Audit, Risk, & Remuneration Committee

Minutes of meeting on 20 July 2022

UKPHR
Public Health Register
Protecting the public | improving practice

Present:	Duncan Vernon - Chair (DV) Joanna Dowd- (JD) Jessica Lichtenstein (JL) Pav Johal (PV) David Seeley (DS)	**Apologies:**	David Evans James Sandy Linda Smith

<u>Item 1 – Welcome, apologies, and declarations of interest</u>

1. DV welcomed the group and noted apologies from David Evans, James Sandy, and Linda Smith. There were no new declarations of interest.

2. DV welcomed accountant DS from Accuo, who would present the end of year accounts.

<u>Item 2 – Minutes from last meeting</u>

3. The committee noted the minutes from 27 May 2022 as an accurate record without further comment.

<u>Item 3 – Action points and matters arising</u>

4. Outstanding actions from the last meeting were discussed.

5. JL noted that the Audit, Risk & Remuneration Committee (ARRC) had wanted a substantive discussion on legislative reform. However, there have not been any developments; the DHSC's timetable has significantly slowed. The ARRC agreed to close the action, with a commitment to raise the issue again when new information is available.

Action: Mark item 13 as complete

6. Item 12, regarding communicating to registrants around the fees review, was ongoing. Registrants have received a communication to participate in the work, so they will be aware it is happening. A more formal communication about the outcome of the review will take place early in the new year, as we will need to consult around any fees uplift.

Action: To combine items 10 and 12 regarding the fees review

7. JL and DS noted that they would work to identify a new independent examiner for 22-23 financial year, although they wouldn't need to be in place for some time.

8. The ARRC agreed to put the staff evaluation questionnaire off until there was some stability with the appointment of a permanent Chief Executive, perhaps to before Christmas. JD noted that she'd met with staff during a recent visit to the office, and they were content and supportive of the work that's been done to support and develop them; ie flexi-time.

9. It was agreed to consider the reserves policy at the next meeting; the previous one had been drafted in 2018 and was worth a review, particularly with funds coming in from renewals, and the requirement to keep funds available for Fortesium billing.

Action: to include reserves policy on October 2022 agenda

Item 4 – End of year accounts

10. JL introduced the item reporting the UKPHR's financial position for 2021-2022. The ARRC reviewed a first-look draft at the May meeting based on monies received and paid out, and were told that the figures were likely to change. Since then, a reconciliation exercise was done. Appendix A represents a draft, but the figures are unlikely to change further.

11. DS presented the content of the report. The final accounts show a deficit of £78,146. However, he noted that the discrepancies arise for several reasons. First of all, a duplication of £17,000 in income was identified from 20-21; we need to account for this discrepancy to ensure future accurate accounts.

12. Quarterly accounts are based on cash accounting, which is a straight comparison of monies coming in and out during the period. However, End of Year (EOY) accounts must be prepared using Accrual accounting, where revenue or expenses are recorded to cover a period when the transaction occurs versus when payment is received or made. Revenues and expenses should be recognised during the same period. This is the method used in previous EOY accounts, however the way we record payments and expenses has become more sophisticated during the past year and this means that further EOY adjustments are being made this year. For example, if money is received in advance- ie if a registrant renews before the renewal date, the income is deferred until the renewal date and only reflected in the accounts at that point in time.

13. JL and DS emphasised that the deficit is not indicative of the financial health of the organisation, and that income and expenditure are roughly as predicted.

14. It was noted that 'charitable income' was money coming in from local practitioner schemes for training.

15. DS brought attention to page 20 of the accounts, which were more detailed and not for the statutory submission. These give a better idea of changes from 2021 to 2022. Particularly, it was noted that salary income had been over budget due to increased expenses for JL's secondment, and new staff starting in early 2022. Office rents had also increased, as the pandemic discounts had expired.

16. It was also noted that utilities had increased, and would continue to do so. Moderation fees increased as the slow-down associated with the pandemic had abated. Legal and professional fee spending had also increased because of the appeal received in 2021, and some contract work that had been commissioned on evaluation of online assessor training, as well as consulting fees for the initiation of the IT upgrade.

17. DV confirmed that there was nothing in the accounts that had come as a surprise, and the justification for the deficit was reasonable.

18. DV raised the point that income from registration fees had decreased, while the register had grown in size. DS noted that it hadn't been previously well-defined what was deferred income and what was accrued income. This means that this year there need to be more adjustments made than previously, due to a more stringent accruals accounting approach. A higher proportion of specialist fees are being deferred to the next financial year, and will be included in next year's accounts. So although this discrepancy will be apparent on this year's EOY accounts, it will not be an issue in subsequent years.

19. DV noted it would be useful to understand exactly how much additional income was being deferred from registration fees, and whether this fully accounts for the discrepancy. Under 'income', registration fees account for £187,404 in 2022, and £247,485 in 2021.

Action: DS to provide additional detail in an email to the ARRC on how much income from registration fees was deferred, and whether this accounts for the discrepancy from 2021 to 2022.

20. As DS will now be undertaking the day-to-day accounting, he will manage how each payment is recorded, which will also help in terms of future consistency of financial reporting.

21. It was agreed that using an accruals approach to management accounting in the future will help formulate a better picture of UKPHR's finances on an ongoing basis, and the EOY will marry up well with the broader picture presented throughout the year.

22. JD queried the £10,000 increase in moderation expenses. PV noted that there was increased moderation activity in 2022 due to continued clearing of the Defined route backlog. In addition, the first tranche of portfolio applications were not as high quality as subsequent applications, which meant they required additional moderation. They confirmed that they expected the total cost of moderation to decrease, and that they would monitor closely.

23. DS also noted that registration fees may be recorded differently throughout the year. Some renew and pay one full fee, and others use direct debit which means the income is spread. In order to present more accurate accounting, registration fees would be divided up throughout the year for all registrants, rather than having one significant peak in income. JL noted that the introduction of the new Regulator Online system would automate payments and make this much more straightforward and predictable.

24. JD asked whether predictable expenditure (ie utilities) would also be spread over the year, and DS confirmed that this was the idea for future budgets and management accounts reporting.

25. DV noted the very helpful discussion, and that the narrative was reassuring to the ARRC in confirming that accounts were in order. It was noted that this should go to the Board before the AGM.

    Action: JL to organise Board discussion prior to AGM on 22 September.

26. DV thanked DS for his attendance and input.

Item 5 – Q1 accounts

27. JL shared a spreadsheet with Q1 accounts, in a new format. The ARRC confirmed that the format was acceptable. She also noted that these accounts were still presented on a cash basis.

28. JL noted that as this was only Q1 accounts, it was not a good indication of financial performance when compared to the budget. The budgeting exercise was a rough prediction of when income and expenditure would happen, and as we start spreading these out as noted in the above conversation, it would be a more accurate picture. JL confirmed that although the Q1 on its own did not look balanced, it would even out throughout the year.

29. She also noted that the team were working on a payment schedule for practitioner schemes to make payment for nationally-run activities like training, that would make income in this area more predictable.

30. The specialist renewal date was 1 July 2022, although practitioner renewal is spread across the year depending on the date an individual entered the register. This means that levels of income will vary quite significantly from month to month. The team is looking at how they can move over to a more regular schedule with the introduction of the new IT system.

31. So, although the income for the first quarter is higher than originally budgeted, this is largely because of early renewals rather than an overall increase in income.

32. Salaries show a significant underspend, but this is due to the GMC not yet invoicing for the Chief Executive's salary for Q1.

33. Moderation fees are another area that tend to be unpredictable, as it's based on the quality of applications received via the portfolio route and the support needed by local schemes for practitioner registration.

34. There was a question regarding what the 'transfer' line item meant, and JL agreed to ask DS.

    Action: JL to ask DS for more information on the 'transfer' line item of the accounts

35. Again, it was noted that costs for lighting and heat would likely increase; the budget was agreed prior to when the extent of rising costs was known (although it was noted that the May charges were less as they reflected a credit for the previous year). JL noted that it might be helpful to periodically (ie at the end of Q2) to reforecast the budget so that it would be a more accurate reflection of predicted spend. The ARRC agreed to look at a re-forecasted budget at the next meeting, as it is an essential component of good financial management.

    Action: to add a re-forecasted budget to the next ARRC agenda

36. The committee asked to see the total annual budget as an additional column in the management reporting for the future, to allow a broader comparison.

    Action: Update management reporting template to include total budget column.

37. The announcement that the NHS had agreed a pay rise of 5% was noted, and that UKPHR staff were offered 3.5%. It was suggested that it was considered whether there was anything the UKPHR could do to address the gap.

Action: To consider whether it is feasible to offer any additional staff reward.

38. JL noted a recent investment in the phones system, as there is only access to handsets in the office; calls can not be routed to home working systems. There is an upfront cost, but longer term the system is cheaper so money will be saved. This will be installed for the team at end of August. A UKPHR mobile had also been purchased, to manage verification codes for online transactions. If more significant travel resumes, we can look at options for work mobiles or contributions to personal devices for staff.

39. JL noted that the lease for offices expires in 2026, so there was ample time to have a conversation about future ways of working. It was noted that with a recent office clear out, it was possible to use the office more flexibly. However there are still significant paper archives for portfolio applications. The team had agreed that it was not worth the expense to scan and digitise, as they would likely not need to be referenced again.

40. JL noted that the consultancy figure might need to be re-forecasted, as expenses for the ED&I consultant and the fees review consultant were going to utilise the entire budget. If further consultancy is needed, this would be re-forecasted.

<u>Item 6 – IT upgrade update</u>

41. JL confirmed that JS had seen the report and was happy with progress. The project is on track, and PJ is working well as project manager. Fortesium has been extremely complementary about her engagement, and they were ahead of schedule- apparently the first phase was done in about 1/3 of the time usually expected.

42. PJ confirmed that the discovery phase, which is essentially a general overview of the scope of work, had been completed. She also noted that she'd been impressed by the product itself and that their understanding of regulation really helped with development and expectations. Technical development would start in two weeks.

43. The contract still hadn't been issued due to Fortesium changing legal advisors, but would be chased and available soon. Quotes had been exchanged via email.

44. JL confirmed that decision making, sign off, and audit processes were in place, and that most decisions were fairly straightforward because of the small size of UKPHR.

<u>Item 7 – Fees review</u>

45. David Evans had helped with selection of a consultant and sign off of the brief, and Keith Burnett was in place leading the project. He'd already made headway speaking to registrants about the value they place on their registration, and he's produced an interim report outlining themes. JL confirmed that what's coming out is about what we would have

expected, and she expects the final report will be very useful. There will also be a session at the practitioner conference meant to start exploring some of the themes.

46. DV noted that some of the new NHS/ICS job descriptions were asking for UKPHR practitioner registration or equivalent, which was a positive signal.

47. JL confirmed that the practitioner conference would have a plenary session where employers would speak directly to practitioners about their workforce vision.

48. It was also noted that there would need to be an investment strategy for additional funds gained from any increase in fees. JL noted that one area she would like to address was to consider the Registrar role, as it is unremunerated. For a role of such importance, something more formal was probably required. Otherwise it is a risk that she was unsure UKPHR should be tolerating. The ARRC agreed that this was something to consider.

    Action: to add the volunteer nature of the Registrar role to the risk register.

<u>Item 8 – Revalidation review update</u>

49. It was acknowledged that the workshop back in May 2022 was a really positive experience, and there was universal buy in for UKPHR continuing to run a revalidation process. The concept of 'equivalence' with medics was a key issue that was discussed and there was agreement that this was important, but that this doesn't necessarily mean replication of the GMC processes. The next steps need to define what equivalence means, and look realistically at what can be delivered and what requirements can be met by registrants working across the system.

50. JL noted the formulation of a task and finish group, and two workstreams- focussing on two areas:

    a. consider our revalidation requirements and whether they appropriately assure UKPHR that specialist registrants continue to meet standards and remain fit to practice.
    b. explore how specialist registrants fulfil the requirements without placing undue burdens on them, the broader public health system, or on UKPHR, while working to ensure that those who meet requirements are appropriately supported to do so.

51. JL noted positive developments across the system ie expansion of SARD to the NHS, adoption of an updated appraisal requirements document across medical revalidation, and an increasing awareness of UKPHR requirements amongst employers.

52. Regarding governance of the project, updates and decisions about requirements would be routed through the Education and Training committee, and updates regarding risks of the project would come to the ARRC; it's important to avoid duplication.

53. DV noted a recent survey across the NHS Provider network reporting on the experience of public health specialists with appraisal and revalidation, and agreed to share slides as they might include some useful information for this committee and for the revalidation project.

Action: DV to share slides form NHS Provider network survey of PH specialists on appraisal and revalidation

54. JL noted that she'd been invited to be part of an England-wide employer group looking at revalidation. It was largely operational but has ambitions to become more strategic. She felt this would be helpful in keeping up with revalidation developments across the system.

Item 9 – Risk Register

55. JL noted that not much had changed since the last meeting in May, where the ARRC discussed a number of items that had been downgraded. Each of the yellow and red risks was considered.

56. DV noted that there needed to be increased understanding of why registrants lapse; JL confirmed that this is part of the fees review scope. She also noted that there was a current internal review of the lapse policy, to ensure that it was clear to registrants why they might lapse, and to ensure processes for being restored were clear and less punitive. PJ confirmed that with the new registration system, payment and renewal would be more straightforward and would hopefully result in less lapsed registrations. This will be monitored.

57. JL confirmed that the risks around practitioner registration were being dealt with, and a clear action plan was in place; she hopes to downgrade this in the near future.

58. JL noted that UKPHR had joined the Institute of Regulation, established by her predecessor Marcial Boo. She'd also joined a working group to look specifically at risk management in regulation run by a Director at OFQUAL, and she will ensure to bring any learning back to the ARRC.

Item 10 – Any other business

59. No other business was raised and DV brought the meeting to a close.