growth and potential virtual protection of title. The committee was also kept informed about the rebranding of the programme and media coverage.

#### **Remuneration Committee**

##### *Role*

- 6.46 The Remuneration Committee meets once a year, or more frequently if necessary, to agree the annual cost of living increase for staff and to deal with other remuneration issues if they arise.
- 6.47 Since the organisation continued to be subject to the ongoing pay restrictions set by the Cabinet Office, the committee was not required to consider any pay award for the staff in 2013/2014.

6.48 One Remuneration Committee meeting was held between 1 April 2014 and 31 March 2015. Members' attendance is shown below.

Committee member	Number of meetings attended
Jill Pitkeathley (Chair)	1
Ian Hamer	1
Andrew Hind	1
Harry Cayton (in attendance)	1
Linda Allan (in attendance)	1

6.49 The committee authorised the introduction of retention payments in order to better secure the services of business critical post holders.

6.50 The committee also authorised changes to the grading bands to facilitate the introduction of new posts.

6.51 The Authority does not have a Nominations Committee. The Remuneration Committee would undertake this role should the need arise.

**Pension scheme regulations**

6.52 As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments to the scheme are in accordance with the rules and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

6.53 The protection of data held by us and requests for its disclosure continue to be important considerations for us.

6.54 As a small employer not within the NHS, the Authority did not have online access to the NHS Pension Authority (NHSPA). We submitted paper documentation to the NHSPA in order that they would update our staff records and other data. As a consequence of information given to former staff being inconsistent with that held by the Authority, we raised concerns with the NHSPA and they arranged for our records to be reviewed and updated.

6.55 In order to avoid further concerns, despite the cost, we made arrangements to have online access so that the records, especially staff records, can be updated in real time.

**Data handling**

6.56 Our system of internal control is based on the HMG Security Policy Framework and we continue to monitor and review our compliance with them.

6.57 We hold very little personal information. The main data we hold relates to our own staff. Where we require access to personal data held by others, this is generally undertaken at the premises of the data holder. Staff undertaking audits as part of performance reviews are required to work through remote access to our server whenever possible. Since this is not always possible, the laptops used by the auditors have been encrypted to provide another layer of security.

- 6.58 Staff continue to undertake the government's 'Protecting Information' online training. The training is split into three levels and is assessment-based.
- 6.59 All staff are required to complete the level appropriate to their level of responsibility for data handling. All members of staff who have completed the training to date successfully passed the assessment.
- 6.60 The Audit and Risk Committee Chair has provided a statement that he was satisfied that we have appropriate policies for staff to adhere to, as far as they apply to the Authority, and that suitable processes are in place to mitigate risks to our information.
- 6.61 This statement has been prepared following consideration of the Authority's Annual Assessment of Information Risk Management for 2014/2015 and the assurance provided by it.
- 6.62 We have no personal data incidents to report.

#### **Scope of responsibility**

- 6.63 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives, while safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.
- 6.64 The Authority reports to the UK Parliament and works closely with the devolved administrations in Northern Ireland, Scotland and Wales, and with the Department of Health in England, to deliver our statutory obligations and the key objectives of our business plan. This includes identifying and responding appropriately to both internal and external risks.

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

- 6.65 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 6.66 The system of internal control is designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 6.67 Our system of internal control has been in place for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The key elements of the system of internal control include:
- Financial procedures detailing financial controls for responsibilities of, and authorities delegated to, the management team
  - Business planning processes setting out the objectives of the Authority supported by details of annual income, expenditure, capital and cash flow budgets

- Regular reviews of performance along with variance reporting, scenario planning and reforecasting.

### **Review of effectiveness**

- 6.68 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the Directors Group, which has responsibility for the maintenance of the internal controls, and comments made by the external auditors in their management letter and other reports. The Audit and Risk Committee and Board have advised me on the implications of the result of my review on the system of internal control. The Scrutiny Committee has this year considered in detail our performance against our own standards of our statutory functions.
- 6.69 The effectiveness of the system of internal control was maintained and reviewed through:
- The Board of the Authority, which met six times
  - The Audit and Risk Committee, which consists of three members of the Board. I also attended the Audit and Risk Committee meetings together with the Director of Governance and Operations, the Accounting Manager and representatives from the National Audit Office and our internal auditors
  - Risk management arrangements as described, under which key risks that could affect the achievement of our objectives have been managed actively, with progress being reported to the Audit and Risk Committee and, through it, to the Board of the Authority
  - Our annual assessment of information risk management undertaken in accordance with the Cabinet Office's guidance
  - Regular reports from the internal auditors, Grant Thornton, complying with the government's Internal Audit Standards, which include an independent opinion on the adequacy and effectiveness of our internal controls together with recommendations for improvement where necessary
  - Comments made by external auditors in their management letter and other reports.
- 6.70 Grant Thornton, internal auditors to the Regulators Hub have been our internal auditors for the year under review. The Head of Internal Audit in his report for 2014/2015 stated that:
- Based on the annual plan approved by the Audit Committee, scope of reviews undertaken and the sample tests completed during the period, we have concluded that controls were suitably designed and operating effectively in the areas of governance, risk management and control that we reviewed and tested.
- 6.71 I do not consider that we have any significant weaknesses in our system of internal controls. A programme of continuous monitoring exists, in consultation with the Audit and Risk Committee, internal auditors and external auditors, to ensure that we meet best practice standards in all areas of our operations.
- 6.72 Our Assurance Framework is monitored along with the risk register by the Directors Group, the Audit and Risk Committee and the Board. External and

internal influences are considered and any potentially significant risks are discussed with key stakeholders as soon as they become apparent.

- 6.73 I am satisfied that this report adequately reflects the information risks we have managed and that we have considered future risks. I consider that we have taken the actions necessary to manage information risks effectively. I am confident that staff are aware of their responsibility to store, share and destroy information securely and that the processes we implemented as a result of the previous year's incidents have successfully strengthened our procedures. I am satisfied that the minor information risk incidents which occurred this year were managed appropriately and that no sensitive information was disclosed or lost.
- 6.74 I confirm that the assessment of information risk management has been completed satisfactorily and that the information can be used for our Annual Governance Statement.
- 6.75 I confirm we have complied with the Code of Corporate Governance as detailed in DAO(GEN)02/12 – Governance Statements in so far as it applicable to us.



Harry Cayton  
Accounting Officer  
5 June 2015

## 7. The Certificate and report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Professional Standards Authority for Health and Social Care for the year ended 31 March 2015 under the National Health Service Reform and Health Care Professions Act 2002 as amended by the Health and Social Care Act 2008 and the Health and Social Care Act 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Reform and Health Care Professions Act 2002 as amended by the Health and Social Care Act 2008 and the Health and Social Care Act 2012. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditor

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Professional Standards Authority for Health and Social Care's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Professional Standards Authority for Health and Social Care and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Professional Standards Authority for Health and Social Care's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Reform and Health Care Professions Act 2002 as amended by the Health and Social Care Act 2008 and the Health and Social Care Act 2012 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Reform and Health Care Professions Act 2002 as amended by the Health and Social Care Act 2008 and the Health and Social Care Act 2012; and
- the information given in Chief Executive's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**9 June 2015**

## 8. Statement of comprehensive net expenditure for the year ended 31 March 2015

			March 2015 £'000		March 2014 £'000
<b><i>Expenditure</i></b>					
Staff costs	3		1,982		1,878
Other administrative costs	4		2,282		1,722
<b><i>Income</i></b>					
Operating income	5		(809)		(398)
<b>Net operating cost</b>			<b>3,455</b>		<b>3,202</b>

The notes on 54 to 67 form part of these accounts.

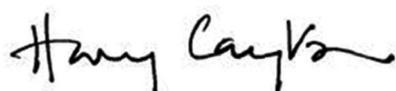
### **Other comprehensive net expenditure**

There was no other comprehensive net expenditure in the year ended 31 March 2015.

## 9. Statement of financial position as at 31 March 2015

	Note	March 2015		March 2014	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	6	313		353	
Property, plant and equipment	7	74		113	
<b>Total non-current assets</b>			<b>387</b>		<b>466</b>
<b>Current assets</b>					
Trade and other receivables	8	337		278	
Cash and cash equivalents	9	658		256	
<b>Total current assets</b>			<b>995</b>		<b>534</b>
<b>Total assets</b>			<b>1,382</b>		<b>1,000</b>
<b>Current liabilities</b>					
Trade and other payables	10	(330)		(253)	
Provisions	11	(8)		(6)	
<b>Total current liabilities</b>			<b>(338)</b>		<b>(259)</b>
<b>Non-current assets less net current assets/(liabilities)</b>			<b>1,044</b>		<b>741</b>
<b>Assets less liabilities</b>			<b>1,044</b>		<b>741</b>
<b>Reserves</b>					
Reserves			<b>1,044</b>		<b>741</b>

The notes on pages 54 to 67 form part of these accounts.



Harry Cayton  
Accounting Officer  
5 June 2015

## 10. Statement of cash flows for the period ended 31 March 2015

	Note	March 2015	March 2014
		£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating costs for the year		(3,455)	(3,202)
Adjustment for non-cash transactions	4	115	108
(Increase)/decrease in trade and other receivables	8	(59)	13
Increase in trade and other payables	10	77	31
Increase in provisions	11	2	-
<b>Net cash outflow from operating activities</b>		<b>(3,320)</b>	<b>(3,050)</b>
<b>Cash flows from investment activities</b>			
Purchase of property, plant and equipment	7	(36)	(67)
Purchase of intangible assets	6	-	(3)
<b>Net cash outflow from investment activities</b>		<b>(36)</b>	<b>(70)</b>
<b>Cash flows from financing activities</b>			
<i>Grant-in-aid from the Department of Health:</i>			
Revenue		3,395	2,765
Capital		60	69
<i>Funding from the Devolved Administrations:</i>			
Scotland		165	180
Wales		95	103
Northern Ireland		43	53
<b>Net cash flow from financing activities</b>		<b>3,758</b>	<b>3,170</b>
<b>Net financing</b>			
<b>Net increase in cash and cash equivalents</b>	9	402	50
Cash and cash equivalents at the beginning of the financial year	9	256	206
<b>Cash and cash equivalents at the end of the financial period</b>	9	<b>658</b>	<b>256</b>

The notes on pages 54 to 67 form part of these accounts.

## 11. Statement of changes in taxpayer's equity for the year ended 31 March 2015

		General reserve
		£'000
<b>Balance as at 31 March 2013</b>		<b>773</b>
<b>Changes in reserves in the year ended 31 March 2014</b>		
<b>Net operating costs</b>		<b>(3,202)</b>
<i>Grant-in-aid from the Department of Health:</i>		
Revenue		2,765
Capital		69
<i>Funding from the devolved administrations:</i>		
Scotland		180
Wales		103
Northern Ireland		53
<b>Balance as at 31 March 2014</b>		<b>741</b>
<b>Changes in reserves in the year ended 31 March 2015</b>		
<b>Net operating costs</b>		<b>(3,455)</b>
<i>Grant-in-aid from the Department of Health:</i>		
Revenue		3,395
Capital		60
<i>Funding from the devolved administrations:</i>		
Scotland		165
Wales		95
Northern Ireland		43
<b>Balance as at 31 March 2015</b>		<b>1,044</b>

The notes on pages 54 to 67 form part of these accounts.

## 12. Notes to the accounts

### 1. Accounting policies

#### ***Basis of preparation***

These financial statements have been prepared in accordance with the 2012/2013 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the UK public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority for the reportable period are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### ***Critical accounting judgments and key sources of estimation uncertainty***

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Non-current assets***

#### ***Intangible assets***

##### ***Internally generated intangible assets***

An internally generated intangible asset arising from the Authority's activities and expenditure is recognised where all of the following conditions are met:

- An asset is created that can be identified (such as bespoke software)
- It is probable that the asset created will generate future economic benefits
- The development cost of the asset can be measured reliably.

Intangible fixed assets are measured at cost.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life.

Database amortisation had been charged from the date the asset is brought into use and is amortised on a straight line basis over 10 years.

### ***Property plant and equipment***

Non-current assets other than computer software are capitalised as property, plant and equipment as follows:

- Equipment with an individual value of £1,000 or more
- Grouped assets of a similar nature with a combined value of £1,000 or more
- Refurbishment costs valued at £1,000 or more.

Under the principles of modified historical cost accounting, depreciated historical cost is deemed a suitable proxy where the asset has a short useful economic life or is of low value. Indexation has not been applied since 31 March 2008 as this would not be material. Asset valuations are reviewed on an annual basis, at each statement of financial position date, to ensure that the carrying value fairly reflects current cost.

Depreciation is provided on a straight line basis, calculated on the revalued amount to write off assets, less any estimated residual balance, over their remaining estimated useful life.

The useful lives of non-current assets have been estimated as follows:

- Furniture and fittings over the remaining accommodation lease term
- Computer equipment—three years.

Depreciation is charged from the month in which the asset is acquired.

### ***Cash at bank and in hand***

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

In the statement of cash flows, cash is shown net of bank overdrafts held with the Government Banking Service (GBS) that form an integral part of the Authority's cash management and over which the Authority has a right of set-off against other GBS accounts in credit.

### ***Grant-in-aid and general reserve***

The Authority is financed by grant-in-aid from the Department of Health.

Revenue grant-in-aid received from the Department of Health, used to finance activities and expenditure which support the statutory and other objectives of the Authority, is treated as contributions from a controlling party giving rise to a financial interest in the residual interest in the Authority, and therefore is accounted for as financing by crediting them directly to the general reserve on a cash received basis.

Financial contributions to the activities of the Authority from the devolved administrations are also accounted for as financing by crediting them directly to the general reserve on a cash received basis.

### ***Operating income***

Operating income includes: Section 29 case cost recoveries; premises income received from subtenants; and fees received from carrying out work for the Chinese University of Hong Kong and the Department of Health in Australia as well as accreditation fees received from voluntary register applicants wishing to be accredited.

Voluntary registers' revenue consists of non-refundable fixed accreditation fees, payable when application documents have been submitted to the Authority, and renewal fees, payable on the anniversary of the accreditation date. Income from both initial and renewal fees is recognised in the operating cost statement in accordance with the completion of the Authority's work in relation to these.

### ***Comparative costs and restatements***

#### ***Section 29 costs and recoveries***

Under its Section 29 powers, the Authority can appeal to the High Court against a regulatory body's disciplinary decisions. Costs incurred by the Authority in bringing Section 29 appeals are charged to the operating cost statement on an accruals basis.

As a result of judgements made by the courts, costs may be awarded to the Authority if the case is successful or costs may be awarded against the Authority if the case is lost. Where costs are awarded to, or against, the Authority, these may be subsequently revoked or reduced as a result of a successful appeal either by the defendant or by the Authority. Therefore, in bringing either income or expenditure to account, the Authority considers the likely outcome of each case on a case-by-case basis.

In the case of costs awarded to the Authority, the income is not brought to account unless there is a final uncontested judgement in the Authority's favour or an agreement between parties of the proportion of costs that will be paid and submitted to the courts. When a case has been won but the final outcome is still subject to appeal, and it is highly probable that the case will be won on appeal and costs will be awarded to the Authority, a contingent asset is disclosed.

In the case of costs awarded against the Authority, expenditure is recognised in the income and expenditure where there is a final uncontested judgement against the Authority. In addition, where a case has been lost, but the final outcome is still subject to appeal, and it is probable that costs will be awarded against the Authority, a provision is recognised in the accounts. Where it is possible but not probable that the case will be lost on appeal and that costs may be incurred by the Authority, or where a sufficiently reliable estimate of the amount payable cannot be made, a contingent liability is disclosed.

### ***Value added tax***

Value added tax (VAT) on purchases is not recoverable; hence, it is charged to the operating cost statement and included under the heading relevant to the type of expenditure, or capitalised if it relates to an asset.

### ***Short-term employee benefits***

Salaries are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### ***Retirement benefit costs***

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme; the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income statement at the time the Authority commits itself to the retirement, regardless of the method of payment.

### ***Operating leases***

Rentals payable under operating leases are charged to the operating cost statement on an accruals basis.

### ***Foreign exchange***

Transactions which are denominated in a foreign currency are translated into Sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Resulting exchange gains and losses are included in the operating cost statement.

### ***Losses and special payments***

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature, they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories that govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings including losses which would have been made good through insurance cover had

the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). The Authority does not generally hold insurance but had specific cover in respect of travel and business continuity.

### ***Financial instruments***

As required by the FReM, the Authority has accounted for financial instruments and made disclosures relating to those financial instruments, in accordance with International Accounting Standards (IAS) 32 and 39 and IFRS 7.

### ***IFRS, amendments and interpretations in issue but not yet effective or adopted***

Accounting Policies, Changes in Accounting Estimates and Errors, (IAS 8), require disclosures in respect of new IFRS, amendments and interpretations that are, or will be, applicable after the accounting period. There are a number of IFRS, amendments and interpretations issued by the IAS Board that are effective for financial statements after this accounting period. The following have not been adopted early by the Authority:

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the Authority.

### ***Accounting standards issued that have been adopted early***

The Authority has not adopted any IFRS, amendments or interpretations early.

## 2. Analysis of net operating costs by segment

### *Segmental analysis*

Net operating costs were incurred by the Authority's four main expenditure streams as follows. The Authority does not maintain separate statements of financial position for these teams. There were no intersegmental transactions in the year.

Year ended 31 March 2015	Standards and regulations	Government commissions	Chargeable activities	Voluntary registers	Total
	£'000	£'000	£'000	£'000	£'000
Operating costs	3,722	126	144	273	<b>4,265</b>
Operating income	(489)	-	(178)	(142)	<b>(809)</b>
<b>Net operating costs</b>	<b>3,233</b>	<b>126</b>	<b>(34)</b>	<b>131</b>	<b>3,456</b>
Year ended 31 March 2014	Standards and regulations	Government commissions	Chargeable activities	Voluntary registers	Total
	£'000	£'000	£'000	£'000	£'000
Operating costs	3,277	9	9	305	<b>3,600</b>
Operating income	(244)	-	(38)	(116)	<b>(398)</b>
<b>Net operating costs</b>	<b>3,033</b>	<b>9</b>	<b>(29)</b>	<b>189</b>	<b>3,202</b>

## 3. Staff numbers and related costs

### *Average number of persons employed*

The average number of full-time and part-time staff employed (including temporary staff) during the year is as follows:

	Permanently employed	Other	Total 2014/2015	Permanently employed	Other	Total 2013/2014
Total	32.05	0.72	<b>32.77</b>	<b>33.66</b>	0.91	<b>34.57</b>

There were no staff members engaged on capital projects in the period up to 31 March 2015.

### Costs of persons employed

	Permanently employed	Other	Total 2014/2015	Permanently employed	Other	Total 2013/2014
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	1,595	-	1,595	1,492	-	1,492
Social security costs	159	-	159	138	-	138
Superannuation costs	172	-	172	179	-	179
Agency/ temporary costs	-	56	56	-	69	69
	<b>1,926</b>	<b>56</b>	<b>1,982</b>	<b>1,809</b>	<b>69</b>	<b>1,878</b>

### Reporting of Civil Service and other compensation schemes: exit packages

No redundancy and other departure costs were incurred in the year.

#### 4. Other administrative costs

	Notes	31 March 2015	31 March 2014
		£'000	£'000
Members' remuneration		91	91
Legal and professional fees		1,038	656
Premises and fixed plant		636	562
Training and recruitment		129	97
PR, communications and conferences		95	58
Establishment expenses		97	84
External audit fee*		21	21
Other costs		60	45
<b>Non-cash expenditure:</b>			
Amortisation	6	40	40
Depreciation	7	75	68
<b>Total administrative costs</b>		<b>2,282</b>	<b>1,722</b>

\* The Authority made payments of £269,000 to the National Audit Office for non-audit work in respect of accommodation costs of the Authority for use of office space at 157-197 Buckingham Palace Road, London.

## 5. Operating income

	31 March 2015	31 March 2014
	£'000	£'000
Section 29 cost recoveries	349	60
Accredited voluntary registers' income	142	116
Fees from external customers	178	38
Subtenancy income	137	175
Other operating income	3	9
<b>Total operating Income</b>	<b>809</b>	<b>398</b>

## 6. Intangible assets

31 March 2015	Section 29 database
	£'000
<b>Valuation</b>	
At 1 April 2014	393
Additions	0
At 31 March 2015	393
<b>Amortisation</b>	
At 1 April 2014	40
Charge for the period	40
At 31 March 2015	80
<b>Net book value</b>	
<b>At 31 March 2015</b>	<b>313</b>
At 31 March 2014	353

31 March 2014	Section 29 database
	£'000
<b>Valuation</b>	
At 1 April 2013	390
Additions	3
At 31 March 2014	393
<b>Amortisation</b>	
At 1 April 2013	0
Charge for the period	40
At 31 March 2014	40
<b>Net book value</b>	
<b>At 31 March 2014</b>	<b>353</b>
At 31 March 2013	390

## 7. Non-current assets

### *Property, plant and equipment*

31 March 2015	Furniture, fixtures and fittings	IT equipment	Total
	£'000	£'000	£'000
<b>Valuation</b>			
At 1 April 2014	126	310	436
Additions	2	34	36
At 31 March 2015	128	344	472
<b>Depreciation</b>			
At 1 April 2014	96	227	323
Charge in period	20	55	75
At 31 March 2015	116	282	398
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>12</b>	<b>62</b>	<b>74</b>
<b>At 31 March 2014</b>	<b>30</b>	<b>83</b>	<b>113</b>

All assets above are wholly owned by the Authority without any related financial liabilities.

31 March 2014	Furniture, fixtures and fittings	IT equipment	Total
	£'000	£'000	£'000
<b>Valuation</b>			
At 1 April 2013	117	252	369
Additions	9	58	67
At 31 March 2014	126	310	436
<b>Depreciation</b>			
At 1 April 2013	78	177	255
Charge in period	18	50	68
At 31 March 2014	96	227	323
<b>Net book value</b>			
<b>At 31 March 2014</b>	<b>30</b>	<b>83</b>	<b>113</b>
<b>At 31 March 2013</b>	<b>39</b>	<b>75</b>	<b>114</b>

## Trade receivables and other current assets

Amounts falling due within one year:

	31 March 2015	31 March 2014
	£'000	£'000
Trade and other receivables	152	85
Prepayments	185	193
<b>Total trade and other receivables</b>	<b>337</b>	<b>278</b>

There are no trade receivables and other current assets falling due after more than one year.

### *Intra-government balances*

Intra-government balances within the totals for trade receivables and other current assets are as follows:

	31 March 2015	31 March 2014
	£'000	£'000
Balances with other central government bodies	-	3
Balances with local authorities	136	145
Total intra-government balances	<b>136</b>	<b>148</b>
Balances with bodies external to the government	201	130
<b>Total trade and other receivables</b>	<b>337</b>	<b>278</b>

## 8. Cash and cash equivalents

	31 March 2015	31 March 2014
	£'000	£'000
Balance at 1 April 2014	256	206
Net changes in cash and cash equivalent balances	402	50
<b>Balance at 31 March 2015</b>	<b>658</b>	<b>256</b>
<i>The following balances were held at:</i>		
The Government Banking Service	563	253
Commercial banks and cash in hand	95	3
<b>Balance at 31 March 2015</b>	<b>658</b>	<b>256</b>

## 9. Trade payables and other current liabilities

Amounts falling due with one year:

	31 March 2015	31 March 2014
	£'000	£'000
Trade and other payables	57	73
Taxation and social security	48	52
Accruals and deferred income	225	128
<b>Total trade and other payables</b>	<b>330</b>	<b>253</b>

There were no trade payables and other current liabilities falling due after more than one year.

### *Intra-government balances*

Intra-government balances within the totals for trade payables and other current liabilities are as follows:

	31 March 2015	31 March 2014
	£'000	£'000
Balances with other central government bodies	60	53
Balances with NHS bodies	5	-
Total intra-government balances	<b>65</b>	<b>53</b>
Balances with bodies external to the government	265	200
<b>Total trade and other payables</b>	<b>330</b>	<b>253</b>

## 10. Provisions for liabilities and charges

	HMRC provision
	£'000
Balance at 31 March 2014	6
Arising during the period	8
Provision used	(6)
<b>Balance at 31 March 2015</b>	<b>8</b>

The HMRC provision as at 31 March 2015 represents the Authority's estimated liability for income tax and National Insurance Contributions in relation to Board members' travel and subsistence expenses.

## 11. Contingent assets and liabilities

### *Assets*

One High Court case had been decided in the Authority's favour as at 31 March 2015; however, the exact quantum of settlement was not decided at that date and has been estimated based on the proportions of costs recovered by the Authority over the past three years.

### *Liabilities*

Seven High Court cases under the Authority's Section 29 powers were undecided as at 31 March 2015. There was therefore uncertainty, as at that date, as to the related financial consequences, pending a final judgment.

Judgment by the High Court may permit recovery of these Authority costs or, alternatively, issue a charge to the Authority of the costs of the regulatory body and its registrant.

## 12. Capital commitments

The Authority had no capital commitments as at the statement of financial position dates.

## 13. Commitments under leases

### *Operating leases*

The Authority's expenses include rent and service charge payments under operating lease rentals.

The Authority had the following obligations under non-cancellable operating leases:

Buildings	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	276	267
Later than one year and not later than five years	866	156
<b>Total commitments under operating leases</b>	<b>1,142</b>	<b>423</b>

The Authority's current lease ends in October 2015. Negotiations have been taking place to extend it and terms have been agreed.

The Authority subleases its premises to two subtenants and recognises rent and service charge sublease receipts as income.

Total future minimum lease receipts due to the Authority under operating leases are given in the table below:

Future minimum sublease receipts	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	69	93
Later than one year and not later than five years	104	54
<b>Total minimum sublease receipts</b>	<b>173</b>	<b>147</b>

### ***Finance leases***

The Authority did not have any finance leases in the period up to 31 March 2015.

## **14. Related parties**

The Authority has ultimate accountability to the UK Parliament.

The Authority is an unclassified public body. While it continues to be funded by the Department of Health, it remains sponsored by the Department.

The Department of Health is regarded as a related party. During the year ended 31 March 2015, the Department of Health provided total grant-in-aid of £3.46 million (2013/2014: £2.83 million).

The Authority received funding contributions towards its activities in the year from the devolved administrations in Northern Ireland (£0.04 million), Scotland (£0.17 million), and Wales (£0.10 million). In 2013/2014, the Authority received £0.05 million from Northern Ireland, £0.18 million from Scotland and £0.10 million from Wales.

The Authority maintains a register of interests for the Chair and Board members, which is available on the website. The register is updated on a periodic basis by the Executive Secretary to reflect any change in Board members' interests. During the year ended 31 March 2015, no Council member undertook any related party transactions with the Authority.

The senior management team is also asked to disclose any related party transactions. During 2014/2015, there were no disclosures.

## **15. Losses and special payments**

There were no material losses and special payments in the period.

## **16. Post statement of financial position events**

These accounts were authorised for issue on 9 June by the Accounting Officer.

## 17. Financial instruments

### *Financial risk management*

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

The relationship that the Authority has with the Department of Health, and the way it is financed, means that its exposure is reduced. In addition, the Authority has limited powers to borrow or invest surplus funds and its financial assets and liabilities are generated by day-to-day operational activities; thus, the effects of the financial instruments on changing risk is again reduced.

Debtors and creditors that are due to mature or become payable within 12 months from the statement of financial position date have been omitted from all disclosures.

### *Currency risk*

The Authority is a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling-based. The Authority has no overseas operations. Therefore, the Authority has low exposure to currency rate fluctuations.

### *Interest rate risk*

The Authority has no borrowing and relies primarily on grant-in-aid from the Department of Health and financial contributions from the devolved administrations. Therefore, the Authority has low exposure to interest rate fluctuations.

As at 31 December 2015, the Authority had a non-interest bearing cash balance of £658,000.

### *Credit risk*

Because the majority of the Authority's funding income comes from the Department of Health, with contributions from the devolved administrations, the Authority has low exposure to credit risk.

### *Liquidity risk*

The Authority relies primarily on grant-in-aid from the Department of Health, financed from resources voted annually by Parliament, and contributions from the devolved administrations; therefore, the Authority has low exposure to liquidity risk.