

The Health Professions Council

Chief Executive and Registrar: Mr Marc Seale

Park House
184 Kennington Park Road
London SE11 4BU
Telephone: +44 (0)20 7840 9710
Fax: +44 (0)20 7840 9807
e-mail: colin.bendall@hpc-uk.org

Minutes of the 40th meeting of the Finance and Resources Committee held on **Tuesday 20 November 2007** at Park House, 184 Kennington Park Road, London SE11 4BU.

Present: Mr R Clegg (Chairman)
Mrs P Blackburn
Mrs M Clark-Glass
Mr P Douglas
Mrs S Drayton
Mr D Ross
Mrs J Sheridan
Mrs B Stuart
Mr N Willis

In attendance:

Mr C Bendall, Secretary to the Committee
Mr R Dunn, Director of Information Technology
Ms L Foster, Director of Human Resources
Mr M Guthrie, Policy Manager
Ms S Ha, Human Resources Team Administrator
Mr R Houghton, Head of Registration
Ms Y Hussain, Partner Manager
Ms K Johnson, Director of Fitness to Practise
Mr R Kennett, Accountant member - Audit Committee (Observer)
Mrs J Ladds, Director of Communications
Mr S Leicester, Director of Finance
Ms C Milner, Management Accountant
Mr J Minett, Senior Investment Director, Rensburg Sheppards Investment Management Ltd (item 12 only)
Ms N O'Sullivan, Secretary to Council
Ms C Phillips, Project Manager
Mr S Rayner, Secretary to Committees
Mr G Ross-Sampson, Director of Operations
Mr M J Seale, Chief Executive and Registrar
Ms L Teidi, Project Co-ordinator
Ms R Tripp, Director of Policy and Standards
Mr R Turner, Stiles Harold Williams (items 1-5 inclusive)
Dr A van der Gaag, President
Ms K Webster, Human Resources Officer

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2007-11-13	a	F&R	MIN	Minutes Finance and Resources Committee 20 November 2007 public meeting	Final DD: None	Public RD: None

Item 1.07/157 Apologies for absence

- 1.1 Apologies for absence were received from Professor J Harper, Mr W Munro and Mr K Ross. The Committee wished Mr Munro well for his recovery from a back injury.
- 1.2 The Chairman welcomed Mr Rayner and Mr Turner to the meeting.

Item 2.07/158 Approval of agenda

- 2.1 The Committee approved the agenda, subject to considering the item on 22-26 Stannary Street as item 5 and deferring the investment manager report until Mr Minett arrived.

Item 3.07/159 Minutes of the Finance and Resources Committee meeting held on 18 September 2007

- 3.1 It was agreed that the minutes of the thirty-ninth meeting of the Finance and Resources Committee should be confirmed as a true record and signed by the Chairman.

Item 4.07/160 Matters arising

- 4.1 The Committee received a paper to note from the Executive.
- 4.2 The Committee noted the actions list as agreed at the last meeting.

Item 5.07/161 22-26 Stannary Street: Progress report

- 5.1 The Committee received a paper to note from the Executive, containing a progress report dated 7 November 2007 on renovation work to 22-26 Stannary Street from Mr Turner of Stiles Harold Williams (who was the appointed client representative on behalf of HPC).
- 5.2 The Committee noted that the work was currently expected to be completed within budget. However, the contractor had indicated that there would be a delay of approximately 12 weeks (a revised completion date of 10 March 2008), although the architect had yet to award the contractor any justified extensions of time. If the contractor were to be entitled to the full period of delay, the project would incur additional preliminary costs of approximately £38, 400, although these could be contained within the contingency provision in the contract.

- 5.3 The Committee noted that the causes of the delays were as follows:
- notwithstanding pre-contract investigations, reinforced concrete beams had been encountered below ground which had meant reconfiguration of new utilities (drainage and electricity);
 - whilst HPC had placed orders with utility companies in good time, the utility companies had subsequently provided late notification to the contractor about installation dates and requirements for provision of services. In particular, the gas supply would require the scaffold to be removed to facilitate the installation and put back in completion;
 - a protracted approval process for certain elements prior to manufacture, in particular finalisation of the window design. This had resulted in the loss of the manufacturers' production date and there was also a lengthy production period; and
 - constrained and possibly unrealistic programming by the contractor.
- 5.4 The Committee noted that the surface render to the elevation of 20 Stannary Street had proven too difficult to remove without damaging the brickwork. The existing render would therefore be repaired instead.
- 5.5 The Committee noted that the likely impact of the delay meant that existing office accommodation would remain fully occupied and the HPC would continue to rent office space at 186 Kennington Park Road from the Evangelical Alliance. In addition, the Fitness to Practise Department would incur extra costs to hire meeting rooms for hearings. Estimates of these costs had been included in the paper considered at item 20.
- 5.6 The Committee noted that a further progress report would be made to the next meeting.

Item 6.07/162 Finance and Facilities Management report

- 6.1 The Committee received a report on the work of the Finance and Facilities Management Department.
- 6.2 The Committee noted that, at the end of October 2007, there had been 49 employees who were active members of the new

pension scheme provided by Friends Provident. There had also been two remaining active members in the old pension scheme provided by Capita, excluding those members who continued to make a nominal contribution. As of 19 October 2007, 16 employees had transferred their pension contributions from the Capita scheme into the new scheme. A similar number of employees were yet to transfer their contributions.

- 6.3 The Committee noted that the Department was involved in several projects and initiatives, including:
- upgrading the financial system;
 - proposed changes to fees in 2009;
 - LISA registration system access rights; and
 - updating financial procedures.
- 6.4 The Committee noted that the finance systems and procedures had recently been subject to an internal audit by PKF (UK) LLP, as part of the internal audit workplan for 2007-8.
- 6.5 The Committee noted that a procurement officer had been recruited, to ensure a more structured approach to procurement.
- 6.6 The Committee noted that the Executive had met representatives of the Privy Council Office, the Department of Health and the National Audit Office to discuss issues around approving the 2006-7 annual report (namely, the HPC's status and whether it was a non-departmental public body). The National Audit Office had indicated in the recommended letter of representation (on the financial statements for the year ending 31 March 2007) that the Chief Executive should confirm that, where necessary, HM Treasury and Privy Council approval had been obtained for all ex-gratia and non-contractual payments made to current or former staff of the Council during the year. However, the Department of Health (as HPC's sponsoring body) had indicated that, in its opinion, HPC was not a public body. To clarify the HPC's status and resolve the uncertainty, the Executive would ask the Privy Council Office to amend its directions to the Chief Executive (as Accounting Officer). The Privy Council had directed in a letter on 21 May 2003 to the Chief Executive that the HPC should act, in all circumstances associated with its financial responsibilities and obligations under the Health Professions Order, as if it were a non-departmental public body of the Department of Health.

Item 7.07/163 Human Resources report

- 7.1 The Committee received a report on the work of the Human Resources Department.
- 7.2 The Committee noted details of posts which had recently been advertised and filled.
- 7.3 The Committee noted that the Director of Information Technology would take on a new role as Head of Business Process Improvement. Interviews for the vacant Director's post would be conducted by a panel comprising the President, Mr K Ross, the Chief Executive and Registrar and an external information technology consultant.
- 7.4 The Committee noted that the Department had consulted employees about the revised employee handbook. The Department had also undertaken the annual review of job descriptions (including revisions to take account of legislation on age discrimination).

Item 8.07/164 Partner Manager report

- 8.1 The Committee received a report on the work of the Partner Manager.
- 8.2 The Committee noted that Continuing Professional Development assessors would be recruited from the existing pool of partners, to draw on their existing expertise. Expressions of interest had been sought from partners and there had been a good response. It was anticipated that initial recruitment would be carried out in late November 2007 and that training would take place in June 2008.
- 8.3 The Committee congratulated the Partner Manager on successfully passing a recent quality audit by the British Standards Institute (BSI).

Item 9.07/165 Information Technology report

- 9.1 The Committee received a report on the work of the Information Technology Department.
- 9.2 The Committee noted that the Department had recently reorganised the server room. Representatives of the Department had also met the British Psychological Society to discuss transfer

of data from the Society to HPC, if applied psychologists became regulated by HPC.

- 9.3 The Committee noted that the disaster recovery plan would be revised once a new BSI standard had been published.
- 9.4 The Committee noted that the Department was evaluating potential suppliers of archive and storage services, in terms of data protection issues and HPC's legal responsibilities.
- 9.5 The Committee thanked the Director of Information Technology for his work over recent years.

Item 10.07/166 Operations report

- 10.1 The Committee received a report on Operations, covering the Registration Departments, Quality Management, Project Management and Approvals and Monitoring.
- 10.2 The Committee noted that the Registration Departments had been very busy, with a significant increase in telephone calls compared to the renewals cycle in 2005. The Executive believed that this reflected a better understanding among registrants and employers about the importance of renewing on time.
- 10.3 The Committee congratulated the Registration Departments for dealing with the renewals cycle, despite postal delays caused by industrial action in Royal Mail. The Committee noted that the key targets for the Registration Departments were the time taken to process applications for registration and renewal and the time taken to reply to e-mails.
- 10.4 The Committee noted that, despite anecdotal evidence about registrant unemployment, the number of applications from graduates from UK programmes had not significantly decreased.
- 10.5 The Committee noted that an online authentication service was now available for orthoptists. This allowed registrants access to their contact details at any time, to ensure that the HPC had the correct contact information. Registrants would also be able to set up a direct debit instruction online. The service would be made available to each profession individually, once the profession had been through the current renewal cycle.
- 10.6 The Committee noted that procedures and processes were in place to accept temporary registration under a European directive (2005/36/EC), which had come into force on 20 October 2007. The Committee noted that there had been two applications

to date for temporary registration and it was unclear if there would be large numbers of applications.

- 10.7 The Committee noted that the last BSI audit, on 23 October 2007, had reviewed several departments. HPC had successfully passed the audit.
- 10.8 The Committee noted that the Education – Approvals and Monitoring Department would conduct surveys of Visitors and education providers, to see how the Department's service could be improved.
- 10.9 The Committee noted that a project charter and project plan had been prepared for the renovation of 22-26 Stannary Street.

Item 11.07/167 Projected registrant numbers

- 11.1 The Committee received a paper for discussion/approval from the Executive, which projected registrant numbers for the financial years 2008/9 to 2012/13 inclusive.
- 11.2 The Committee noted that registrant numbers were projected to rise to approximately 236,500 by 2012/13. The projection assumed that a number of professions would become regulated by the HPC during the period. The Committee noted the assumptions made for the projections and noted that the projections had been made on a conservative basis.
- 11.3 The Committee noted that the Executive would in future record information on pass rates from education programmes in the UK, to help project the number of applications from graduates.
- 11.4 The Committee approved the document on projected registrant numbers.

Item 12.07/168 Investment manager report

- 12.1 The Committee received a report on the performance of the HPC's investment fund from Mr Minett. The Committee noted that, in the twelve months ending September 2007, the investments had achieved an annual return of 9.4%, against the portfolio benchmark of 9.7%. The actual return compared to a return of 11.3% for the twelve months ending September 2006. The benchmark was a composite where the performance of each asset category was compared to the relevant index (e.g. UK equities against the Financial Times All Share index and bonds against the Financial Times Government All Stocks index). The Committee noted that, under the new European Markets in

Financial Instruments Directive, a composite benchmark needed to be developed with which to compare the performance of the portfolio.

- 12.2 The Committee noted that the performance of HPC's investments was not significantly different from investment returns by the pension fund sector and charity sector. The Committee noted that the benchmark composition for the UK pension fund industry was 30% property, 30% UK equities and 30% international equities. In the UK charity sector, the benchmark composition was 87% equities, 10% fixed income and 3% property. HPC's investment fund was approximately 78% equities and 17% fixed income, with the rest in cash. Mr Minett contrasted the equities return for the HPC portfolio of 11.5% with a return of 12.5% for the FTSE 100 for the same period.
- 12.3 The Committee noted that HPC did not take undue risks with its investments and did not invest in tobacco companies, on ethical grounds. The Committee noted that the HPC avoided investment in the property sector, as its offices in Kennington were managed separately.
- 12.4 The Committee agreed that Rensburg Sheppards should continue as the investment fund manager.

Item 13.07/169 Proposed fee rise

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that the Council on 11 May 2006 had agreed the following principles for fees:
- HPC should aim to avoid significant and deliberate fee cross-subsidisation;
 - fee rises should be made on a regular basis, i.e. every two years, or more often in high inflationary periods; and
 - fees should be set at a level to maintain the agreed reserves policy and ensure the financial viability of the HPC as an independent organisation.
- 13.3 The Committee noted that the proposed fee increases in June 2009 and June 2011 were at or below the likely rate of inflation and were as follows:

	Fee from June 2007 (£)	Proposed fee, 2009 (£)	Proposed fee, 2011 (£)
Full year registration (graduates)	50	53	56
Full year registration (non graduates)	50	53	56
Readmission	110	115	120
Renewal	72	76	80
International scrutiny fee	400	420	440
Grandparenting scrutiny fees	400	420	440

13.4 The Committee noted that the key assumptions in the Five Year Plan relating to the fee rise included an assumption that the Council would comprise 20 members from April 2008. The Committee noted that no final decision had been made on the size of the Council and that this assumption had been made solely for the purposes of planning the fees. The Committee noted that assumptions would be revised over time in the light of developments.

13.5 The Committee noted that the proposed fee rises would be subject to the outcome of a consultation process.

13.6 The Committee approved the fee rises as proposed above.

Action: SL (by 4 December 2007)

Item 14.07/170 Five year plan 2008-2013

14.1 The Committee received a paper for discussion/approval from the Executive.

14.2 The Committee noted that the five year plan made projections based on a number of assumptions, including conservative forecasts of income. The Committee noted the following points:

- the forecast of wages, professional fees and other expenses did not include the cost of introducing a revalidation process. Fees would be adjusted to reflect the costs of revalidation, if and when it occurred;
- the forecast of wages, professional fees and other expenses did not include the costs of any merger of regulators from 2011 onwards;
- the forecast of fitness to practise cases included those which might be transferred from the British Psychological Society (assuming that the HPC regulated applied

psychologists). The forecast was based on the current percentage of registrants who were the subject of an allegation. The Committee noted that individual professions (including those which might become regulated by the HPC) might have a higher percentage of registrants who were the subject of an allegation. The Committee also noted that there could be greater disposal of cases by consent in future years than at present;

- projected income and cash flow did not include income from investments;
- capital expenditure projections included upgrades to the LISA registration system, phase two of renovations to 22-26 Stannary Street, purchase of additional premises in year four and replacement of personal computers;
- employee numbers would increase from 109 (in the 2007/8 budget) to 139 (forecast for 2012/13). Employees in the Registration departments would peak in 2009/10 and 2011/12 to deal with the renewal process in those years. The Committee noted that this would involve a separate evening shift and sharing of desks; and
- there would be an employee based in Scotland from 2010/11, included within the Communications budget. The Committee agreed that the Executive should explore options for appropriate representation in the home countries.

14.3 The Committee agreed that the five year plan was a useful and thorough strategic document. The Committee agreed that:

- (1) the assumption about representation in Scotland should be amended to indicate that the Executive would explore options for appropriate representation in each of the home countries; and
- (2) the Executive should incorporate the change to the assumptions and present the revised plan to the next meeting of the Council on 13 December 2007.

Action: CM (by 13 December 2007)

Item 15.07/171 Reserves policy review

15.1 The Committee received a paper for discussion/approval from the Executive.

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- 15.2 The Committee noted that the existing policy provided that HPC should maintain a reserves level which was a minimum of three average months' budgeted operating expenses. The Committee noted that the reserves monetary target level would increase over time, in line with the projected increase in expenses. The Committee noted that the policy did not include any maximum level for the reserves.
- 15.3 The Committee agreed that the reserves policy should continue as drafted.

Action: SL (ongoing)

Item 16.07/172 Investments policy

- 16.1 The Committee received a paper for discussion/approval from the Executive.
- 16.2 The Committee noted that it was asked to review the investments policy on an annual basis. The current policy included a provision that investment in companies trading in tobacco products should be excluded, on ethical grounds. The Committee noted that the Executive, as part of the corporate social responsibility programme, had begun to consider whether other investments should be excluded for ethical reasons. The Committee noted that ethical investment policies were published by a number of organisations.
- 16.3 The Committee agreed that the Executive should prepare a paper for the next meeting, giving details of current investments held by the HPC and how the ethical restrictions in the investments policy might be revised.

Action: SL (by 6 February 2008)

- 16.4 Subject to further consideration of the investments policy at the next meeting, the Committee agreed that the policy should continue for the time being.

Action: SL (Ongoing to 6 February 2008)

Item 17.07/173 Bank mandate

- 17.1 The Committee received a paper for discussion/approval from the Executive.

- 17.2 The Committee noted that a revised bank mandate was required as the Director of Communications would shortly go on maternity leave. It was proposed that the Director of Human Resources should be added to list A of the bank mandate.
- 17.3 The Committee agreed the revised bank mandate, subject to an amendment that references to 'Natwest accounts' should be altered to 'HPC accounts'.

Action: SL (by 6 February 2008)

Item 18.07/174 Continuing Professional Development assessment fee

- 18.1 The Committee received a paper for discussion/approval from the Executive.
- 18.2 The Committee noted that the Executive was making the Continuing Professional Development (CPD) scheme operational. This had included a mock CPD assessment day to determine how assessors could carry out their work and the time taken per assessment. The Education and Training Committee had approved a recommendation that a new assessor fee should be introduced of £20 per CPD assessment.
- 18.3 The Committee agreed to recommend the introduction of a new assessor fee for CPD assessment of £20 per assessment completed.

Action: RH (ongoing)

Item 19.07/175 Revised employee handbook

- 19.1 The Committee received a paper for discussion/approval from the Executive.
- 19.2 The Committee noted that the employee handbook had been introduced in 2003 and that the Committee had since revised some sections of the handbook. The handbook had now been reviewed by the Human Resources department, with advice sought from employment law specialists where necessary. The majority of changes had been due to legislative changes or to clarify existing practice. Employees had been consulted on the changes and the draft handbook had taken account of employees' comments.
- 19.3 The Committee agreed that the introduction to the handbook should mention that the organisation had a Council.

- 19.4 The Committee noted that, during the consultation, two departments had expressed a view that the employer contribution rate to the pension scheme should have remained at an offered rate of 16.5% for all employees who were already at the HPC, but had not joined the pension scheme at the time the rate offered changed to 7%. The departments had asked that the Chief Executive should report this back to the Committee. However, the departments had accepted that it was the Council's decision to make. The Committee agreed that the section of the handbook about the pension plan should be worded neutrally, by referring to 'higher' and 'lower' rates instead of using terms such as 'more generous'.
- 19.5 The Committee noted that overtime (for additional hours worked in the employee's usual place of work) could only be claimed after 35 hours in one week had been worked.
- 19.6 The Committee noted that those employees who were likely to work with vulnerable adults (i.e., employees in the Fitness to Practise department) were subject to a Criminal Records Bureau disclosure. The Committee noted that there might be issues in checking the criminal record of employees from other countries, where different systems of recording crimes might apply.
- 19.7 The Committee agreed that the handbook was an excellent and well-drafted document which reflected a great deal of effort by the Human Resources Department.
- 19.8 The Committee approved the reviewed employee handbook, subject to the amendments listed in paragraphs 19.3 and 19.4 above.

Action: LF (by 6 February 2008)

Item 20.07/176 Six month reforecast for year to 31 March 2008

- 20.1 The Committee received a paper to note from the Executive.
- 20.2 The Committee noted that discussions had been held with each budget holder to ascertain likely overspends and underspends in the remaining six months of the financial year. These had been added or subtracted from the original budget to give a projected operating surplus. Additional UK graduate applications received and the downturn in international scrutiny fees had also been taken into account.

- 20.3 The Committee noted that the budgeted operating surplus at 31 March 2008 had been £59,736. The projected surplus was now £133,096.

Item 21.07/177 30 September 2007 management accounts

- 21.1 The Committee received a paper to note from the Executive.
- 21.2 The Committee noted that, for the year to date, results showed a higher surplus than budgeted. HPC continued to be in a stable financial position.

Item 22.07/178 Finance Department reorganisation

- 22.1 The Committee received a paper to note from the Executive.
- 22.2 The Committee noted that the reporting structure of the Finance Department would be revised from 1 January 2008, to better reflect the nature of the working relationships within the Department.

Item 23.07/179 Partial disaster recovery invocations

- 23.1 The Committee received a paper to note from the Executive.
- 23.2 The Committee noted details of action taken during loss of power supply to part of HPC's office on 7 September 2007 and loss of telephone lines on 13 September 2007. Both incidents had been caused by work in the street which had accidentally cut utilities. The Committee noted that the Executive would consider whether telephone lines could be installed to enter the building via Stannary Street.

Item 24.07/180 Allowance to NHS staff for registration fees

- 24.1 The Committee received a paper to note from the Executive.
- 24.2 The Committee noted that NHS Employers had recently agreed to pay an allowance of £38 to support payment of registration fees for clinical staff in England, where registration with a regulatory body was mandatory in order to practice. The Committee noted that the allowance applied to staff in pay bands 5-8(A) inclusive.

Item 25.07/181 Any other business

- 25.1 There was no other business.

Item 26.07/182 Date and time of next meeting

26.1 The next meeting of the Committee would be held at 10.30 am on Wednesday 6 February 2008.

26.2 Subsequent meetings would be held at 10.30 am on

Thursday 6 March 2008 (Remuneration Committee)

Wednesday 19 March 2008

Thursday 24 April 2008

Thursday 19 June 2008

Thursday 31 July 2008

Thursday 18 September 2008

Monday 17 November 2008

Wednesday 4 February 2009

Thursday 5 March 2009 (Remuneration Committee)

Monday 16 March 2009

Thursday 23 April 2009 (discretionary meeting)

Tuesday 23 June 2009

Chairman

Date