
The Hearing Aid Council

Annual report 2009–10

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Chairman's Statement

Chris Hughes OBE

On 31st March of this year, the Hearing Aid Council ceased to be the regulator of hearing aid dispensers and a new chapter in the regulation of the profession began. In writing this introduction, I am delighted at the work that has been achieved since the Government announced in 2005 its intention to dissolve the Council and transfer its responsibilities to other bodies. In the five-year period since that announcement, the Council has worked on a twin track approach: we have modernised in order to regulate the profession better and also modernised in order to transfer responsibilities to the Health Professions Council. Both tracks of work are now complete and I believe have been a success.

The Strategic Context in 2005

When the Government announced its intention to dissolve the Hearing Aid Council, it was a body struggling to find its way. Its enabling legislation was drafted in the sixties and based on a fifties model of professional regulation. It was outmoded and lacked sufficient bite to protect consumers. It regulated a closely defined territory between consumer affairs and health provision and did not fit easily in either area of public policy between two government departments. It had not sufficiently responded to the findings of the report that its sponsoring department (the Department for Trade and Industry) had commissioned two years earlier (the Makrotest Report). It had avoided any engagement with the NHS commissioning of services from the private sector. The Council, despite the undoubted ability of many of its members, had not agreed a direction of travel and had little ambition to change. Its governance agenda was challenging and progress was too slow.

Developing the Council

Some improvements had been put in place before 2005. On becoming Chair in 2003, it was clear to me that in order to be an effective guardian of the public interest, fundamental change was needed. Over the next 18 months, a number of changes were made. Four new appointments gave the Council greater strength in the fields of education, regulation and the leadership of public bodies. The final adoption of a revised Code of Practice introduced CPD, established higher entry qualifications and built on the regulatory experience of the Council. Attempts were made to engage with the major charities and the Department of Health. Systematic training was introduced for Council members in their public functions and to reinforce work on governance. A chief executive was recruited, and the contracts under which services were provided to the Council were terminated.

Creating the Strategic Opportunity

These organisational changes coincided with the outcome of the Hampton Review that the Council should be subsumed within the Office of Fair Trading. Over the summer of 2005, the Council, working with a wide range of stakeholders, seized the opportunity for change, but this was based on a widely shared analysis of the needs of consumers and the public at large which pointed to a very different structure from that proposed by Hampton. By embracing change and welcoming the opportunity to improve regulation for the benefit of both consumers and the regulated profession, the Council was able to take forward a progressive vision for the future.

Delivering a Better Regulatory Framework

The task the Council set itself was to produce a simplified and unified regulatory system which gave better protection for consumers and would underpin a common high standard of care, whether in the private sector or the NHS. In order to do this, it needed to build an organisation which could both develop and deliver strategy through intensive stakeholder engagement but also deliver the functions of a regulatory body during that process. In the early months of 2006, the design and recruitment of the new organisation was carried out, and the Council established itself for its final period in offices at St Mary Axe.

The achievements of the last four years have been substantial. Support for the new framework has been sustained, and the need for regulatory reform explained to many audiences. Parliamentarians were appropriately briefed and the legislation effecting the change welcomed on all sides. A new educational framework for becoming a Registered Hearing Aid Dispenser was developed and introduced by a number of universities, and it provides a clear and accessible means of entering the profession, whether in the private or public sector. In conjunction with the Health Professions Council and with the support of the Department of Health, the new standards of competence needed for regulation have been developed.

At the same time the staff and members of the Council have worked strenuously to ensure that the existing responsibilities of the Council are discharged fairly, efficiently and conscientiously. This has improved the existing system and raised standards of service provided by the Council; it has also helped maintain consumer and professional confidence in the Council and underpinned the ability of the Council to bring about the regulatory change.

What remains to be done

The modernisation of the formal framework of regulation is a useful step; however, the Health Professions Council, the Department of Health and the regulated profession now have the challenge of making the framework effective.

First and foremost, the Health Professions Council, having finally achieved this modest piece of regulatory reform, needs to ensure that in its support for dispensers over the next years it helps them swiftly along the road to being effective practitioners. I have every confidence that they are determined to achieve this.

Secondly, there is a clear need to continue with the development of a unified regulatory framework for audiologists which encompasses both the public and private sectors and supports a unified profession which enjoys public trust and support.

I believe that the profession now needs to seize the opportunity of its new, more professional regulatory framework to develop an effective redress system for customer complaints which is in accordance with contemporary standards of transparency and independence. It should also look to see how it can develop its service to its customers through better explanation, expectation management and price transparency to reduce complaints and increase public satisfaction.

Reflections

The Hearing Aid Council was brought into being to address mis-selling by aggressive salesmen. Like many regulatory bodies, it has faced challenges in terms of its small size, lack of power and frequent failure to engage with all stakeholders. Since its creation in 1968, the key aims of regulation have developed from those focused on the profession, to those focused on both the profession and consumer, to a primary focus on protecting the public. It fostered the slow growth and professionalisation of its regulated community, but by its highly prescriptive code it discouraged innovation. Its existence created a barrier to the development of a unified audiological profession, and it was not transparent in its relationship with the industry. While aspects of this may, at various times, have been apparent to parts of Government, the scale of the HAC was such that it could never justify sustained attention from Government within all the competing priorities which departments of State face.

The attempts over the years to put into place an effective framework for regulatory reform as a largely administrative process have been constrained by the need for and expectation of parliamentary scrutiny. The effect of this was that the period from the announcement of the abolition of the Council to the transfer of its responsibilities has been five years, with both primary and a range of secondary legislation needed to achieve it. More positively, within that time the Council has pursued an active policy – transforming the education of the profession and systematically working with all possible partners to prepare the profession and its stakeholders for the change and the opportunities and risks that it creates. These changes have prepared the way for modern, focused regulation under the Health Professions Council.

The transfer of functions to the HPC has been a highly effective piece of regulatory reform which has been carried forward, not of course simply by the efforts of the HAC and its staff, but by all stakeholders. The sustained commitment of the sponsoring team and other groups within BIS, engagement with the profession, and the unwavering support of the Health Professions Council, the RNID and other charities ensured that Ministerial commitment, parliamentary time and the support of the Department of Health finally delivered the change.

It is clear, therefore, that with clarity of vision and purpose, a wide engagement with stakeholders and the confidence to ask people to move beyond the architecture of existing institutions and look at real needs, major reforms can be achieved.

Conclusion

Finally, I would like to thank the Council members, our chief executive and the staff of the Council, who have over the years contributed to the transformation and worked so conscientiously to ensure that the transition to the new regulatory regime is effective. I would also like to thank Douglas Robinson and his team at BIS for their unwavering support and wise advice, Marc Seale and the Health Professions Council for their stamina and commitment, many friends at the RNID and other charities for their support, and colleagues from the Department of Health for their contributions. I wish them all well.

A handwritten signature in black ink, appearing to read 'Chris Hughes', written in a cursive style.

Chris Hughes OBE
Chairman

Chief Executive's statement

Sandra Verkuyten OBE

I am immensely proud of what the Council has achieved in partnership with consumers, the industry and Government over the last five years leading up to the transfer to HPC. While the HAC's journey has now come to an end, it is just beginning for the industry. New uncertainties and opportunities are opening up, and it will take determination, boldness and conviction to make the most of them. Hearing aid dispensing has been transformed in the 40 years since the HAC began, but new regulation, a new economic reality and new expectations mean it is up to the industry to lead from the front in the coming decades.

Together, the Council and our partners have shown real commitment to improving the consumer experience of buying a hearing aid for consumers. For example, complaints are better handled than in previous years. Many companies go to greater lengths to resolve issues without the customer needing to come to the regulator. Should BSHAA's customer care scheme become embedded and well-known, this will further this trend. When consumers did have to turn to the HAC, we handled their complaints more than twice as swiftly as in previous years and in an increasingly judicial manner. Not only did this improve the perception of the HAC and the profession, but it also reduced anxiety for registrants while reassuring their clients.

The Council has also worked together with its partners to revolutionise the way hearing aid dispensers are trained and educated. Previously, dispensers were trained using a company-based scheme. This route did not lead to any recognised qualification, nor did it encourage the development of more general skills now routinely expected of health professions regulated by the HPC. Consumer groups, universities, professional bodies, employers and Skills for Health worked with the HAC to produce a new foundation degree. The foundation degree is now in place at five universities across the UK and has completely replaced the old exam route. This year we also introduced a new university-based aptitude test for experienced professionals who wish to begin dispensing privately. The HPC will approve this and all our other approved courses. Aligning the level of training with that of other health professions helps provide a better service for the public and bolsters the standing of the industry.

It is not just through new education standards that the industry's status has improved. The profile of the profession has risen considerably within Government. The HAC is the first statutory body to be abolished after the Hampton Review on simplifying regulation and dispensers are the first statutorily registered profession to move into the HPC. It is expected that many more regulated professions will follow suit and so this experience is serving as a test case. The fact that we have worked together so effectively to make the transfer a reality and have improved public protection in the process has drawn plaudits in Parliament and beyond.

It would have been considerably harder to move legislation through Parliament without the support of consumer groups, in particular the RNID. The Council invested a great deal of effort over the years to bring about a new working relationship with consumer groups, one based on trust and a shared objective to help consumers access safe hearing care service. Unfortunately, it sometimes seems the relationship between consumer groups and the profession have not advanced to the same extent. This is one area where the industry could play a stronger leadership role with a view to improving delivery and reassuring the public.

Another area where there has not been as much progress over the years as I would have liked is in the type of complaints we receive. While one accepts that there will always be some disciplinary issues, it is concerning that the nature of those cases should remain so stable over time, suggesting a failure in our joint efforts to tackle them. Time and again over the years, registrants have been warned about the same key risks to their practice. One is poor audiometry, often deviating from basic procedures without due reason or without recording in patient notes why best practices were not followed.

Record keeping itself remains poor in comparison with other health professions. This ought to be of particular concern as from 1 April 2010, patient notes will be classed as health records, significantly raising the expectations about how they must be maintained and data protected. Furthermore, under HPC, dispensers will not just be held to account by other dispensers and members of the public (as they were at HAC), but other professions will also sit on disciplinary panels. A physiotherapist may have a different perception about what constitutes an acceptable health record than a dispenser traditionally had under the HAC.


Ethical issues are the other challenge the industry has failed to adequately resolve. Some dispensers still struggle with giving best advice, and companies must continue to improve their controls over recruitment and corporate governance.

I mentioned that the number of complaints we receive about dispensers has been fairly stable over time, averaging around 70 a year. This is low compared to the number of sales all our registrants make, but it is very high compared to other health professions in the HPC. Not only does this suggest dispensers have room to improve further, it also hints at one last area I would like to highlight where I think strong leadership is needed to move the profession forward.

I have spent a great deal of time as Chief Executive speaking to consumer groups and the industry but also to those in comparable professions, policy makers and people working in the NHS. From those discussions, it is clear that there is still not enough consensus amongst dispensers and employers on the need to drive up standards and maintain them. Where other professions are often accused of trying to raise their minimum levels of service too high, some in the dispensing profession are too often perceived to be bringing standards down. Not only does this reflect badly on more conscientious, strategic-thinking dispensers, it undermines the image of the profession in the eyes of those making high-impact decisions in the high street, the NHS and in Government.

The HPC will only regulate dispensers, not their employers. Where in the past, dispensers facing disciplinary action have looked to their companies to explain why there are no patient records or why a sale was conducted in a certain way, now the HPC will hold the dispenser directly to account. This is one reason why dispensers must take responsibility to drive up standards from below. But they must be supported by strong, responsible and respectable leadership from those at the top of major employers and the professional bodies.

Nobody should underestimate the challenge posed by new regulation, tightened economic conditions and ever-increasing competition. However, I have every confidence in the ability of the hearing aid audiology profession to continue the great work we have accomplished together now the HAC is gone. I wish dispensers all the best with their practice and their business and would like to record how much I have enjoyed working with the profession over the last five years.

A handwritten signature in black ink, appearing to read 'S.A. Verkuyten', with a stylized flourish underneath.

Sandra Verkuyten OBE
Chief Executive

The closure of the Hearing Aid Council and transfer of our powers to the Health Professions Council

On 31 March 2010, the Hearing Aid Council ceased regulating the independent hearing aid market. Our responsibility for registering individual Hearing Aid Dispensers was passed to the Health Professions Council. Employers of dispensers are to be regulated by existing, general consumer protection legislation. The Hearing Aid Council will be abolished during 2010.

This annual report covers the period from 1 April 2009 to 31 March 2010, the day of the transfer. It summarises the work we have done over the year to meet our responsibilities to the public, the industry and Government.

We have also included separate sections in this report devoted to a review of the Council's 40-year existence and to the transfer. The transfer section reviews how our partners worked with us to make the changeover happen and the lessons we learnt that can be applied to other public bodies being abolished or merged.

The Council

Our Council has 13 members. A biography of each member is included in this report. A register of members' interests is available from our office.

How are members appointed to the Council?

The Secretary of State for Business, Innovation and Skills appoints 12 Council members plus an independent Chairman. Four members represent each of the following groups:

- hearing impaired people;
- registered dispensers; and
- medical and technical experts.

Who has been appointed to the Council?

Those who served on our Council this year between 1 April 2009 and 31 March 2010 are shown below. All our members are appointed until the dissolution of the Council on 31 July 2010.”

Independent Chairman

Chris Hughes OBE

Representing hearing impaired people

Michael Bishop

David Pyle

Huw Vaughan Thomas

Denise Yates

Representing registered dispensers

Gerald Armstrong-Bednall

Mark Georgevic

Peter Ince

Peter Ormerod

Representing medical and technical experts

Tony Corcoran

John Oates

Deepak Prasher

Christopher Raine

What legislation gives the Council its powers?

The Council was created through the Hearing Aid Council Act (1968). This Act, together with subsequent amendments, sets out our objectives and powers. The Council exists to secure adequate standards of competence and professional conduct among people and companies dispensing hearing aids. To achieve this objective, the Council must:

- maintain a register of those who employ registered dispensers;
- maintain a register of suitably qualified dispensers of hearing aids;
- determine the eligibility for inclusion on the registers;
- publish a code of trade practice for registrants and ensure that they comply with the code;
- ensure that registrants meet a standard of competence as set by the Council; and
- deal with any relevant complaint received about registrants.

The Council is a body corporate and an executive non-departmental public body. Our sponsoring team within the Government is the Competition and Consumer Policy Directorate of the Department for Business, Innovation and Skills.

Council committees

The following diagram show the membership of each committee as at 31 March 2010.

Disciplinary Committee	Investigating Committee	Education & Training Committee & Examining Body	Strategy Executive Committee	Audit Committee
<p>Membership</p> <p>Chair Chris Hughes OBE</p> <p>Michael Bishop Tony Corcoran Mark Georgevic Peter Ormerod Christopher Raine Huw Vaughan Thomas John Oates Peter Ince David Pyle</p> <p>Executive Jonathan Bracke</p> <p>Clerk Amicie Knowles</p>	<p>Membership</p> <p>Chair Denise Yates</p> <p>Prof Gerald Armstrong-Bednall Prof Deepak Prasher</p> <p>Executive Jonathan Bracken</p> <p>Clerk Amicie Knowles</p>	<p>Membership</p> <p>Chair Peter Ormerod</p> <p>Prof Gerald Armstrong-Bednall John Oates Christopher Raine Prof Deepak Prasher Tony Corcoran</p> <p>Executive Stuart Holland</p> <p>Clerk Amicie Knowles</p>	<p>Membership</p> <p>Chair Huw Vaughan Thomas</p> <p>Mark Georgevic Michael Bishop Peter Ormerod Chris Hughes OBE</p> <p>Executive Chris O'Leary</p> <p>Clerk Sarah Cottis</p>	<p>Membership</p> <p>Chair Michael Bishop</p> <p>Christopher Raine Prof Gerald Armstrong-Bednall Peter Ince Co-opted Member Ivan Doncaster</p> <p>Executive Justin Parfitt</p> <p>Clerk Amicie Knowles</p>

During the past year, the following people have served terms on each committee:

Audit Committee

Michael Bishop (Chair)	Apr 2009 – Mar 2010
Prof Gerald Armstrong-Bednall	Apr 2009 – Mar 2010
Peter Ince	Apr 2009 – Mar 2010
Christopher Raine	Apr 2009 – Mar 2010

Disciplinary Committee

Chris Hughes OBE (Chair)	Apr 2009 – Mar 2010
Michael Bishop	Apr 2009 – Mar 2010
Tony Corcoran	Apr 2009 – Mar 2010
Mark Georgevic	Apr 2009 – Mar 2010
Peter Ince	Apr 2009 – Mar 2010
John Oates	Apr 2009 – Mar 2010
Peter Ormerod	Apr 2009 – Mar 2010
David Pyle	Apr 2009 – Mar 2010
Christopher Raine	Apr 2009 – Mar 2010
Huw Vaughan Thomas	Apr 2009 – Mar 2010

Education and Training and Examining Body Committee

Peter Ormerod (Chair)	Apr 2009 – Mar 2010
Prof Gerald Armstrong-Bednall	Apr 2009 – Mar 2010
Tony Corcoran	Apr 2009 – Mar 2010
John Oates	Apr 2009 – Mar 2010
Prof Deepak Prasher	Apr 2009 – Mar 2010
Christopher Raine	Apr 2009 – Mar 2010

Investigating Committee

Denise Yates (Chair)	Apr 2009 – Mar 2010
Prof Gerald Armstrong-Bednall	Apr 2009 – Mar 2010
Prof Deepak Prasher	Apr 2009 – Mar 2010

Strategy Executive Committee

Huw Vaughan Thomas (Chair)	Apr 2009 – Mar 2010
Michael Bishop	Apr 2009 – Mar 2010
Mark Georgevic	Apr 2009 – Mar 2010
Chris Hughes OBE	Apr 2009 – Mar 2010
Peter Ormerod	Apr 2009 – Mar 2010

Co-opted members

Ivan Doncaster sat as a co-opted member of our Audit Committee throughout the year. The Council is grateful for his significant contribution.

Biographies of Council Members serving at the year's end

Independent Chair

Chris Hughes OBE

Chris is a solicitor, a member of the Institute of Biology and a Fellow of the Royal Society of Arts. He has a long-standing interest in regulatory matters, consumer redress and the balance between private rights and public interests. He is chair of the National DNA Database Ethics Group advising the Home Office and Police on the ethical challenges raised by the retention and use of DNA profiles for forensic purposes. He is a member of an ethics committee advising the Department for Work and Pensions (DWP) on the use and combination of data sources. He is Chair of the UK Chemicals Stakeholder Forum, which advises the Department for Food, Environment and Rural Affairs (DEFRA) on risks of chemicals to the environment and to human health through the environment, and he chairs the Nitrate Vulnerable Zones Tribunal, considering the restriction of the use of nitrates in farming. He is a Tribunal Judge, chairing both Mental Health Review Tribunals and also Tribunals considering allegations of misconduct of members of local authorities in England. He is an Independent Assessor for Appeals and Complaints for the Student Loan Company. He was formerly a member of the board of the Legal Complaints Service (an independent public interest part of the Law Society) and of a number of health and local authorities and Solicitor to the British Medical Association (BMA). In his consultancy, he has advised public bodies and third sector organisations on strategy and governance issues. Chris was awarded an OBE in the 2009 New Year's Honours list for public service.

Representing hearing impaired people

Michael Bishop

Michael has a partial hearing impairment and in this capacity served for nine years on the board of the RNID, leaving as Deputy Chair. Michael's professional background is in social services, where he spent 13 years as a Director of Social Services in Cleveland and Manchester. After taking early retirement, he has held a variety of officer and consultant positions in the public and independent sectors. For six years he was a member of an NHS community services trust and resigned as a non-executive director of Derbyshire County Primary Care Trust in December 2008. In the independent sector, he is a former Chair of Heritage Care, a national provider of care services for elderly and disabled people and is a former Chair of the Derbyshire Association for the Blind. Within the criminal justice system, he is a magistrate on the High Peak Bench and a member of the Derbyshire Probation Board. He joined the Hearing Aid Council in 2004 and was Chair of the Strategy Executive Committee, transferring to Chair of the Audit Committee.

David Pyle

David began his professional life as a teacher and psychologist and after ten years moved into universities to train teachers. He retired as Pro-vice Chancellor of Manchester Metropolitan University in 1997, after a career at Humberside and Leeds polytechnics. Since he retired, he has held numerous consultancies, including work for the University Staff Development Agency and the Teacher Training Agency, and served as part-time chief inspector of an open college. He served as a lay member of the General Optical Council for seven years, and chaired its Education Committee and Disciplinary Panel. He is now a lay member of the Nursing and Midwifery Council and chairs its Audit, Risk and Assurance Committee, as well as an independent member of the Metropolitan Police Authority Misconduct Panel and a lay member of the Complaints Committee of the Bar Standards Board. David has a hearing loss and serves as a consumer representative on the Hearing Aid Council and its Disciplinary Committee.

Huw Vaughan Thomas

Since June 2001, Huw has been Director of Taro Consultancy Ltd, a North-Wales-based company specialising in organisational, governance and economic policy work in the public sector. He is currently a board member and Wales Chair of the Big Lottery Fund and an independent member of the Parole Board. He recently served as a member of the Commission on the Powers and Electoral Arrangements of the National Assembly for Wales. His earlier career was spent in the civil service and local government. He was formerly Chief Executive of Denbighshire County Council, Chief Executive of Gwynedd County Council and Director for Wales for the Manpower Services Commission and Department of Employment. Huw was awarded Companionship of the Chartered Management Institute for his services to public sector management in Wales. In his previous voluntary and public appointments, he has been, amongst other things, a member of the Higher Education Funding Council for Wales, a council member of the Prince's Trust Cymru, member of the National Trust's Committee for Wales, National Trustee for Wales of the RNID and a lay member of the Law Society's Governing Council. Huw has a profound hearing loss and has been a consumer member of the Hearing Aid Council since 2000.

Denise Yates

Denise has worked in the education and training field since 1984. She has 25 years' experience in marketing, including running her own strategic marketing consultancy for 12 years. She is currently Chief Executive of the National Association for Gifted Children. Denise is a Chartered Marketer, Fellow of the RSA, Cambridge MA and member of the Chartered Institute of Marketing and Institute of Fundraising. Amongst her many interests, she is a member of Young, Gifted and Talented's Stakeholders Group, a member of the Joint Educational Trust's Screening Committee and special needs adviser for Girl Guiding Bedfordshire. Denise is married and has two children, one of whom is hearing impaired.

[Representing registered dispensers](#)

Gerald Armstrong-Bednall

Gerald has been Professor of Audiology at De Montfort University, Leicester, since 2005, with responsibilities for the development of its foundation degree, BSc and MSc in Audiology. He has a substantial NHS background in audiology at the Nottingham University Hospitals. He was Chair of the Hearing Aid Council's Futures Education sub-committee, which was responsible for reviewing and making recommendations to the education routes for private dispensers. His main interest is in education and training, having been a member of the Council's Education and Training Committee and educational lead for the British Academy of Audiology until 2008. He has been awarded honorary life membership of the Academy for his contribution to the education and training of audiologists. He is a registered Clinical Physiologist and a Fellow of the British Society of Hearing Aid Audiologists, and he was recently appointed as a Partner and Fitness to Practice Panel Member by the HPC. He is also Director of a small, independent, private hearing aid dispensing practice.

Mark Georgevic

Mark qualified as a registered hearing aid dispenser in April 1996 and sits on the Council for the British Society of Hearing Aid Audiologists, where he was President until November 2008. Mark also sits on the Hearing Aid Council's Strategy Executive Committee and Disciplinary Committee. He qualified as a solicitor in February 1989 and is a Director of the Hearing Company and Scrivens Opticians

Peter Ince

Peter has had a long and varied career in the hearing aid industry and has been directly involved in the dispensing of hearing aids throughout the UK and lately in Europe. His experience as a trainee hearing aid dispenser with a national company in a practice-based role and then progressing through the company in various management positions was invaluable when developing his own group of hearing centres with like-minded colleagues, always with a focus on transparency and high street service provision.

Peter's philosophy of a transparent retail business model for hearing services was understood by Specsavers, with whom he has now worked for the last six years, during which time a national operation has been established. He is now primarily engaged in the professional services area of the business and has particular interest in developing both NHS and private hearing aid provision through the independent sector.

Peter has recently been appointed as a Partner and Fitness to Practice Panel Member by the HPC.

Peter Ormerod

Peter qualified as a registered hearing aid dispenser (RHAD) in 1985 and has practised for some 25 years, giving him a broad insight into all aspects of private hearing aid dispensing in high street centres, hospital environments and on a domiciliary basis, initially in a small family business and now as Chief Executive of David Ormerod Hearing Centres and Boots Hearingcare. In addition, since 2003 Peter has been involved in the establishment and execution of innovative public private partnership solutions to provide extra capacity to the NHS through the use of the independent sector. Peter has recently been appointed a panel member for the Health Professions Council.

Representing medical and technical experts**Tony Corcoran**

Tony heads the East Dorset NHS Audiology Service. His previous posts include Project Audiologist for the Commonwealth Society for the Deaf in Botswana and prior to that Staff Audiologist at Southampton University and at the Royal National Throat Nose and Ear Hospital, London.

John Oates

John is an Ear, Nose and Throat Consultant with a specialist interest in otology. Over the last two decades he has built a tertiary referral practice for reconstructive middle ear surgery for otosclerosis and other forms of conductive hearing loss. Having been in the vanguard of the use of the laser in middle ear surgery, he works closely with colleagues in the UK, Europe, India and the Americas to improve hearing results. He represents UK and Eire as elected representative on the Executive Committee of the European Federation for Oto-Rhino-Laryngological Societies (EUFOS). He is also Vice President of the Live International Otolaryngology Network (LION), which transmits live surgery worldwide. He teaches ossicular and stapes surgery widely in UK and European otology courses and is also a Senior Course Tutor for the European Academy of Otology and Neurotology (EAONO) and the American Academy of Otolaryngology-Head and Neck Surgery.

Deepak Prasher

Deepak is a consultant clinical scientist in audiology and head of the audiology department at the Royal Surrey County Hospital. He is an emeritus Professor of Audiology at University College London and currently teaches at University of Surrey.

He has co-edited six books and has over one hundred scientific publications. He is editor-in-chief of the international Journal of Noise and Health which he founded some eleven years ago.

He has been an advisor to the European Commission and the World Health Organization on matters of environmental noise and its effects on health. He has been a non-executive member of an NHS trust and is currently a trustee of the National Deaf Children's Society and Commonwealth Society for the Deaf, SoundSeekers.

Chris Raine

Chris was appointed as Consultant Otorhinolaryngologist at Bradford Royal Infirmary in 1986. He is clinical director of the Yorkshire Cochlear Implant Service and as such has been involved in hearing screening of newborns and the treatment of all aspects of hearing loss. He is executive officer and trustee of ENT-UK (formerly known as the British Association of Otorhinolaryngologists – Head and Neck Surgeons [BAO-HNS]) and Council member of the Section of Otology for the Royal Society of Medicine. He is also a member of the Royal Court of Examiners for the Royal College of Surgeons of England and an honorary senior lecturer at Leeds University and the Hull York Medical School.

Our principles

We follow the five principles of good regulation and the seven standards of public life. We expect all Council members and staff to work within these principles at all times.

The Better Regulation Task Force (BRTF) is an independent body that advises Government on action to ensure that regulation and its enforcement agree with the five principles of good regulation. Its publication, Principles of Good Regulation, was last revised in February 2003 and is available on its website at www.brta.gov.uk. Government departments and independent regulators should use these principles when considering new proposals and evaluating existing regulations.

The Better Regulation Task Force's five principles of good regulation are:

- proportionality – regulators should only intervene when necessary. Remedies should be appropriate to the risks posed and costs identified and minimised;
- accountability – regulators must be able to justify decisions and be subject to public scrutiny;
- consistency – Government rules and standards must be joined up and implemented fairly;
- transparency – regulators should be open and keep regulations simple and user friendly; and
- targeting – regulation should be focused on the problem to minimise side effects.

The Committee on Standards in Public Life exists to promote the highest standards of propriety in public life. Its principles should apply to all in public office.

The Committee on Standards in Public Life's seven standards of public life are:

- selflessness – holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends;
- integrity – holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties;
- objectivity – in carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
- accountability – holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
- openness – holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it;
- honesty – holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and
- leadership – holders of public office should promote and support these principles by leadership and example.

Review of register at 31 March 2010

This section summarises the status of the register at the end of 2009–10. The Council maintains two registers: one of registered dispensers and one of their employers.

At the year end (31 March 2010) there were 1,572 dispensers on the register, roughly 1.5 per cent more than last year. In terms of gender, 73 per cent of registrants are male. Figure 1 below shows that almost two thirds of dispensers are aged between 40 and 50 years old and that there are more dispensers registered in their sixties and seventies than in their twenties.

At 31 March 2010, there were 305 registered employers, down from 317 the previous year.

No. of dispensers by age range (years)

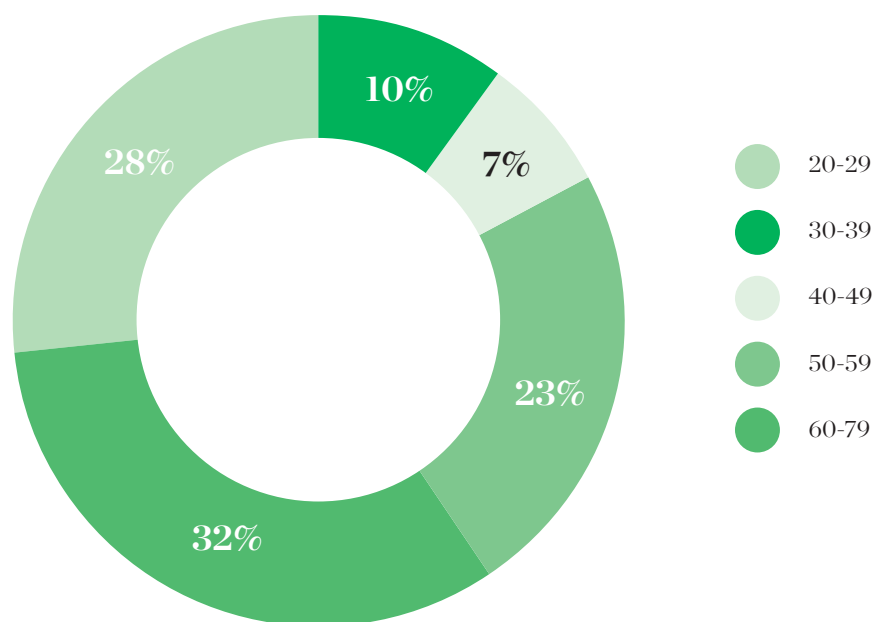


Figure 1: The percentage of RHADs on the register at year end by age range.

Review of complaints from 1 April 2010 to 31 March 2010

The Council received 31 new complaints in 2009–10. Twenty-one cases were brought to the Disciplinary Committee, and in each case the charges were found against the registrant. Two cases were brought against employers, and the remainder were against individual dispensers.

The most common upheld complaints were about the same three issues as in previous years: unethical conduct, failure to give best advice and poor audiometry.

The table below summarises the disciplinary cases held, the charges brought against each registrant and the outcome. Note, in some cases, there is more than one charge against the registrant.

Date Of Hearing	Reg Number	Name	Charge And Clause	Penalty
31.03.10	100343	Regional Hearing Services	Charge 1 [Clause 1a]	Charge proved £3000 sanction Costs £3000
01.03.10	5344	Costello, Neville	Charge 1 [Clause 1a]	Charge proved Erased from Register Costs £2926
24.02.10	50644 5484	Witter, Alan Witter, Derek	Charge 1 [Clause 3] Charge 1 [Clause 3]	Charges proved Admonished Costs £500
02.02.10	5657	Adams, David	Charge 1 [Clause 1a]	Charge proved Qualifying promise Fine £1,000 Costs £2,000
29.01.10	5349	Cunningham, Antony	Charge 1 [Clause 1a]	Charge proved Qualifying promise Fine £500 Costs £1,121
29.01.10	2840	Ellman-Brown, Alison	Charge 1 [Clause 5] Charge 2 [Clause 9a] Charge 3 [Clause 3]	Charge proved. Qualifying promise. Fine £500 Charge proved. Fine £1,000 Charge proved. Fine £500. Costs £1,273
22.01.10	50339	Gostelow, Nicholas	Charge 1 [Clauses 3 and 7c] Charge 2 [Clauses 7c and 9]	Adjourned. Charge proved. Fine £1,000 Costs £959.50
22.01.10	5680	Fisher, David	Charge 1 [Clause 3] Charge 2 [Clause 9a]	Charge proved. Fine £1,000 Charge proved. Fine £500 Costs £2,000
22.01.10	5249	Iles, Robert	Charge 1 [Clause 3] Charge 2 [Clause 9a]	Charge proved. Fine £1,000 Charge proved. Fine £1,000 Costs £1,596
04.12.09	5531	Ormrod ¹ , Peter	Charge 1 [Clause 1a]	Charge proved. Suspended from the Register for 2 months, Fine £3,000 + Costs £1,672
24.11.09	2798	Goodman, Alastair	Charge 1 [Clause 3]	Charge proved Admonished Costs £500

Date Of Hearing	Reg Number	Name	Charge And Clause	Penalty
24.11.09	5128	Ahmedabadi, Rumana	Charge 1 [Clause 9a]	Admonished Costs £500
14.10.09	50405	Richards, Christopher	Charge 1 [Clause 9a]	Charge proved No sanction
05.10.09	18600	Hidden Hearing Ltd	Charge 1 [Clause 1a]	Charges proved No sanction
08.09.09	50041	De Wit, Iain	Charge 1 [Clause 1a] Charge 2 [Clause 1a]	Charges proved Erased from the Register Costs £10,000
07.09.09	3020	Harrison, Stewart	Restoration	Restored to the Register Costs £691
07.07.09	5330	Willis, Terence	Charge 1 [Clause 9a] Charge 2 [Clause 3]	Charge proved. Admonished Charge proved. Admonished
07.07.09	2931	Haddon, Nigel	Charge 1 [Clause 9c]	Charge proved Fine £500 Costs £1,940
30.06.09	2796	Field, Michael	12 charges [Clauses 1a & 18]	Charges proved. Suspended from Register for 3 months Costs £15,000
17.04.09	18600	Hidden Hearing Ltd	Charge 1 [Clause 21] Charge 2 [Clause 21] Charge 3 [Clause 21]	Charge proved. Fine £1,500 Charge proved. Fine £1,500 Charge proved. Fine £1,500

¹ Please note, this is not the Peter Ormerod who serves as an HAC Council member.

Directors' report and management commentary

Our Executive Team has four Directors. They are:

Sandra Verkuyten OBE	Chief Executive and Accounting Officer
Jonathan Bracken	Director of Legal Services, Solicitor to the Council
Chris O'Leary	Registrar and Director of Policy
Justin Parfitt	Managing Director and Director of Resources

Summary

Our two primary objectives for this year were to make the transfer to HPC as successful as possible and to uphold confidence in our ability to protect the public throughout our final year. Our preparations for the transfer received praise in Parliament and beyond. This work is covered in more detail in Appendix Two of this report, which is devoted to the transfer. Just as importantly, we further improved our complaint-handling procedures and ended the year on budget.

Finance

The HAC closed the year with a deficit of £23k and reserves carried forward of £167k. The objective for the Council is to achieve at least a break-even position each year. This was not achieved in 2009-10 in the approach to abolition, although positive HAC reserves were maintained as at 31 March and are expected to be held as at 31 July 2010 at abolition.

Investigation and Disciplinary Committee legal costs fell below budget for the year further to reduced case activity, and case costs further to the change in legal advisors as referred to below. These savings were offset by the costs of defending a further Judicial Review case in 2009-10.

Retention and registration fee income fell below expectation, mainly due to a significant number of individual and corporate registrants voluntarily removing themselves from the register. The 2009/10 retention fee was set at £695, including £60 in respect of the residual period from 1 April to 31 July 2010 after transfer of the register, and regulatory functions of HAC, to the HPC on 31 March 2010. £236,328 is included in deferred income in this respect.

The bank interest we received reduced due to a fall in interest rates.

Net disciplinary costs and fines awarded to the Council totalled £65k, which, after write back of provisions for doubtful debts of £29k and £76k bad debts written off, offset the costs of the disciplinary process in the year by £18k.

It is considered that the HAC has sufficient cash and reserves to meet its liabilities for the residual period. Any remaining net assets, as at 31 July 2010, will be transferred to the Secretary of State for the Department of Business Innovation and Skills.

Prompt payment policy

Under Government guidelines, our creditor payment policy during the year was to pay all creditors within 10 days of receipt of an invoice, except in the instance where there may be a query or dispute regarding an invoice.

Payments were made to suppliers during the year as follows:

2009-10	Number	£
Total invoices paid	418	621,900
x Total invoices paid within 10-day target	370	581,929
Percentage of invoices paid within 10-day target	89%	94%

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

The balance owed to trade creditors as at 31 March 2010 was £19,504 (2008-09: £156,782). As a proportion of the total amount invoiced by suppliers in the year, this is equivalent to eight days (2008-09: six days).

Complaints and disciplinary action

The Council appointed a new legal team from 1 April 2009 following a competitive tendering process. Jonathan Bracken, of Bircham Dyson Bell, became Legal Director and Solicitor to the Council and Kingsley Napley, led by Michael Caplan QC, became the Council's legal contractors for handling complaints and disciplinary hearings.

The new legal contractors strengthened our complaint-handling procedures. Furthermore, the appointments supported the transfer since both Jonathan Bracken and Kingsley Napley fulfil similar roles for the HPC. Their expertise in this latter area has been invaluable and allowed us to resolve the risks identified with the transfer of complaints during 2009-10 rather than at the time of the transfer.

Policy and communications

The Council's policy work this year has concentrated on ensuring the transfer to HPC is a success.

We took the step of publishing a mid-year summary of complaints and our financial position. This was in response to feedback from our stakeholders that they would like additional information from the Council in its final year.

To raise awareness of the transfer amongst consumers, we have worked jointly with the HPC on a publicity campaign which will climax on 1 April 2010, the first day of regulation under HPC. The campaign aims to increase understanding of the HPC's role and powers, encouraging consumers to check that their dispenser is registered. It targets local and national broadcast and print media, including publications read by likely consumers and their families.

As part of the campaign, we contacted all NHS GPs and patient liaison services to offer them free publicity materials. HPC registrants can also apply for free materials to distribute to consumers. We ensured the Citizens' Advice Bureau, Trading Standards, Consumer Direct, Age UK, Hearing Concern LINK and RNID had all the information they needed to understand the transfer.

We invested considerable time in supporting the passage of legislation required to make the transfer happen. Along with the Department of Health, BIS and the HPC, we drafted legislation and briefed Parliamentarians. We also addressed the All Party Group on Deafness with the HPC.

On our website, we launched a dedicated transfer section. Here we published answers to frequently asked questions that were agreed with our stakeholders about the legislation and the transfer itself.

Operations

The transfer has been a unique operational challenge for our operations unit. The operations team has been responsible for preparing all data and records that need to be transferred to the HPC and BIS. In addition, the team has strengthened all controls in recognition of the greater risks attached to the transition period. At the same time, staff have been involved in a training and education programme to help them find alternative employment at abolition and, of course, delivering the high quality day-to-day services the public and dispensers expect.

Much more than just a register has been transferred to HAC. The register itself was transferred successfully and safely on time following several test runs with the HPC and the HAC's database contractor. But the HPC also took all historical data we held on complaints, disciplinary cases, education programmes and registrations. This substantial archive had to be recorded, organised and transported.

Our sponsor unit in BIS will also take on a large record of the HAC, in particular relating to our finances and governance over the years. We hold most of these data in two databases. It has taken an unexpectedly large investment of time and resources to find a way to pass this information to the BIS IT system so the department can access the data they may need in the future.

Our team has also agreed a strategy with the Audit Committee to dispose of all our assets before closedown. The team has begun to implement this strategy.

Since the Council has been responsible for regulating the industry up to the point of transfer, the above work has been carried out alongside the team's standard workload managing the register and dealing with consumers.

Lastly, the team has been in the unusual and at times stressful situation of working hard to make the transfer happen while at the same time realising this will bring about their own redundancies. Staff have handled this tension admirably. To help staff, the Council approved a training and education budget for all staff to help them find alternative employment. A bespoke programme was put in place for each staff member, helping them access skills training and coaching on how to secure new jobs. We will continue this support until we close down.

Audit Committee

The Audit Committee exists to help the Council meet its responsibilities for risk control and governance. The Committee agrees and oversees the internal and external audit strategies.

This year the Committee has monitored the changeover to International Financial Reporting Standards which change the reporting basis for the HAC accounts. The Committee also ordered a review of the Council's data-handling procedures and was pleased to see the Council awarded the best rating possible for its strong control in this area. Internal audit also reviewed the Council's preparations for the transfer at the request of the Audit Committee with a similarly reassuring result.

Education and Training Committee and Examining Body

This Committee sets and maintains the standards for entry to and continuing practise on the HAC register.

The Committee revalidated all HAC-approved degrees ahead of the transfer to HPC. All approved courses will now become routes on to the new HPC register. The Committee also approved a fifth foundation degree-level qualification, a diploma in Hearing Aid Audiology at Queen Margaret University in Edinburgh.

The Committee introduced new CPD rules from 1 April which mirror those to which dispensers will have to adhere under the HPC. By making this change early, the Committee hoped to smooth the transition for dispensers as well as foster understanding amongst the profession of the greater emphasis HPC places on professional judgement over prescriptive standards.

To allow a route on to the register for experienced practitioners who do not hold an approved qualification, the Committee approved a new route on the register for aptitude candidates. The new route involves a practical and written exam and is administered by two approved test centres at Anglia Ruskin and De Montfort Universities. The HPC will work to approve this route, and the universities expect to hold the tests quarterly depending on demand.

Strategy Executive Committee

The Strategy Executive Committee has overall responsibility for implementing the Council's vision and strategic objectives. To support the transfer, the Committee reviewed the executives' transfer planning and then focused on the key areas where support is needed. The Committee acted to shape the Council's communication strategy, contributed to drafting and supporting the passage of legislation and providing guidance on mitigating major risks, such as those concerning staff retention.

The year ahead: objectives and risks

Objectives

The Council will continue to exist in 2010–11 until it has closed down and laid final accounts in Parliament. The Council will have no regulatory powers from 1 April 2010. Our objectives for the year ahead are therefore focussed on ensuring that all our assets and resources are properly accounted for and we fully meet our obligations to Government, particularly in relation to audit.

Environmental, social and community issues

The Hearing Aid Council does not have defined environmental, social and community policies; however, in the last year we have taken positive steps towards reducing our environmental impact. We have:

- consolidated meetings so that attendees reduce their travel;
- increased the number of virtual meetings and conference calls;
- encouraged use of public transport wherever possible;
- encouraged paperless communications where possible;
- recycled paper and other consumables; and
- recycled IT hardware where possible.

Our primary objective is to protect and serve the public. We work closely with consumer and advocate groups, particularly those working with hard of hearing and elderly people.

We will continue to review our environmental and social impact in the coming year

Employment policy

We are committed to ensuring the promotion and development of equal opportunities and valuing diversity. All employees and job applicants will receive fair treatment regardless of any other factor.

Our equal opportunities policy was reviewed most recently in November 2006. Our policy states that as an organisation we:

- must conform to the legal requirements of appropriate Acts of Parliament; and
- seek to dismantle the barriers that prevent equality of access to services, employment, promotion and development for all.

We review the diversity of our staff and job applicants on an ongoing basis and are confident our equal opportunities policy is working well. Given our low staff numbers, we prefer not to report diversity levels to protect staff confidentiality. However, further information on how our policy works in practice can be requested from our office.

Auditors

Under the Government Resource and Accounts Act 2000 (Audit of Public Bodies) Order 2004, the Comptroller and Auditor General is the statutory auditor of these accounts.

The audit fee for 2009–10 was £23,000 (2008–09: £18,000), this includes £3000 underprovided in 2008-09 and fees paid to the NAO in respect of the HM Treasury IFRS Trigger Point process in the sum of £3k (2008/09: £2k).

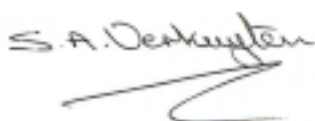
As far as I am aware, there is no relevant audit information of which our auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that our auditors are aware of that information.

Going Concern and Transfer of Functions

These accounts have been prepared on a going concern basis. Under the Convention of Machinery of Government changes, this is deemed appropriate where functions are continuing.

The Healthcare and Social Care Act 2009 provides for the abolition of the Hearing Aid Council and the transfer of its functions to the Health Professions Council on the 31 March 2010. The Council's functions will continue in operational existence for the foreseeable future albeit through different delivery bodies. Accordingly, it has been considered appropriate to adopt a going-concern basis for the preparation of these financial statements

After the close down period of the HAC from the 1 April 2010 to 31 July 2010, the remaining assets and liabilities will be transferred to BIS for administration by them under the Hearing Aid Council (transfer of property, rights and liabilities) order 2010.



Sandra Verkuyten OBE
Chief Executive & Accounting Officer
13 July 2010

Remuneration Report

Remuneration and Terms of Service Committee

The Council's Remuneration Committee comprises the independent non-executive Chair, Chris Hughes; Strategy Executive Committee Chair, Huw Vaughan Thomas; Chair of Audit, Michael Bishop; plus Mark Georgevic and Chris Raine.

The Committee is responsible for the implementation of remuneration policy and determining specific remuneration packages for the Chief Executive and Directors.

The Committee reviews salaries from year to year for the remuneration of its Chief Executive and Executive Directors, taking market forces into account. The Committee has access to advice provided by the Department for Business, Innovation and Skills and other third parties as considered necessary.

The Directors were not involved in the determination of, nor voted on, any matter relating to their own remuneration.

The Chief Executive Officer reviewed the performance of the other Directors on an ongoing basis during the year.

Base salary

A base salary is established for each executive director determined by market salary levels for similar positions in comparable organisations derived from independent sources. Base salaries are reviewed annually.

Other remuneration

A retention bonus was agreed by HAC Council members at a meeting in February 2009 for all permanent staff in continuous employment, with satisfactory performance, to 31 May 2010.

Pension

No pension provision was made for HAC officers during the year.

Senior managers

The remuneration of senior managers was as follows:

	Contract	Notice	2009–10	2008–09
	Date	Period	Base Salary and retention bonus ²	Base Salary
			£'000	£'000
Sandra Verkuyten OBE Chief Executive and Accounting Officer	15 March 2006	3 months	50–55	30–35
Chris O'Leary Registrar and Director of Policy	15 March 2006	3 months	45–50	35–40

Justin Parfitt Managing Director and Director of Resources	1 April 2006	3 months	30-35	20-25
Janet Hawthorne Director of Legal Services (to 31 March 2009)	N/A	N/A	-	10-15

Contracts

Contracts are offered to employees on a permanent basis, subject to certain requirements being met and successful completion of a probationary period.

Amounts paid to third-party organisations		2009-10	2008-09
		£	£
Jonathan Bracken (from 1 April 2009)	Director of Legal Services	62,921	-

The contract for the current Director of Legal Services was effective from 1 April 2009 to 31 March 2010, extended to 31 July 2010, with a termination notice period of six months. Please see note 16 to the accounts.

As set out in note 12, a provision was made in 2009-10, in the sum of £109,322, for compensation for loss of office of all permanent staff, in accordance with the Civil Service Compensation Scheme, further to implementation of the necessary enabling legislation to abolish the HAC effective 31 July 2010.

A provision was also made for the cost of a staff retention bonus in the sum of £24,341.

The amounts provided above in respect of the senior managers were as follows:

	Compensation for redundancy £'000	Retention bonus £'000
Sandra Verkuyten	25-30	0-5
Chris O'Leary	25-30	0-5
Justin Parfitt	15-20	0-5

Staff had employment conditions that were analogous to civil servants and therefore the redundancy provisions were equivalent to those in the Civil Service Compensation Scheme. No redundancy payments were ex-gratia or extra contractual.

No expense allowances or non-cash benefits were made during the year (2008-09 nil).

No compensation was paid to former senior managers.

The Comptroller and Auditor General's opinion relates only to the Senior Management remuneration tables above. Other sections of this remuneration report were not audited.

² Base salary plus retention bonus but excluding compensation for redundancy as shown below.

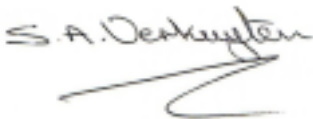
Council members

The Chair and Council Members are paid a daily attendance allowance for Council duties and are reimbursed for their actual expenses for travelling and subsistence. This is as approved by the Department for Business, Innovation and Skills, with attendance allowances for members in excess of 25 days approved by the Chairman. Chairman allowances in excess of 70 days are approved by BIS.

Included in the charge shown in the accounts is an amount of £20,576 (2008-09: £20,926) in respect of employer's national insurance and PAYE settlement tax for members.

For the year under review, the following attendance allowances were paid to Council Members:

	2009-10 £'000	2009-10 Days	2008-09 £'000	2008-09 Days
Hughes OBE, Christopher	15-20	58.5	20-25	80.5
Yates, Denise	0-5	19.5	0-5	6.5
Bishop, Michael	5-10	33.5	0-5	22.0
Georgevic, Mark	0-5	11.0	0-5	9.0
Prasher, Deepak	0-5	22.0	0-5	18.0
Thomas, Huw	0-5	11.5	0-5	17.5
Ormerod, Peter	0-5	19.5	0-5	16.5
Corcoran, Anthony	0-5	2.0	0-5	15.5
Armstrong-Bednall, Gerald	0-5	17.0	0-5	19.5
Brook CBE, Norma (deceased)	-	-	0-5	11.5
Raine, Christopher	0-5	8.0	0-5	8.0
Oates, John	0-5	3.5	0-5	6.5
Ince, Peter	5-10	29.5	0-5	14.5
Pyle, David	0-5	20.0	-	-



Sandra Verkuyten OBE
Chief Executive and Accounting Officer
13 July 2010

Statement of the Council's and Accounting Officer's responsibilities

The Hearing Aid Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State with the approval of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end and of its income and expenditure and cash flows during the financial period.

In preparing the accounts, the Council is required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments 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; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive Officer as the Accounting Officer for the Council. The relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the *Non-Departmental Public Bodies' Accounting Officer Memorandum* issued by the Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Hearing Aid Council's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The purpose of the system of internal control

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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental 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. The system of internal control has been in place in the Hearing Aid Council for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

The Council has displayed strong leadership in building risk-handling capacity on two fronts this year: fulfilling the Council's ongoing statutory duties and preparing for its abolition.

To fulfil its statutory regulatory duties, it agreed a mission statement with stakeholders and agreed a corporate plan against which progress is monitored annually. To prioritise high-risk areas in its regulatory activity, the Council agreed a Statement of Regulatory Intent with stakeholders. Annual budgets and work plans build upon this strategic risk appraisal.

This strong leadership is supported by training for Council members and staff to enable them to understand and deliver work which manages risks. Staff were involved in budget setting, risk appraisal and developing the Statement of Regulatory Intent. Communication within the organisation is the primary focus of the Accounting Officer's role, particularly in light of the impending abolition of the HAC.

To handle risks related to the abolition process, the Council has agreed strategic objectives for the abolition and a detailed project plan. This plan is regularly reviewed at the Council's management and operational level and with key stakeholders, in particular with the Health Professions Council and our sponsor unit in BIS. In addition, a member of HAC staff attended all Health Professions Council project meetings to understand any potential control risks from our joint working. This wide review process identifies risks, which are in turn brought to the risk register, and monitors the success of mitigation procedures.

The risk and control framework

Our systems to control risk and resources allow me to keep the Minister well informed via our sponsor department and monitor risk at all levels of my organisation.

The Audit Committee met five times during the year to provide assurance on the effectiveness of control and includes an external, co-opted member. The Audit Committee agrees the risk register which is in turn signed off by full Council along with the Audit Committee minutes.

I have very frequent formal and informal contact with the sponsoring department. Formally, my Directors and I meet with the sponsoring department at least quarterly and more frequently if necessary in times of heightened risk. The abolition was viewed to be a time of heightened risk, and so meetings were increased to six weekly. The Department for Business, Innovation and Skills is our appointed internal auditor and sits on our Audit Committee, which strengthens information flows and awareness of our controls and risk. During the year, it was agreed that a member of the BIS sponsor unit should also attend the Audit Committee to improve information flows during the abolition process. Our sponsor unit also attends our Council meetings.

The HAC is a small organisation. Staff at all levels are aware of departmental and organisational risks. I meet with members of my executive management team and Operations Manager fortnightly. Risk and financial controls are a standing item at each meeting. In times of heightened risk, meetings may be more frequent and clear mitigation plans are agreed and monitored. The Operations Manager runs a team of three staff who meet at least weekly. At these meetings, risk is discussed, mitigation plans monitored and clear responsibility delegated. The abolition plan is reviewed and assessed in all these meetings.

We work closely with industry and consumer stakeholders in our policy and communications work. This process enables us to inform them of risk and formulate effective mitigation plans. We seek advice externally where suitable and aim to build on best practice elsewhere.

The Council takes its data handling responsibilities seriously, and a range of policies and procedures were implemented in the year in order to comply with Cabinet Office requirements. Assessment of the effectiveness of the implementation of these policies and procedures was carried out by BIS during the year, in accordance with Cabinet Office guidance, with favourable outcomes.

Data handling is a standing item on Audit Committee agendas.

There were no data risk incidents to report in 2009–2010.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The management letter and an internal review have not found any weaknesses. Both found the HAC to have a strong control environment. The Council initiated a top-down review at staff and executive management team level to review risk appetite, satisfaction with the level of information about risk, perceived levels of risk and how processes can best adapt to impending abolition. Performance was judged to be highly satisfactory.

As Accounting Officer, I have primary accountability for reviewing the effectiveness of risk management and internal control within the organisation and the completion of the overall HAC Statement on Internal Control on behalf of my organisation.

In relation to the wider governance system, style and behaviours operating within the organisation, I have documented my current state assessment in a Corporate Governance Submission to BIS.

I have also satisfied myself that the following factors, which underpin the effectiveness of risk management and internal control, have been adhered to in HAC, throughout the year. There are no areas where positive assertions cannot be made in this regard.

Risk management

1. **“My staff and I are sufficiently aware of the risks to achieving our objectives”**
 - a. Risk identification and prioritisation is conducted regularly and consistently, including the assessment of risks against defined criteria (reputation and credibility, operational delivery, financial performance, compliance).
 - b. HAC regularly reviews objective risk register(s) relevant to the organisation.
 - c. HAC has debated and reported any significant changes to the organisation’s risk profile or risk appetite on a timely basis.

2. **“My staff and I are capable of applying basic skills, tools and techniques to identify, assess and prioritise risks inherent to delivery, and evaluate actions in place or required to manage them”**
 - a. When a risk has been identified, ownership has been assigned to appropriate individuals to develop risk management actions to address the risk. These action plans have been developed and implemented in a timely manner.
 - b. My staff have received appropriate guidance/training to ensure they are sufficiently risk-aware and are equipped to manage risk in a way that is appropriate to their authorities and duties.
 - c. Where management of any individual risk is not within my or my team’s control, it has been documented and elevated to the appropriate level of management within HAC and, where appropriate, contingency plans have been put in place.

3. **“My staff and I ensure decisions to pursue new policies and approaches are made with due consideration of the ‘appetite’ there is for taking risks in pursuit of objectives or targets”**
 - a. HAC has debated the organisation’s risk appetite, and the conclusions have been communicated to staff.
 - b. Risks have been considered at key decision points within HAC during the year (e.g., within policy submissions, project gates and purchasing approval).

Financial control

4. **“As Accounting Officer I have overall responsibility for financial control in my organisation. I ensure that”:**
 - a. All staff, including non-finance staff, are aware of their financial responsibilities and have the knowledge and skills required to discharge responsibilities delegated to them.
 - b. Budgets are properly managed (i.e., budgets are not overspent or significantly underspent) and resources are allocated appropriately between competing priorities.
 - c. The internal financial control components covering the reliability of financial management information, particularly relating to forecasts, budgets and actuals, are used to support accurate financial reporting and inform resourcing decisions throughout the year.

I am satisfied that HAC complies with relevant rules and procedures as set out in *Managing Public Money*.

Significant internal control

5. Were a significant internal control issue identified, the steps below would be followed:
- a. A corrective action plan developed to mitigate or anticipate the exposure at Unit level, where practical and possible;
 - b. Where not practical or possible, the issue escalated to the Department for Business, Innovation and Skills for consideration/action
 - c. Internal Audit notified; and
 - d. The issue and response adequately communicated within HAC to emphasise lessons learned and enable process improvements where required.

There were no significant internal control issues that occurred during the year.



Sandra Verkuyten OBE
Chief Executive & Accounting Officer
13 July 2010

³The amount of risk we are prepared to be exposed to at that point in time.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Hearing Aid Council for the year ended 31 March 2010 under the Hearing Aid Council Act 1968. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Council, Chief Executive and Auditor

As explained more fully in the Statement of the Council's and Chief Executive's Responsibilities, the Chief Executive is 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 the financial statements in accordance with applicable law and 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 Auditors.

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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 Council's affairs, as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Hearing Aid Council Act 1968 and directions issued by the Secretary of State.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Hearing Aid Council Act 1968 and directions made by the Secretary of State; and
- the information given in the Directors' Report and Management Commentary 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria London
SW1W 9SP

Date

Financial Statements

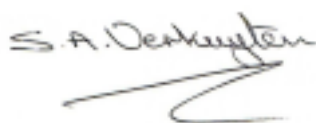
Income and expenditure account for the year ended 31 March 2010

	Note	2009-10	2008-09
		£	£
		£	
Expenditure			
Staff costs	3	410,454	253,471
Other operating costs	4	834,207	1,086,563
		-----	-----
Total expenditure		1,244,661	1,340,034
		-----	-----
Income			
Registration and retention fees	1(d)	1,142,277	1,157,935
Other operating income	6	65,718	356,821
		-----	-----
Total income		1,207,995	1,514,756
		-----	-----
(Deficit)/surplus for the period		(36,666)	174,722
Cost of capital reversal	1(g)	6,242	3,059
		-----	-----
		(30,424)	177,781
Interest receivable		7,134	27,036
		-----	-----
Net (expenditure)/income		(23,290)	204,817
		=====	=====

The notes on pages 44 to 57 form an integral part of these financial statements.

Statement of financial position as at 31 March 2010

	Note	31 March 2010 £	31 March 2009 £	1 April 2008 £
Non-current assets				
Property, plant and equipment	7	1,750	9,333	14,908
Intangible assets	8	9	9	250
		-----	-----	-----
Total non-current assets		1,759	9,342	15,158
		-----	-----	-----
Current assets				
Trade and other current assets	9	57,711	59,666	43,250
Fixed interest deposit	9	390,000	-	-
Cash and cash equivalents	10	200,928	905,453	568,976
		-----	-----	-----
Total current assets		648,639	965,119	612,226
		-----	-----	-----
Current liabilities				
Trade and other payables	11	(346,671)	(784,476)	(642,216)
Provisions	12	(137,032)	-	-
		-----	-----	-----
		(483,703)	(784,476)	(642,216)
		-----	-----	-----
Non-current assets plus net current liabilities		166,695	189,985	(14,832)
		-----	-----	-----
Assets less liabilities		<u>166,695</u>	<u>189,985</u>	<u>(14,832)</u>
Taxpayers' equity:				
General fund		<u>166,695</u>	<u>189,985</u>	<u>(14,832)</u>
		-		



Sandra Verkuyten OBE
13 July 2010
Chief Executive and Accounting Officer

The notes on pages 44 to 57 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 March 2010

	Note	22009-10 £010 £	2008-09 £
Cash flows from operating activities:			
Operating (deficit)/surplus before cost of capital reversal		(36,666)	174,722
Interest received		7,134	27,036
Adjustment for non cash transactions	4	13,825	11,122
Decrease/(increase) in receivables	9	1,955	(16,416)
(Decrease)/increase in payables	11	(437,805)	142,260
Increase in provisions	12	137,032	-
Net cash inflow from operating activities		(314,525)	338,724
Cash flows from investment activities			
Investment in fixed interest deposits		(390,000)	-
Purchase of property, plant and equipment	7	-	(2,247)
Net cash outflow from investment activities		-	(2,247)
(Decrease)/increase in cash and cash equivalents	10	(704,525)	336,477
(Decrease)/increase in cash and cash equivalents	10	(704,525)	336,477
Cash and cash equivalents as at 1 April	10	905,453	568,976
Cash and cash equivalents as at 31 March	10	200,928	905,453

The notes on pages 44 to 57 form an integral part of these financial statements.

Statement of changes in taxpayers' equity for the year ended
31 March 2010

	Income and expenditure reserve
	£
2008-09	
Balance as at 31 March 2008	(14,832) =====
Changes in reserves 2008-09:	
Retained surplus for the year	204,817 -----
Total recognised income and expenditure for 2008/09	204,817 =====
Balance as at 31 March 2009	189,985
Balance as at 1 April 2009	189,985 =====
Changes in reserves 2009-10:	
Deficit for the period	(23,290) -----
Total recognised income and expenditure for the period	(23,290) =====
Balance as at 31 March 2010	166,695 =====

The notes on pages 44 to 57 form an integral part of these financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

1 (a) Basis of preparation

The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State with the approval of the Treasury. The particular accounting policies adopted by the HAC are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

The financial statements have been prepared under the historical cost convention, modified, where material, to account for the revaluation of non-current assets as their value to the business by reference to their current costs.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act and accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate. The accounts also comply with HM Treasury's *Financial Reporting Manual (FReM)*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the UK public sector context. The HAC prepared accounts in accordance with IFRS for the first time in 2009–10 and the impact of this first-time adoption is disclosed under note 2.

In the application of the Council'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.

1(b) Going concern and transfer of functions

These accounts have been prepared on a going concern basis. Under the Convention of Machinery of Government changes, this is deemed appropriate where functions are continuing.

The Healthcare and Social Care Act 2009 provides for the abolition of the Hearing Aid Council and the transfer of its functions to the Health Professions Council on the 31 March 2010. The Council's functions will continue in operational existence for the foreseeable future albeit through different delivery bodies.

Accordingly, it has been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

1(c) Government grants

Grant income received from the Department for Business Innovation and Skills (BIS) is treated as contributions from a controlling party giving rise to a financial interest in the residual interest in HAC, and it is therefore accounted for as financing by crediting it directly to the general fund on a cash received basis in compliance with the *FReM*. No grants were received in 2009–10 (2008–09: £nil).

1(d) Income

Retention and registration fees are credited to the income and expenditure account in the period to which they relate. Any income received in respect of future periods is included within deferred income. Retention fees paid in 2009–10 at £695 included £60 in respect of the period 1 April to 31 July 2010 and is shown as deferred income as at 31 March 2010.

Disciplinary fines and costs are recognised in the period in which they are awarded.

1(e) Non-current assets

Tangible assets

Assets are capitalised as non-current assets if they cost, on an individual or grouped basis, £1,000 or more. They are stated at cost less depreciation. Depreciation is provided to write off the cost of these assets over their estimated useful economic lives on a straight line basis over the following periods:

Office equipment	5 years
Computer hardware	3 years

A full month's depreciation is charged in the month of acquisition.

Intangible assets

Intangible assets are stated at cost less amortisation. Amortisation is provided on a monthly basis to write off the cost of these assets over their estimated useful economic lives on a straight line basis over the following periods:

Computer software licences	3 years
----------------------------	---------

A full month's amortisation is charged in the month of acquisition.

Under the principles of modified historic cost accounting, depreciated replacement cost is deemed a suitable proxy where the asset has a short useful economic life or is of low value. On this basis, indexation has not been applied this year. Asset valuations are to be reviewed on an annual basis at each statement of financial position date to ensure that the carrying value fairly reflects current cost. Depreciation is still charged on the remaining useful economic life of the brought forward, re-valued asset base.

1(f) Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1(g) Cost of capital

A notional cost of capital charge of £6,242 (2008–09: £3,059) has been calculated in accordance with the Financial Reporting Manual. It has been calculated at a rate of 3.5% on the average net assets of the Council (2009 and 2008: 3.5%)

1(h) Derivatives and other financial instruments

As required by the Financial Reporting Manual, the Council has accounted for financial instruments in accordance with financial reporting standards 25 and 26 and has made disclosures relating to those financial instruments in accordance with financial reporting standards 25 and 29. The Council's financial instruments consist of a fixed interest deposit, cash balances held in an interest-bearing account and short-term trade debtors and trade creditors.

1(i) Taxation

The council is not registered for VAT and its statutory status exempts it from Corporation Tax.

1(j) Leases

Rentals under operating leases are charged on a monthly basis over the lease term.

1(k) Segmental reporting

HAC is a small body and the Accounting Officer reviews financial reports on the HAC as an entity with costs analysed in a similar way to that shown in the financial statements. The Accounting Officer therefore considers that under IFRS 8 Operating Segments, HAC activities comprise one operating segment.

1(l) Other International Financial Reporting Standards

Accounting standards that have been issued but have not yet been adopted

The following standards and interpretations have been adopted by the European Union but are not required to be followed until after March 2010. None of them are expected to impact upon HAC's financial statements.

- IAS 24 Related Party Disclosures
- IFRS 1 Limited Exemptions
- IFRS 9 Financial Instruments
- *FReM* Chapter 8 Impairments
- *FReM* Chapter 11 Income and Expenditure.

Accounting standards issued that have been adopted early

No accounting standards have been adopted early by the HAC.

2 FIRST-TIME ADOPTION OF IFRS

Taxpayers' equity

There were no adjustments to taxpayers' equity as at 31 March 2008 of £(14,832), arising from the first-time adoption of IFRS by the HAC from 1 April 2008.

Net income

There were no adjustments to net income for 2008-09 of £204,817, arising from the first-time adoption of IFRS by the HAC from 1 April 2008.

There were also no adjustments identified as necessary under UK GAAP further to the first-time adoption of IFRS by the HAC from 1 April 2008.

3 STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

	Permanently employed staff	Other	Total	2008-09
	£	£	£	£
Wages and salaries	376,679	4,845	381,524	230,268
Social security costs	28,554	376	28,930	23,203
Other pension costs	-	-	-	-
	405,233	5,221	410,454	253,471

No pension contributions were made for HAC staff in the year. The costs above include £109,322 in respect of compensation for loss of office of all staff, in accordance with the Civil Service Compensation Scheme (2008-09: £0) and retention bonuses for the Chief Executive and Directors of £11,631 (2008-09: £0), and staff of £12,710 (2008-09: £0).

The average number of full-time and part-time staff employed during the year was as follows:

	Permanently employed staff	Other	Total	2008-09
	WTE	WTE	WTE⁴	WTE
Directly employed – management and administrative	5.4	0.4	5.8	5.7

A total of 12.5 days (2008-09: 38.5 days) were lost to sick absence in the year. This equates to 2.2 days (2008-09: 6.8 days) per person.

⁴ Whole-time equivalent.

<u>4. OTHER OPERATING COSTS</u>	Note	2009-10 £009-10 £	2008-09 £
Disciplinary and related legal costs	5	326,972	398,784
Meetings and Council members' fees		168,854	182,168
Legal and professional – judicial review		25,468	126,908
Examination costs		281	125,892
Premises and fixed plant		86,940	85,422
Legal & professional – general		62,390	2,331
Financial management		43,104	38,390
Policy and communications		30,015	5,108
CPD audit		4,214	3,694
CPD contractor		-	46,413
Establishment expenses		49,144	43,278
Audit fees ⁵		23,000	17,053
Non-cash items:			
Cost of capital	1(g)	6,242	3,059
Depreciation and amortisation	7, 8	7,583	8,063
		-----	-----
Total		834,207	1,086,563
		=====	=====

<u>5. DISCIPLINARY AND RELATED LEGAL COSTS</u>	2009-10 £09-10 £	2008-09 £
Total costs, including lawyers, barristers and QCs' fees	280,698	325,951
Provision for doubtful debts in respect of costs and fines awarded	(29,461)	62,808
Bad debts written off	75,735	10,025
	-----	-----
Costs and fines are enforced in all cases by HAC using the full extent of the law.	326,972	398,784
	=====	=====

<u>6. INCOME</u>	Note	2009-10 £09-10 £	2008-09 £
Other operating income:			
Disciplinary costs and fines awarded		65,208	271,549
Examination fees		-	78,520
CPD course accreditation fees		210	5,670
Other		300	1,082
		-----	-----
		65,718	356,821
		=====	=====

⁵ Audit fees include the cost of External Audit. The costs of the audit of accounts by the C&AG was £17,000 in 2009-10 (£16,000 in 2008-09). The figure for 2009-10 includes £3000 additional fees in respect of the 2008-09 audit and work related to the Trigger Point process required by Treasury £3000 in 2009-10 (£2000 in 2008-09).

7. PROPERTY, PLANT AND EQUIPMENT

2009-10	Office equipment £	Computer hardware £	Total £
Valuation			
At 1 April 2009	4,380	32,763	37,143
Disposals	(292)	(400)	(692)
	-----	-----	-----
At 31 March 2010	4,088	32,363	36,451
	-----	-----	-----
Depreciation			
At 1 April 2009	3,602	24,208	27,810
Provided in the year	775	6,808	7,583
Eliminated on disposal	(291)	(401)	(692)
	-----	-----	-----
At 31 March 2010	4,086	30,615	34,701
	-----	-----	-----
Net book value at 31 March 2010	2	1,748	1,750
	=====	=====	=====
Net book value at 31 March 2009	778	8,555	9,333
	=====	=====	=====
2008-09			
	Office Equipment £	Computer Hardware £	Total £
Valuation			
At 1 April 2008	4,380	30,516	34,896
Additions	-	2,247	2,247
	-----	-----	-----
At 31 March 2009	4,380	32,763	37,143
	-----	-----	-----
Depreciation			
At 1 April 2008	2,726	17,262	19,988
Provided in the year	876	6,946	7,822
	-----	-----	-----
At 31 March 2009	3,602	24,208	27,810
	-----	-----	-----
Net book value at 31 March 2009	778	8,555	9,333
	=====	=====	=====
Net book value at 31 March 2008	1,654	13,254	14,908
	-----	-----	-----

All assets above are owned by the Council without any related liabilities.

8. INTANGIBLE NON-CURRENT ASSETS

2009-10	£
Cost	
At 1 April 2009 and 31 March 2010	43,283 -----
Amortisation	
At 1 April 2009 and 31 March 2010	43,274 -----
Net book value at 31 March 2010 and 31 March 2009	9 =====
2008-09	
Cost	
At 1 April 2008 and 31 March 2009	43,283 -----
Amortisation	
At 1 April 2008 Provided in the period	43,033 241 -----
At 31 March 2009	43,274 -----
Net book value at 31 March 2009	9 =====
Net book value at 31 March 2008	250 =====

9. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	31 March 2010 £	31 March 2009 £	1 April 2008 £
Trade receivables	20,730	32,306	20,670
Deposits and advances	7,800	7,800	7,800
Other receivables	3,409	5,284	1,537
Prepayments	25,772	14,276	13,243
	-----	-----	-----
Balance at 31 March	57,711 =====	59,666 =====	43,250 =====
Fixed interest deposit ⁶	390,000 =====	- =====	- =====

⁶ Investment 20/7/09 for nine months at 1.24% p.a.

Amounts due from other public bodies

There were no amounts due to the Council from other central government bodies, local authorities, NHS trusts or public corporations and trading funds.

Amounts falling due after more than one year

There were no amounts due after more than one year.

10. CASH AND CASH EQUIVALENTS

	31 March 2010 £	31 March 2009 £	1 April 2008 £
Balance at 1 April	905,453	568,976	302,850
Net changes in cash and cash equivalents	(704,525)	336,477	266,126
	-----	-----	-----
Balance at 31 March	200,928	905,453	568,976
	=====	=====	=====
The following balances at 31 March were held at:	200,928	905,453	568,976
Commercial banks	=====	=====	=====

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 March 2010 £	31 March 2009 £	1 April 2008 £
Amounts falling due within one year			
Other taxation and social security	17,443	14,152	22,868
Trade payables	19,504	156,782	104,991
Accruals and deferred income:			
Accruals	73,396	37,280	73,782
Deferred retention fees	236,328	576,262	397,675
Deferred exam fees	-	-	42,900
	-----	-----	-----
Total trade payables and other current liabilities	346,671	784,476	642,216
	=====	=====	=====
Intra-Government balances			
Balances with other central Government bodies	17,966	16,424	22,868
Balances with NHS Trusts and Foundation Trusts	225	-	-
	-----	-----	-----
Total intra-Government balances	18,191	16,424	22,868
Balances with bodies external to Government	328,480	768,052	619,348
	-----	-----	-----
Total trade payables and other current liabilities	346,671	784,476	642,216
	=====	=====	=====

12. PROVISIONS

	31 March 2010 £	31 March 2009 £	1 April 2008 £
Balance as at 1 April	-	-	-
Provisions arising in the year:			
Compensation for loss of office	109,322	-	-
Judicial review	15,000	-	-
Staff retention bonus	12,710	-	-
	-----	-----	-----
Balance as at 31 March	137,032	-	-
	=====	=====	=====

Provision has been made in 2009–10 for compensation for loss of office of all permanent staff, in accordance with the Civil Service Compensation Scheme. This provision is calculated on the basis that all permanent staff qualify for payment under the scheme by virtue of their continuous employment to 31 July 2010.

Further to the conclusion of a Judicial Review case in the year, costs were awarded against HAC by the High Court. The cost of settlement of these costs has been estimated at £15,000 subject to negotiation.

Provision has been made for HAC obligations to settle staff retention bonuses as referred to in note 17.

13. CAPITAL COMMITMENTS

The Council had no capital commitments as at 31 March 2010 (31 March 2009 £nil and 31 March 2008 £nil).

14. COMMITMENTS UNDER LEASES

Operating leases

Rent costs included in other operating costs, in the sum of £50,775, represent operating lease rentals for use of accommodation at 70 St Mary Axe, London until the lease is terminated at abolition on 31 July 2010.

The HAC has the following obligations under non-cancellable operating leases:

Land and buildings	Note	31 March 2010 £	31 March 2009 £	1 April 2008 £
Expiring within one year		16,640	50,775	54,600
Expiring between one and five years		-	16,640	67,415
Expiring after more than five years		-	-	-
		-----	-----	-----
		16,640	67,415	122,015
		=====	=====	=====

HAC had no other obligations under operating leases as at 31 March 2010 (31 March 2009 £nil and 31 March 2008 £nil).

Finance leases

The HAC had no obligations under finance leases as at 31 March 2010 (31 March 2009 £nil and 31 March 2008 £nil).

15. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2010 (31 March 2009 £nil and 31 March 2008 £nil).

16. RELATED PARTY TRANSACTIONS

(a) Chief Executive of the Council

Amicie Knowles and Adam Knowles were employed by the Council and are related parties by virtue of their relationship as the daughter and son of the Chief Executive and Executive. During the year they were paid £26,029 (2008-9: £23,152) and £4,845 (2008-9: £nil), respectively. Amicie Knowles is a permanent member of staff and Adam Knowles provided temporary staff cover.

The following disclosure relates to the HAC directors who are in a position of influence by virtue of their directorship of the Council and the following transactions with the Council in 2009-10.

Jonathan Bracken – Legal Director and partner in Bircham Dyson and Bell

HAC incurred charges from Bircham Dyson and Bell in the year of £62,921 (2008-9: £nil)

Justin Parfitt – Managing Director and Director of Resources and partner in Parfitt & Co Chartered Accountants.

Parfitt & Co Chartered Accountants invoiced the Council £43,104 for the year (2008-9: £38,390) in relation to financial management services, included within legal and professional – general (see note 4).

The Council register of interests is maintained on the Council website.

(b) Department for Business, Innovation and Skills (BIS)

During the year BIS did not provide grant in aid to the Council. Please see note 1(c) in relation to the treatment of grant in aid by the Council.

17. EVENTS AFTER THE REPORTING PERIOD

As at 31 May 2010, staff became eligible for payment of a retention bonus for continued employment, and performance, to that date. A provision has therefore been recognised for this bonus as at 31 March 2010 in the sum of £12,710.

After the closedown period of the HAC from 1 April to 31 July 2010, the remaining assets and liabilities will be transferred to BIS for administration by them under the The Hearing Aid Council (Transfer of Property, Rights and Liabilities) Order 2010.

The annual report and accounts have been authorised to be issued in July 2010.

18. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments made during the financial year.

19. DERIVATIVES AND FINANCIAL INSTRUMENTS

As the cash requirements of the HAC are met through retention fees paid by Registered Hearing Aid Dispensers and Employers, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the HAC's expected purchase and usage requirements, and the HAC is therefore exposed to little credit, liquidity or market risk.

Financial risk management

Financial reporting standard 29 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. Due to the nature of funding of the HAC by registered hearing aid dispensers, and the continuing relationship that the HAC has with the Department for Business, Innovation and Skills, the HAC is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. HAC has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Council in undertaking its activities.

Debtors and creditors due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures.

Currency risk

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

Interest rate risk

The Council has no borrowing and relies primarily on retention fee income from registered hearing aid dispensers. It is exposed to changes in interest rates in relation to interest earned on surplus funds held and alternative investment of surplus funds has been made at fixed interest rates in excess of deposit account interest rates.

Credit risk

Because the majority of HAC income comes from registered hearing aid dispensers and there is a robust process for removal of non-paying registered hearing aid dispensers from the HAC register, the HAC has low exposure to credit risk.

Liquidity risk

The Council relies primarily on retention fee income as referred to above and therefore has low exposure to liquidity risk.

Appendix I

History of the Hearing Aid Council

Please note this appendix does not form part of the audited financial statements.

Campaigning for regulation

On a cold and damp afternoon on 29 December 1969, ten men sat round a table in offices near Regents Park in London. Those men, A Georgevic, S Ingram, H Ludman, L Pavitt, C Rice, B Sydenham, R Wescombe and H Cambell, were at the first official meeting of the Hearing Aid Council, a meeting also attended by the Council's first Registrar, David Reid. Earlier that morning, Her Majesty the Queen had signed an order that enacted the Hearing Aid Council Act, and thereby began 40 years of regulation for hearing aid dispensers and their employers.

For one man at that meeting in December 1969, this was the culmination of ten years' campaigning. Laurie Pavitt (1914–1989) had been elected the Member of Parliament for Willesden West in the 1959 General Election. Laurie was a hearing aid user and was one of a small number of MPs who tirelessly campaigned for better services for hard-of-hearing people and hearing aid users, both in the NHS and in the private sector. He first raised the issue of regulation of hearing aid dispensers in the final months of the Conservative Government in 1964. It was an issue that had been raised a number of times in the House, first by Joyce Butler¹ in 1960². Mrs Butler had raised the issue of hearing aid salesman calling on elderly people and arranging hire purchase agreements for aids that were often unneeded or of the wrong type. Laurie's first intervention on the matter took place in a heated exchange with the then Minister of Health, Bernard Braine³, on the issue of regulation of dispensers and NHS provision of aids in March 1964. Some 15 months later, Laurie again raised the issue of regulation, this time with the new Labour Government, during a debate on the establishment of the National Consumer Council. It was also a matter that was gaining some interest in the press, with a lengthy article in the *New Statesman* in April 1964 on the selling practices of some hearing aid dispensers⁴ and some work by the National Consumer Council.

Then in 1966, Laurie Pavitt presented a Private Members' Bill under the Ten Minute rule. Ten Minute bills are a way for backbench MPs to raise issues of concern or test the level of support for a subject. They are rarely used to introduce legislation⁵ and, as the name suggests, a member has ten minutes to speak on a subject. At 11 am on 1 March, Laurie Pavitt addressed the House of Commons⁶. He set out also to educate his fellow Members of Parliament about the nature of hearing loss and then progressed to set out his proposals for a Hearing Aid Council. His Bill was one of only three introduced under the Ten Minute rule that session, the other two being on design copyright (introduced by Dame Jill Knight) and on Highlands and Islands development in Scotland, introduced by Robert MacLennan⁷.

The period 1955 to 1970 was one of expansion of the regulated state. The General Optical Council⁸, the Health Professions Council⁹, the Gambling Commission¹⁰ and the Office of Fair Trading were all established in this period. Laurie Pavitt was given leave by the House

1 Joyce Butler (1910–1992), Member of Parliament for Wood Green, 1955–1979.

2 Hansard, HC Deb 18 July 1960 vol 627 cc13-4

3 Bernard Braine (1914–2000), Member of Parliament, 1950 to 1992 and Father of the House, 1987–1992.

4 Hansard, HC Deb 3 March 1967 vol 742 cc921

5 No bill introduced under the Ten Minute rule has been successful since the 2000–2001 session of Parliament.

6 Hansard, HC Deb 1 March 1966 vol 725 cc1262-6

7 The success of Private Members' bills: Factsheet L3 (January 2010) House of Commons Information Service

8 Established under the General Optical Council Act 1958.

9 Established as the Council for Professions Supplementary to Medicine in 1960.

10 Established as the Gaming Board for Great Britain, following the Betting and Gaming Act of 1960.

to introduce his bill, which he did in the autumn of that year. The original draft of the bill was much different to that which eventually became the 1968 Act. It included proposals for a 19-strong Council, under the Department of Health, and with statutory powers covering advertising. At first, it seemed that, despite the growth in regulation elsewhere, the Hearing Aid Council Bill was not destined to become law. In its second reading in March 1966, both the Minister for Health and the Minister for the Board of Trade spoke and questioned the need for regulation. Julian Snow¹¹, then MP for Lichfield and Tamworth and Parliamentary Under Secretary to the Minister of Health, suggested that there were not sufficient medical grounds for the regulation of hearing aid dispensers¹². His Board of Trade counterpart, George Darling¹³, suggested that there was sufficient, general legislation that protected the small number of people who purchased hearing aids¹⁴. Ever since, the themes of whether regulation was necessary and whether the nature of risk to hearing aid users was of a medical or commercial nature have underpinned the discussion of the regulation and future regulation of hearing aid dispensers. Indeed, much of the work in the five years to the abolition of the Council in 2010 revolved around these debates.

The Second Reading of the Bill was adjourned, and it seemed likely that might be the end of proposals for a Hearing Aid Council to regulate dispensers. Undeterred, Laurie Pavitt and others worked behind the scenes to lobby for the proposals and, in January 1968, the Bill was again before the House. His Bill was sponsored by a former Conservative Minister of Health and a Liberal spokesman on health, and it was fairly different from the first version of the Bill. The proposals around the regulation of “health” aspects of dispensing had been removed, and the Bill was focused solely on trade practices. As Laurie Pavitt said on introducing the revised Bill, “I have discovered that nothing annoys legislators more than a Bill which will not fit neatly into one department”¹⁵. This was an issue faced by the Council in its lobbying for the Health Professions Council to be its successor body: the switch from Department of Trade and Industry¹⁶ to Department of Health was one that caused a number of challenges to the implementation of the dissolution of the Council.

It is then clear that some serious lobbying took place. Between January 1968 and July 1968, the Bill was significantly amended in both the Commons and the Lords and gained the support of both the Government and the Conservative Opposition. On 26 July 1968, the Bill received the Royal Assent and became the Hearing Aid Council Act 1968. It took a further 18 months before the members and chairman of the Council were appointed. The first chairman was Harold Campbell (1913–2002), a childhood friend of Laurie Pavitt’s, who was a prominent member of the co-operative movement¹⁷. Harold was known for his work on housing co-operatives, and at the time of his appointment to the Hearing Aid Council was a deputy chairman of the Housing Corporation and of the Stevenage Development Corporation. His interest in hard-of-hearing people was not obvious at his appointment, and his involvement with the Council was not mentioned in his obituary when he died in 2002. However, Harold Campbell steered the Council through its first 18 months, resigning in September 1971 when the Co-operative itself entered the hearing aid market. In addition to Harold Campbell, 12 men (six representing the interests of hearing aid dispensers, three the interests of hearing aid users and three others) were also appointed. Laurie Pavitt was appointed to represent the interests of hard-of-hearing people, and remained a member until its twentieth meeting, held on 7 May 1974 on the Wardolf Hotel in London.

Early years of regulating dispensers and their employers

From its appointment in 1969, the Council immediately set to work. Over six meetings held in 1970, it agreed the first Code of Trade Practice as required by section 1 of the Hearing Aid Council Act. It also agreed other rules required of it, including the standards of competence, registration rules, and the investigating and disciplinary rules. An early interpretation of the Act, which stated that “the registrar shall cause to be entered in the appropriate register the name and prescribed particulars of every person who,

11 1910–1982, Member of Parliament for Portsmouth Central, 1945–1950 and then member for Lichfield and Tamworth, 1950–1970.

12 Hansard HC Deb 3 March 1967 vol 742 cc935

13 1905–1985, Member of Parliament for Sheffield Hillsborough, 1950–1974.

14 Hansard HC Deb 3 March 1967 vol 742 cc940

15 HC Deb 23 January 1968 vol 757 cc223

16 During the lifetime of the Hearing Aid Council, its sponsoring department was known as the Board of Trade, Department for Trade and Industry, Department for Business, Enterprise and Regulatory Reform and the Department for Business, Innovation and Skills.

17 Obituary, The Guardian newspaper, 23rd January 2002. Accessed online at <http://www.guardian.co.uk/society/2002/jan/23/housingpolicy>

being qualified for registration...” led to the Council setting its own exams as a means of registering as a dispenser. The first examinations were held in 1971 and consisted of both a written and practical exam. Such examinations continued throughout the lifetime of the Council, the last being held in 2009¹⁸.

The first Investigating Committee was held on 14 September 1971¹⁹. A Georgevic, H Ludman and C Rice were appointed by the Council to the committee, and were supported by the Registrar, David Reid and by J K Turner of Gouldens, Solicitor to the Council. The first meeting considered ten complaints, of which four were referred to the Disciplinary Committee. Wilfred Heath had been convicted of embezzlement in November 1970 and Irene Robinson had been convicted of stealing in June 1971. Both were subsequently struck off by the Disciplinary Committee. The Investigating Committee subsequently met on 29 June 1972²⁰, and met infrequently during the first decade of the Council’s lifetime²¹, despite a relatively high number of complaints²².

As outlined above, there are some themes that reoccur time and time again during the history of the Hearing Aid Council. The first of these, highlighted in debates in the House of Commons and in subsequently policy positions adopted by the Council, is that of the line between health and commercial risks in the provision of hearing aids by sale. This argument had a number of implications for the regulation of dispensers and the relationship between dispensers and audiologists working in the NHS. The lack of common standards of education and professional practice and of the risks to consumers were raised repeatedly in relation to the split of the profession, between those who were regulated because of their involvement in selling aids, and those involved in the provision of aids other than by sale. It is not entirely clear why dispensers were not added to the list of professions registered with the Council for Professions Supplementary to Medicine, which would have been a simple and straightforward approach to the regulation of the profession. Clearly, even though the Labour Government accepted the need to regulate dispensers in 1968, it did not accept that the risk to consumers was in relation to their ongoing health.

This was an issue that was to re-surface time and time again in the history of the Hearing Aid Council. Within the first five years of the its first meeting, the Council was to face this issue head on in two areas. The first was in regard to the training necessary to become a hearing aid dispenser. The council’s Education and Training Committee debated what knowledge and experience should be required of dispensers and be tested by exams for entry to the register. From the outset, these exams included medical aspects of hearing loss and audiometry, suggesting the Council saw key risks to the consumer as being health risks. Commercial aspects of dispensing, including consumer protection laws, were never a part of the requirements for registration as a dispenser.

The second issue came with the introduction of VAT in 1972. In the discussion of the new tax, of which items and services should be covered and which could be exempted, the issue of hearing aids was a minor but nevertheless interesting one. The debate focused on whether the aid itself (as a medical device) should be exempted or whether the services related to the fitting of the aid should be. The then Conservative Government, led by Edward Heath, decided that services provided by hearing aid dispensers were on a par with those delivered by doctors, speech and language therapists and dentists, and should therefore be exempt as “para-medical services”. It seems that both the Hearing Aid Council and the Society of Hearing Aid Audiologists both lobbied for this exemption, and Laurie Pavitt had also presented an Early Day Motion on the matter. That they were successful is quite interesting, not least because of the small size of the profession: in 1970, there were 746 individuals registered as dispensers, and in 1976 there were 766 registrants²³ By 1983, there were only 547 registered dispensers^{24 25}.

- 18 Examinations for persons registering having completed a company-based training route ceased in March 2009 and were replaced by a qualification threshold of a minimum of the Foundation degree in hearing aid audiology.
- 19 Minutes of the 7th meeting of the Hearing Aid Council, held on 24 September 1971.
- 20 Minutes of the 12th meeting of the Hearing Aid Council, held on 14 July 1972.
- 21 The committee had met just six times between 1969 and February 1975. Source: Minutes of the sixth meeting of the Investigating Committee, held 27 February 1975.
- 22 Response to written question from John Fraser, MP for Norwood, HC Deb 17 January 1977 vol 924 cc28-9W
- 23 Response to written question from John Fraser, MP for Norwood, HC Deb 17 January 1977 vol 924 cc28-9W
- 24 Minutes of the 53rd meeting of the Hearing Aid Council, held on 26 October 1983
- 25 By 1987, this had risen to 629 registrants and 266 notified trainees. Source: Minutes of the 63rd meeting of the Hearing Aid Council, held 2 July 1987

The issue of VAT exemption then raised the question of Northern Ireland. The original Act did not cover Northern Ireland, and there were relatively few dispensers in the province. However, once dispensers registered with the Hearing Aid Council were exempt from VAT, there were increasing calls to extend regulation to Northern Ireland. A second private members' bill²⁶, introduced by Gerald Fitt²⁷, was introduced in the 1974–75 session of Parliament. The Bill was subsequently supported by the Government and the Conservative Opposition, and subsequently became law.

The debate on the bill to extend the regulation of dispensers to Northern Ireland raised a further issue that was to reoccur many times in the history of the Council, namely whether the Council had sufficient scope and powers to work effectively. In 1974, the BBC Radio 4's Checkpoint²⁸ included an interview with the RNID about the quality of the Council's exams²⁹ and some questions were also raised in the House of Commons about the effectiveness of the Council. In March 1971, two suspected cases of dispensing by unregistered persons were identified in Croydon, and the Council liaised with police there to no avail. Indeed, throughout the 40 years that the s3 offence prohibiting unregistered dispensing was in place, very few prosecutions ever took place.

Reform on the agenda

As a result, the 1970s saw three attempts to amend the statutory powers of the Hearing Aid Council, of which only one (the extension to Northern Ireland) was successful. Gwyneth Dunwoody³⁰ moved various amendments to the Northern Ireland extension bill but was ruled out of order by the Speaker³¹. Although the proposed amendment raised serious issues about the powers and function of the Council, it was not subsequently debated by the Council but was rather ignored. In 1977, Laurie Pavitt introduced a further private members' bill³² to amend the powers of the Council, this time to extend to advertising. The Bill took some time to make its passage through the House of Commons, being interrupted by the 1979 election. It eventually failed. Like the previous attempts at amendment, the content or implications of Laurie Pavitt's Bill did not warrant discussion by the Hearing Aid Council³³. One former member of the Council and leading member of the industry, Roger Sydenham, had lobbied against the bill³⁴. Had it been successful, it would have been the first statutory regulation of advertising in the UK. Further attempts were made to amend the constitution and powers of the Act. Both Gwyneth Dunwoody and Laurie Pavitt tried further amendments in the 1980s, to no avail.

Other than the various attempts to amend the Hearing Aid Council Act 1968, the 1980s were a relatively quiet time for the Hearing Aid Council. The Council met on average four times a year, and received regular reports from its committees. There were very few meetings of the Investigating Committee, and concerns about the legal costs of disciplinary action were raised at several meetings. This was also an issue raised by RNID, and led to several meetings between the Council, RNID and the Department for Trade and Industry³⁵.

Extraordinary events lead to reform

Then in 1987 something extraordinary happened. Seven trainees provided remarkably similar answers to questions in their examinations but were subsequently unable to demonstrate knowledge in these areas when questions were asked in viva³⁶. The matter led to a discussion by the Examining Committee in which the then chairman of the Council, Neville Grant, gave evidence. In his submission, Neville Grant advised the committee that he had been informed by a trainee that a member of the Hearing Aid Council had

- 26 The success of Private Members' bills: Factsheet L3 (January 2010) House of Commons Information Service
- 27 Gerald Fitt, Member of Parliament for Belfast West, 1966–1983. Leader of Republican Labour Party, 1964–1970 and of the Social Democratic and Labour Party, 1970–1979.
- 28 Created by journalist Roger Cook in 1971 and specialized in investigating and exposing con-men and criminals (BBC.co.uk)
- 29 Minutes of the nineteenth meeting of the Hearing Aid Council, held on 19 March 1974
- 30 Member of Parliament for Exeter (1966–1970); Crewe and Crewe and Nantwich (1974–2008).
- 31 HC Deb 02 May 1975 vol 891 cc893-942
- 32 HC Deb 12 December 1977 vol 941 c39
- 33 It was raised at a Council meeting in 1978 but not discussed.
- 34 HC Deb 23 February 1979 vol 963 cc846-55
- 35 Minutes of the 58th meeting of the Hearing Aid Council, held 24 October 1985.
- 36 Minutes of the Examination Committee, held 24 August 1987.

provided a copy of the examination questions. The seven students were offered a chance to retake their exams, and Neville Grant subsequently referred two registered dispensers involved for disciplinary action³⁷, one of whom was a member of the Council. The matter was subsequently heard by the Investigating Committee in June 1988, and the matter was referred for disciplinary action³⁸. The Disciplinary Committee found both men guilty and struck their names from the Register of Hearing Aid Dispensers. The matter was subsequently referred for Judicial Review, and lost by the Council. Remarkably, A.J. Douglas retained his membership of the Council throughout this period, despite being the subject of disciplinary action and subsequently taking legal action against the Council. He retired from the Council at the end of 1989³⁹.

The Judicial Review found in favour of the applicants, with the judge stating that the Council did not have powers of disciplinary action regarding the training of trainees. Costs were awarded against the Council, resulting in a operating loss of just over £30,000 in 1988–89⁴⁰ and a significant rise in the retention fee in following years⁴¹. The decision also raised further questions about the scope of powers and effectiveness of the Council, and came at a time when a further private members' bill to amend the Council had been introduced in Parliament by Jack Ashley, Malcolm Bruce, Leuan Wyn Jones, Alfred Morris, Emma Nicolson and others⁴². It coincided with the publication of a report by the RNID⁴³, *Hearing Aids: The Case for Change*, which called for major reform of the Council's remit, powers and constitution. Following the judicial review, this private members' bill was supported by the Government and extensively amended. The amendment bill included four key changes to the Act: the composition of the Council was changed, reducing the number of those representing professional interests; requiring that all registrants comply with the Code of Practice and enabling the Council to take disciplinary action against those who breached this code, introducing a wider range of disciplinary sanctions, and giving the Disciplinary Committee the power to award costs against either the Council or the registrant. The Act received the Royal Assent on 3 July 1989.

Vote of no confidence

It was then that events took a further extraordinary turn. Newton Grant had been chairman of the Hearing Aid Council for some six years and had steered the Council through a period of major change, both in terms of its new powers and functions and also in terms of changes to the Council's requirements for trainees. On 13 June 1991, the Council met at Moorgate Place in London for one of its regular meetings. At the opening of the meeting, a motion of no confidence in the chairman was proposed. The motion arose concerning a letter written by the chairman, no copy of which still exists. The motion was carried by seven to one votes, without any discussion, and the meeting was then adjourned. The minutes for the subsequent two meetings of the Council no longer exist, and it is difficult to identify just what happened or the implications of this motion of no confidence in the Chairman. We do know that a new Chairman, William Fernie, was appointed. We also know that Edward Leigh MP⁴⁴, then Minister of State in the Department for Trade and Industry, attended the meeting of Council held on 10 September 1991 to introduce the new Chairman⁴⁵.

End of an era

Following a difficult and challenging few years, the remainder of the 1990s were relatively quiet for the Hearing Aid Council. In 1995, David Reid stepped down as Registrar, having served in that role for 25 years. He was replaced by his son, Chris Reid. JK Turner, who had served as solicitor to the Council since 1969, also stood down. The Council responded to the Conservative Government's Deregulation Initiative in 1993, suggesting that the current law was needed and was sufficient to protect consumers. The new disciplinary powers given the Council by the 1989 amendment were increasingly used; Hidden Hearing was one of the first to be disciplined under the new rules, being found guilty of serious misconduct

37 Minutes of the 64th meeting of the Hearing Aid Council, held 5 November 1987

38 Minutes of a meeting of the Investigating Committee, held 17 June 1988

39 Minutes of the 71st meeting of the Hearing Aid Council, held 27 October 1989

40 Minutes of the 68th meeting of the Hearing Aid Council, held 14 February 1989

41 HAC Circular to all registered dispensers and employers, dated 11 October 1989

42 Hansard, HC Deb 28 July 1988 vol 138 c565

43 *Hearing aids: the case for change* (1988) Royal National Institute for the Deaf, London.

44 Edward Leigh, Member of Parliament for Gainsborough, 1983–2010, Chairman of Public Accounts Committee, 2001–2010.

45 Copy of speech for Edward Leigh to Hearing Aid Council introducing the new Chairman on 10 September 1991, Hearing Aid Council archives.

and six breaches of the Code of Practice for using unregistered staff as dispensers⁴⁶. This was a matter on which Hidden Hearing subsequently lost a Judicial Review in 2009. In 1996, changes were made to the training of dispensers with the introduction of a period of “supervised practice”. The Council published “Buying an Aid”, a guidance for those considering buying from a dispenser which had been drafted by one of its members.

The election of a Labour Government in 1997 went unnoticed by the Hearing Aid Council, which continued to work on a revision to its 1996 Code of Practice. Then in 2001, a new period of change and reform began. A new Chairman, Chris Hughes, was appointed. A review of the Council, initiated by the Department of Trade and Industry and delivered by Makrotest Ltd⁴⁷, made a number of significant and far-reaching recommendations about the scope and function of the Council. As part of a wider piece of work on public bodies, the Hearing Aid Council was designated a Non-Departmental Public Body (NDPB). This designation led to a three-year period of change in the administrative, accounting and governance arrangements of the Council, making it more accountable to its sponsoring department (the Department for Trade and Industry) and thereby to its accountable minister, the Secretary of State. It resulted in the appointment of the National Audit Office as external auditors and the appointment of a Chief Executive and Accounting Officer, employed directly by the Council. Over 2004–05, the contracted arrangements with the Registrar were reviewed and new arrangements developed, to be implemented from April 2006.

Forward to dissolution

At the Council’s meeting in March 2005, the first attended by the newly appointed Chief Executive, the Chairman of the Council took a call from the Department for Trade and Industry. Chris Hughes was informed that the Chancellor of the Exchequer, Gordon Brown, had just announced the abolition of the Hearing Aid Council as part of his Budget Speech⁴⁸. The Government had accepted the recommendations of Philip Hampton⁴⁹ on the future of a number of regulators⁵⁰, of which the Hearing Aid Council was one. As with a number of previous proposals on its scope and function, the Council had not been involved or informed about this work and had been largely ignored in the process. The Council took this in its stride, and began a period of significant stakeholder engagement and modernisation. Over a period of five years, the Council sets a strategic vision for the future regulation of the hearing aid dispensing profession, modernized the education and training of dispensers through the development of a foundation degree, opened up the market by approved a range of audiology degrees as entry routes to the register, updated its governance arrangements and fundamentally changed its organisational structure. Most importantly, it began a five-year campaign to abolish itself and transfer the regulation of hearing aid dispensers to the Health Professions Council. This change was successfully achieved on 31 March 2010 and the Council held its final meeting on 14 July 2010, at the same offices at which it held its first meeting back in 1969.

Key themes over 40 years of the Hearing Aid Council

The Hearing Aid Council is a body whose 40-year lifetime has a number of recurrent themes, some of which are directly relevant to current discussions on public sector budgets and better regulation. Uniquely, the Hearing Aid Council is a body whose existence and powers are the direct result of backbench campaigning and passion for the rights and needs of hard-of-hearing people. The creation of the Council, its extension to Northern Ireland and the reform and extension of its powers were all the result of private members’ bills. Indeed, the only Government bill covering the Council was focused on its abolition. Perhaps this history, or the small size of the regulated market and of the Council itself, has meant that the Council has often been a forgotten public body. Throughout its lifetime, the Council has struggled with the nature of why and how it regulates. Discussions about whether consumer protection is needed because of the health aspects of dispensing or the commercial aspects have been at the centre of debates about the Council since the 1960s.

46 “Deaf aid company admits using unqualified staff”, The Times, 8 June 1992

47 Review of the Hearing Aid Council Act (2001) Makrotest Ltd, Department for Trade and Industry

48 Investing for our future: Fairness and opportunity for Britain’s hard-working families (2005) HM Treasury

49 Sir Philip Hampton, Chairman of J Sainsbury PLC, 2004 to present and Chairman of Royal Bank of Scotland, 2009 to present

50 Reducing administrative burdens: Effective inspection and enforcement (2005) Philip Hampton, HM Treasury

Indeed, such discussions were the focus of discussions around the successor arrangements for the Council following the publication of Philip Hampton's recommendations in 2005: originally, the Government's intentions were to transfer the regulation of dispensers to a trading standards body, but it was subsequently accepted that dispensers were health professionals and should be regulated as such.

There has also been a constant theme that the Council was not quite up to the task of regulating the dispensing profession. Almost since its inception, proposals for reform of the Council have been on the table. Throughout the 70s and 80s, various private members' bills tried to expand the scope and range of the Council, and various stakeholders questioned the effectiveness of regulation. Eventually, all involved recognized that the small size of the market and therefore of the Council would always stand in the way of effective regulation. In the end, the Hearing Aid Council, as a small, single-profession regulator, would always find it hard to effectively regulate, modernise and develop. Accepting this, and that other arrangements would be more effective and more cost effective both for consumers and for dispensers, was a difficult decision for the Hearing Aid Council to make, but one that should produce many dividends in the future.

Chairman of the Hearing Aid Council

Harold Campbell, December 1969–September 1971

K G Addison, January 1972–1978

Harold Gould, January 1979–February 1985

Newton Grant, March 1985–June 1991

William Fernie OBE, June 1991–1997

John Raine, 1997–2003

Chris Hughes OBE, 2003–present

Registrars of the Hearing Aid Council

David Reid, 1969–1995

Christopher Reid, 1995–2006

Sandra Verkuyten OBE, 2006–2008

Chris O'Leary, 2008–2010

Appendix 2

Introduction

Please note this appendix does not form part of the audited financial statements.

Getting more for less from public bodies: 10 key lessons from the abolition of the Hearing Aid Council.

The Hearing Aid Council (HAC) is an excellent example of how reforming public bodies can simultaneously boost public protection and generate significant cashable savings. The HAC transferred its responsibility for regulating hearing aid dispensers to the Health Professions Council (HPC) on 1 April 2010. The HAC will be dissolved on 31 July 2010. Under the HPC, consumers are better protected and the industry saves over £1 million a year.

There are 766 Non-Departmental Public Bodies (NDPBs) spending £46.5bn a year. In 2005 the Hampton Review proposed merging 31 NDPBs to cut the burden of regulation without reducing public protection. Since then, only one of the statutory NDPBs identified by Hampton has been abolished: the Hearing Aid Council (HAC). The current Government is also committed to reducing the number and scope of public bodies as part of the Budget Deficit Reduction Programme. This report sets out the key lessons for policy makers and public body staff from abolishing the HAC.

The HAC regulated the independent hearing aid sector for 40 years. It kept a register of all the individuals and companies legally entitled to dispense hearing aids in the UK and published standards of conduct and education that registrants had to meet. It investigated complaints from the public and took disciplinary action where registrants breached those standards. Run from a small office in London, the HAC was funded entirely by registration fees. The HAC's public protection legislation dated back to 1968. It was outmoded and ill suited to regulating a modern marketplace. Providing public protection within this framework was challenging and expensive. Registration fees increased over time to £695 per year, compared to the £76 charged by the HPC.

This is a guide to how the lessons of the HAC can be applied to other public bodies facing merger or abolition or to other regulatory bodies seeking to increase efficiency and public protection. The lessons can equally apply to public bodies other than regulatory bodies, where aims might be to improve service quality or scope and reduce organisational costs. The guide highlights the key strategic and operational challenges before suggesting how they can be overcome. It is also a cautionary tale for those who underestimate the volume and complexity of the work involved.

Why the lessons from the abolition of the HAC are relevant to other public bodies facing merger or abolition

Even before the current economic crises, the potential to improve delivery and efficiency amongst public bodies was already an area of interest. In 2005, for example, the then Government accepted the recommendations of the Hampton Review to merge 31 NDPBs. Since then, the economic crisis has made solving the challenge of how to save money from NDPBs without reducing public outcomes even more urgent with the Treasury announcing £600 million will be saved by cutting quangos. Only one statutory NDPB has been abolished under the Hampton Review: the HAC.

The HAC was established in 1968 under primary legislation and was the UK-wide statutory regulator for the independent hearing aid sector until 2010, when this responsibility passed to the HPC. Although a comparatively small organisation with a budget of £1.3M, the functions of the Council mirrored those of most other public bodies. It reported to a sponsor unit in the Department of Business, Innovation and Skills and was externally audited by the National Audit Office. The Council was split into legal, policy, finance and operational departments. It complied with Cabinet Office guidance and was subject to scrutiny from consumer groups, industry, the media and Parliament. Its core business was public protection which it upheld by maintaining statutory registers, holding investigations and tribunals and setting standards.

Other public bodies have been merged or reformed recently, for example Consumer Focus , and clearly each reform has its own distinct challenges. The widely applicable findings from the HAC's experience are encouraging though as they provide a guide to how public bodies can be reformed to simultaneously improve efficiency and quality of service. But they are also a note of caution to those who underestimate the amount of work involved, the potential for delay and the imperative to maintain support throughout from those affected and all other key stakeholders for proposed reforms.

Section 1: Getting Legislation Right

Lesson 1: Getting reforms right to win stakeholder support stressing quality over efficiency

A proposed merger between public bodies cannot be considered a success if efficiency savings are made at the expense of quality of service. Not only does this represent a bad deal for the public but, more importantly, the perception that reforms will leave the public worse off is likely to be resisted by the governing body, staff and stakeholders who will be key to realising efficiency savings. It is wrong to say that a body will never support its own abolition. The HAC did just that but only because its reform provided an opportunity to improve quality and efficiency at the same time. However neither improvement would have been realised had Government not revised an original plan to merge the HAC with a body that did not offer the best fit. It is important to get the strategic fit of reforms right first time.

The Hampton Review originally planned to abolish the HAC and move its powers to a new 'super-regulator' called the Consumer and Trading Standards Agency, within the Office of Fair Trading (OFT). Consumer groups, the industry and the HAC all expressed their belief that the Health Professions Council offered the best public protection and the best value. The HPC's up to date, modern regulation would bolster consumer protection, while its economies of scale meant it could charge the industry over £1M a year less in registration fees. The HPC also regulated 13 other similar professions so it was common sense for the HPC to take on hearing aid dispensers too.

If a proposed reform does not win support based on quality of service then it will be difficult to realise subsequent efficiency savings.

The Government responded positively to these concerns. Had it not done so, it would have been almost impossible to secure the buy-in from those groups that made the transfer efficient and successful. Furthermore, it would have made it very hard for the HAC to build support from governing body and staff for abolition on the basis of consumer interest. The governing body and staff play a key role in building support for reforms amongst stakeholders and hold vital knowledge. Without their support, it is impossible for management to understand the operational, reputation or financial implications of strategic plans, such as merging IT systems. Without their support, there is a major risk that neither efficiency savings nor service quality improvements will be realised.

To get support from all those affected, the HAC leadership invested a great deal of time in identifying stakeholders, listening to their concerns, finding common ground and understanding key issues across groups. This built a strong coalition of support for the reforms.

Proposed reforms to public bodies must make their case based on the impact to the quality of service. A corollary of this is that public protection (or the appropriate service quality measure) must not dip during the reform process either. Where quality of service can be protected or enhanced then staff and stakeholders are much more likely to play their role in realising efficiency savings. These factors should underpin decisions over which public bodies can be merged or to where their responsibilities are transferred.

Lesson 2: Understanding what legislation is required. Smaller bodies may be less efficient but harder to abolish

Before announcing reforms, Government should identify as quickly as possible what legislation is required to make it happen, what legislative vehicle can move reforms through, how long it will take and which key stakeholders need to be involved in designing proposals.

In the case of the HAC there was no research in to the legal process of abolition until the Government made its announcement. Initial legal advice suggested that it could be done via a legislative order within 12 months. The HAC acted on this timetable, informed stakeholders and created a sense of momentum for the transfer. The Government's legal advice then changed and it became clear that primary legislation would be needed. Although the HAC was an expensive regulator per capita, the relatively small scope of its operations made it highly unlikely a Government would dedicate Parliamentary time to a dedicated HAC abolition bill. Instead, a late amendment was agreed to the Health and Social Care Bill 2008. Work then began on the legislative order. In all, a legislative process that had been expected to last 12 months took three years.

Frumkin, former Associate Professor of Public Policy at Harvard, stresses the twin importance of communication and momentum in successful public mergers³. This legislative delay negatively affected the transfer process through both channels. Communication suffered as the changing Government position undermined the credibility of the HAC's messages to stakeholders, making it harder to build trust and support. Extending the time of the merger by two years made it harder to maintain momentum with partners and staff. Partners put off making key decisions that created bottlenecks in delivery of the transfer plan, for example over who would receive the HAC's data and what format it should be delivered in. Staff faced greater uncertainty about their own futures and about the content of their jobs.

The HAC was able to turn this initial set back in to an opportunity. The years were used, not just to prepare for the technical aspects of the abolition and transfer of responsibilities, but to drive forward a modernisation of how the sector was regulated in preparation for the cultural changes the profession needed to make to function in the post-HAC regulatory framework. For instance, working together with universities, Skills for Health, consumer groups and the regulated profession, the HAC developed a new bespoke foundation degree to bring minimum education standards in line with other HPC professions and the NHS. More importantly for the transfer, it brought together all the key parties and fostered strong working relationships that extended into other areas. Improving quality while preparing for the transfer restored momentum to preparations. It also brought variety and added responsibility to staff who had been concerned about their roles.

While the HAC was able to take advantage of the delay, it would be better to have a clear understanding of the legal processes involved beforehand. The Hampton Review estimated that smaller regulatory bodies were £8,000 more expensive per staff member than larger bodies. This suggests that big savings could come from reforming smaller bodies. However, the HAC found that even though the benefits to the quality of service and the efficiency savings were clear to all parties, the relatively small size of the Council made it difficult to secure the necessary support for legislation to deliver them.

It may be best to pass legislation that reforms many public bodies at the same time. A Bill which enables many bodies to be dealt with at once seems a logical step. It might provide secondary powers to enable bodies to be identified and dealt with by Order rather than dealing with them directly. There is a tension here however with lesson 1, getting reforms right first time. A bill which enables multiple reforms must also make sure the reforms it is proposing will improve or maintain the quality of public services if they are to win the necessary support from staff and stakeholders.

A clear understanding beforehand of the legislation required is important for effective communication and maintaining momentum during reform. .

Lesson 3: Supporting Parliament to get legislation right

Working together, organisations facing merger or a transfer of their powers can play an important role in supporting legislation. They have knowledge civil servants need to get the details of legislation right for the public, they have the data Government needs to help build the case for reform and they should be able to co-ordinate support amongst stakeholders.

The bodies involved in a merger should play a role in shaping legislation as they best understand the risks to stakeholders, how these risks may evolve over time and the impact changes in legislation may have, for example what the unintended consequences may be. HAC and HPC chief executives, the HAC Chair, policy staff and lawyers were all part of the working group that spanned the Department for Business, Innovation and Skills (BIS) and the Department of Health (DH) charged with preparing the legislation for the HAC's abolition. The HAC and HPC were also then in a position to fill a communications gap and respond to stakeholders concerns over what the detail of the draft legislation meant. The resulting consultation revealed strong support for the legislation from consumer groups, industry and both regulators.

In making the case for reform, both BIS and DH worked alongside the HAC and HPC. The two regulators detailed the benefits of the proposed reforms, including data on how services would improve and likely efficiency savings. The quality of the subsequent briefing was noted in Parliament and proved important in winning cross party support for the legislation.

The HAC and HPC also played a role co-ordinating stakeholder engagement in this process. This included answering concerns and resolving ambiguities during the consultation phase, as mentioned above, but also working with stakeholders to inform parliamentarians. For example, the Royal National Institute of Deafness invited the HAC and HPC to speak to the All Party Group on Deafness about the benefits of the proposed legislation.

The inclusive approach adopted by Government departments and the resulting proactive involvement of the regulators both eased the passage of the legislation and improved its quality.

Involving the bodies that will be reformed in the parliamentary process can improve the quality of legislation and communication, which help build support and understanding.

Section 2: Getting Relationships Right

Lesson 4: Establishing a strong working relationship between the affected bodies

Where reforms are clearly in the public interest, it is more likely that senior managers will form good working relationships across merging organisations. If a merger is to succeed, it is vital that the organisations facing reform invest a great deal of time upfront to agree the benefits and objectives of the reforms and find a common language they will use to emphasise these benefits to governing bodies, staff and stakeholders. The organisations must also invest in understanding how each other operates, their differences and their respective cultures and in building relations between key personnel. Senior managers should agree in principle early on how they expect to work together and fund joint projects. Reflecting on their merger, Ofcom suggests detailing such agreements in a Memorandum of Understanding signed by all parties⁴.

From the outset, it is important that Chief Executives of affected organisations meet and establish a good working relationship with a common language and goals. The Chief Executives of the HAC and HPC invested time early on that set a foundation for their respective teams to get on with the business of making the transfer happen.

Mergers do not just happen at senior level so it is important that operational staff also develop good working relationships across the organisations. Nor is it enough for staff to form relationships with their peer department, say finance to finance, as different organisations will solve the new problems they face during the merger in different ways. For example, trying to solve the problem of how to transfer a database from the HAC to the HPC involved very different departments in both organisations. The HAC had to consult its sponsor department, two IT contractors, the registrations team, finance director and legal director. For the HPC however, receiving the data was a fairly simple job predominantly for their internal IT unit. To complete the database transfer, the HAC and HPC had to work together so took time to build relationships beyond just the IT teams involved, with the HAC co-ordinating the various parties. During the merger, frequent planning meetings were held across HAC and HPC. The HPC also invited the HAC to attend its project team meetings. At a senior level, the HAC's Strategy Executive Committee took a lead role in directing the transfer process.

Governing body members also have an important role to play. Not only can they provide expert scrutiny of proposals but they also help explain the benefits to stakeholders which adds legitimacy.

Bodies merging or transferring functions must work together effectively.

Lesson 5: Mergers and abolitions affect all aspects of the organisation – getting culture right and managing major change

Mergers and abolitions are wholesale change processes that affect all aspects of organisations and all staff. New cultures, new skills and careful planning are needed to answer new questions..

There can be no bigger change to an organisation than its merger or abolition. All members of the governing body and staff, all departments and all functions are affected. The kind of work they need to do is different from the work of running and developing an organisation. Getting the right resources in place is the foundation for managing a change process of this scale. Those resources include: the right culture, the right teams, the right people, secure finance and careful planning.

Senior staff must develop a new culture to foster new skills and new teams to solve entirely new sets of problems. Business as usual for public bodies can be a predominantly bureaucratic process. Once a merger or abolition is announced, a public body still has a duty to carry out its business for the public until its final day. However, at the same time, the organisation needs to deliver a huge change process that requires advanced problem solving and constant innovation; the very opposite of business as usual.

Bureaucratic cultures are a frequently cited barrier to innovation. A new culture must encourage problem solving in teams with the power to take decisions, encourage experimentation, and allow staff to evolve beyond rules that may have been sensible before but are not suited to the pressures of a major change process. The culture should also accentuate the benefit of reforms to the public to highlight the value of the changes and maintain support behind them.

Organisations and people need to adapt and new people with different skills may be needed. Careful resource management involves assessing the capabilities of the current workforce against what capabilities are needed in the future before filling these gaps. People who can work together in teams, with different staff from different parts of the organisation and who can see beyond the impact of decisions for their unit to the organisation as a whole are essential. For instance, under business as usual, a decision about what to do with financial records might only involve the finance department and the records department. But during a merger, a decision about financial records might have implications for the work of those project managing data transfer to successor bodies and the IT department who actually carry out the transfer.

The amount of work involved in a merger or abolition and how much it differs from business as usual means it is difficult to predict accurately how much finance it requires. No matter how careful planning is, unforeseen expenses will arise. Organisations should take a risk averse position in financial planning and clearly dedicate resource to the merger process.

The HAC invested heavily in a review of all its operations at the outset of its transfer planning. The transfer brought new risks to governance and so procedures in this area were strengthened. The HAC increased its budget to invest more on communications and legal advice in particular.

A clear plan for the project should set out what needs to be done, concentrating on how core functions will be moved or closed down. These tasks are likely to span more than one department so need input from across the organisation. Frontline and managerial staff can offer different insights to problems and the feasibility of proposed solutions. The plan should also set out the work required for each department and work stream, for example finance and human resources.

The HAC was successful in building a coalition among stakeholders and staff in support of the abolition. Investing time, especially face to face, with those affected to understand concerns and build trust is the key to overcoming conflict. In many cases sufficient common ground can be found to move forward. If there is momentum in the legislative process then this helps focus people on getting the most from the opportunities available. Ultimately though, the most important thing is to design reforms that are clearly in the interest of the public and taxpayers.

Section 3: Getting the process right

Lesson 6: HR, staff retention, support to find employment, redundancy, TUPE

Mergers and abolitions place particular pressures on staff. On one hand, staff may embrace the new challenges and roles this major change brings and be determined to see their jobs through. On the other hand, staff will be anxious about the risk to their continued employment, the pace of change and about the loss of valued working relationships. From a strategic perspective, management must balance the organisation's need to have enough hands on deck and resources to see the job through against minimising closedown costs from redundancy and the responsibility to staff to help them secure new employment.

Communication with staff is vital from day one to explain how the changes will affect them, and the principles which the organisation will stick to in dealing with staff. Staff should be involved in decisions about their futures. Communications must be clear and honest, using language everybody can understand. The HAC held face-to-face meetings with all staff as well as group meetings for all employees. In response to staff concerns, managers and staff together drew up personal development plans to build new skills and opportunities. This helped staff find alternative employment but also helped reassure staff about their ability to find new jobs and created an incentive to stay in post to take advantage of this training. The HAC held training days for the whole organisation to boost morale and share experiences.

The change also represents an opportunity for staff, since the type of work they are asked to do during the change process will vary significantly. Staff can develop new skills, for example taking on project management roles, that can help open new doors to their careers. The HAC supported staff with HR support and career advice. This helped staff reflect on the kind of progress they wanted in their careers and how they could take proactive roles in the change process to give them relevant experience.

Management also put in place additional ongoing appraisal and performance reviews to ensure standards did not dip as a result of staff anxiety. Management also need to be aware that as a merger or abolition date approaches, people's emotions tend to rise and surface, and their behaviour may change. It is important to invest extra time in staff at this time, listening to their concerns to make sure staff have the support they need and that the organisation can continue to meet its objectives.

Legal guidance on whether the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) apply is often equivocal, and Cabinet Office guidelines recommend that organisations should act as though staff are entitled to TUPE protection in any case. This guidance and legal advice is important, but redundancy is also a personal issue and, unless the numbers involved make it impractical to do so, organisations should try where possible to provide tailored support to each member of staff.

Finance and audit planning must consider the budget and tax implications of retention and redundancy payments plus whether sponsor body and Treasury approval is needed.

The cost of properly supporting staff and getting the right legal advice can be significant and must be properly budgeted for. The cost of failing to prepare will be higher, though, if it leads to employment disputes and friction with staff.

Staff will be subject to new and changing pressures during reform. If they do not have support and cannot work effectively, quality and efficiency will suffer. Good leadership and resource planning are vital.

Lesson 7: Data

When a body is to be abolished or transferred, a big question is what to do with its data, whether paper or electronic, current or historic. Who should have it, when should they have it, how should they get it? Legal advice on what data should be moved where, what should be destroyed and how it should be destroyed or moved is important but rarely definitive. Partner organisations may be poorly informed about what data they need and poorly equipped to receive it. While organisations need to work within the legal advice they receive, there are other factors that will shape decisions about data: who has a business need for what data, what needs to be kept as a record of good governance, what should be destroyed and when, and who wants the leftovers for historical interest. The organisation transferring should have a record of every transfer, including receipts from each recipient organisation. If the transfer is not taking place by operation of law, some form of data transfer agreement may also be needed. It should also issue exit packs to staff and partners detailing where information is held.

This work should be started as early as possible, especially if there are multiple data recipients, as the process for securing agreement on what goes where and how can be lengthy. Data protection must be forefront at every stage. No matter how strong data planning is, as organisations better understand how the merger affects them and take decisions that affect other departments it is inevitable that their data requirements will evolve over time.

The first step is to complete an audit of all the data held by the organisation. This must include all paper and electronic records held by or on behalf of the organisation, including storage facilities and any information held by staff, board members or contractors off site. It should also record the volume of data.

The next step is to agree with other organisations involved what data they need. For example, the HAC's sponsor department will hold the HAC's financial information for seven years. The HPC had a business need for all data related to the HAC's regulatory work. The organisations then need to agree how data should be transferred and when. Transferring electronic data can be particularly complex, such as when two databases are incompatible.

Using the data audit, and having taken advice from auditors and legal advice, a body that is being abolished must make sure there is a record of its governance. Some of this information may be of business interest to another organisation and, if so, transferred as above. Other outstanding governance information should be moved to a relevant body. In the case of the HAC, the sponsor unit in BIS took responsibility for knowing where governance information was held and holding the bulk of the information itself.

A significant amount of data may also need to be destroyed. It is important that this is done in line with audit and legal advice and Cabinet Office technical guidance. Again, destroying electronic data can be a particularly complex task. There should be an audit trail detailing what has been destroyed, how and when.

Remaining information may be of historical interest. The National Archives may take this information from public records bodies. Otherwise, the National Archives can help to identify other bodies that might be willing to take the remaining data.


Organisations need to understand each other's data holdings and requirements. This will affect policy decisions during reform. Data security will be a significant risk to good governance during reforms.

Lesson 8: Accounts and audit

Mergers and abolitions are not just a new challenge to the organisation's own staff but also to auditors and Audit Committees. Audit plans must be adapted, new risks recognised and Audit Committee members fully briefed. Governance comes under particular strain during major reforms because of the pace of change. Taking early advice from auditors who will increase scrutiny of governance arrangements is key to understanding and responding to new risks.

A merger or abolition is also a challenge for auditors. As the work and risks faced by the organisation change, auditors must also adapt. The work involved in audit may increase and resource planning should reflect this. The National Audit Office can be a helpful source of advice. It may be helpful then to maintain continuity, involving auditors who have knowledge of the organisation and relationships with staff. It is also helpful to be proactive in seeking advice from internal auditors and building dialogue between internal and external audit.

The transfer and its impact on risk control and governance were a standing item on the HAC Audit Committee agenda. The risk register incorporated risks identified in the transfer plan and was considered at each Committee meeting. It is also advisable to reflect on whether the Committee has the skills it needs during the merger or abolition process. The HAC Audit Committee received additional advice to help prepare for the challenges of the transfer. Bodies could also consider co-opting new members with specific, additional expertise.



Mergers and abolitions are a major change for audit and a new challenge to governance. It is important those involved understand what is required and have the skills to deliver.

Lesson 9: Transferring complaints from the public

Public bodies that deal with complaints, such as regulatory bodies, must move through the merger or abolition process without becoming a “lame duck” or allowing public protection to diminish.

Where regulatory functions will transfer to another organisation, it is important that their respective case-handling, investigative and legal teams develop a close working relationship. They need to invest time in understanding each other’s regulatory processes and powers, particularly the existing regulatory body’s standards or codes of practice which the new regulator will have to apply in ongoing cases for which it must assume responsibility following the transfer.

This co-operation is the foundation to drawing up a detailed plan of how cases at each stage of the complaint-handling process will be moved from one body to the other. This level of shared understanding and planning is important as complaint handling will be an area of considerable scrutiny from consumer groups and the regulated professions. If there is a perception that the quality of complaint handling might drop, even temporarily, this can undermine support for the transfer, perhaps during key parts of the legislative process. To counteract this risk, organisations should be proactive about communicating their plans for transferring complaints.

If public protection dips, then so will support for reforms. Legal teams can work together early and explain their co-operation to the public.

Lesson 10:

Assets and Liabilities

All assets and liabilities need to be disposed of or transferred to the successor body or elsewhere within the public sector. The risks during this process are that disposing of assets incurs unforeseen costs, that the organisation does not have the assets over the timeframe in which these are required and that controls over asset inventories are weakened.

The executive team should take the lead in identifying a strategy to handle assets and liabilities. Lines of accountability, levels of authority and the audit trail should all be included in this strategy. The executive team should also consider whether tighter controls are needed in the closure or merger period. If there is a risk that staff turnover will increase as the transfer looms, then it may be prudent to tighten controls over inventories, for instance. Similarly, there may be a need to adapt controls, to give staff greater flexibility to renegotiate contracts or dispose of assets.

To deliver the strategy, the organisation needs to maintain a detailed, up-to-date asset register recording what is owned, where it is held, its value and the projected cost of disposal. Similarly, all contracts need to be reviewed to check whether they suit the new work that the transfer or closure requires and to clarify the exit arrangements. If the abolition or merger date is uncertain, contracts need to have flexible end dates. It is important that these reviews are done before budgets are set, as terminating contracts or disposing of assets (particularly if it may affect data protection) can be substantial.

The HAC did not transfer any assets. It drew up an asset disposal strategy and presented it to internal and external auditors before the Audit Committee signed it off. Given the uncertainty over when the HAC would be abolished, it sought to minimise the assets it held as early as possible by moving into serviced offices with rolling contracts and renegotiated with all contractors to make sure it could end contracts at short notice and no cost.

Where liabilities were to be transferred to the sponsor department, the process for doing so was agreed early on with the involvement of the bank and sponsor finance department with greater attention paid to riskier items. After agreeing cut off arrangements to settle invoices and expense claims, the HAC issued timely notice to contractors.

There is a governance risk to handling assets, liabilities and contracts and unforeseen costs are likely. Strategies should include lines of accountability and the audit trail that will track how each item is dealt with.

Footnotes

- 1 Please note, this is not the Peter Ormerod who serves as an HAC Council member.
- 2 Base salary plus retention bonus but excluding compensation for redundancy as shown below.
- 3 Whole-time equivalent.
- 4 Audit fees include the cost of External Audit. The costs of the audit of accounts by the C&AG was £17,000 in 2009-10 (£16,000 in 2008-09). The figure for 2009-10 includes £3000 additional fees in respect of the 2008-09 audit and work related to the Trigger Point process required by Treasury £3000 in 2009-10 (£2000 in 2008-09).
- 5 Investment 20/7/09 for nine months at 1.24% p.a.



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