Audit, Risk, & Remuneration Committee

Minutes of meeting on 25 May 2023

Present:	Duncan Vernon - Chair (DV) Helen Featherstone (HF) James Sandy (JS) Linda Smith (LS) Jessica Lichtenstein (JL) Pav Johal (PV)	**Apologies:**	Jenny Douglas Joanna Dowd David Evans

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

1. DV welcomed the group and noted apologies from Jenny Douglas, Joanna Dowd, and David Evans. There were no other new declarations of interest.

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

2. The committee noted the minutes from 29 March 2023 as an accurate record.

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

3. Outstanding actions from the last meeting were discussed.

4. JL provided updates on all open actions, which are on track. She noted that the papers for CAF bank were finally complete and that they would be posted the same week. She also noted that an independent examiner had been identified for the 22/23 year. Malcolm Wilcox comes recommended by the accountant, although he will only be able to take this on for this one year as he's due to retire. JL agreed to obtain several quotes from individuals to take this on at a more permanent basis for the following years.

<u>Item 4 – Q4 22/23 accounts</u>

5. JL noted that even though the end of the financial year had passed, ongoing reconciliation is still happening. These accounts are indicative but will be adjusted before the final version is presented. She noted that some of the actual figures against what had been originally budgeted in 22/23 did not reconcile. She reminded the group of their recent budget discussion, which should have provided assurance that more accurate forecasts should be in place for 23/24. It was noted that there had been a trend of greatly underestimating income and expenditure in the past, but this would no longer happen.

6. Once the overdue training invoices from practitioner schemes arrive, the income and expenditure should roughly balance, once the reserves spending (on PT staff and the IT upgrade) were figured in.

7. The ARRC noted several points of clarification:

    a. the 'Bizas' line item was noted to be for the EDI training and development they'd had and would be re-categorised as 'consultancy'.

   b. Training income is generally predictable; we invoice each practitioner scheme according to numbers/size of the assessment/verifier training delivered for them, although there may be some moderation costs for schemes that arise unexpectedly. JL noted that the team are working on collecting annual data from schemes about use of moderators that could give an indication of issues arising from the practitioner schemes, that can then be addressed.

8. Detail of how much is in each bank account at different points in time is also now included in the quarterly accounts, so the ARRC can monitor cash flow and reserve levels. She noted that these levels had always been cyclical- dropping in Q4 and increasing again with renewals in May/June. However, with the increase in registrants paying by monthly direct debit, this will smooth out income.

9. JL noted that once the CAF account is opened, current account will earn interest and she will speak to their financial advisers about the best way to spread money across accounts.

10. The ARRC agreed that they were content with the Q4 accounts.

<u>Item 5 – Reserves policy discussion</u>

11. The ARRC discussed several questions relating to their preferred approach to reserves, to inform a policy that would be drafted and presented to the Board at their next meeting in June. The questions were based on guidance provided by the Charity Commission to guide a Trustee discussion.

12. Financial risks: JL presented a draft table of financial risks, including legal fees, unforeseen staff sickness or parental leave cover, risk to practitioner and specialist income because of external factors, and fraud. Cyber-attack impacting payment systems was also suggested as an additional financial risk. It was also noted that severe recession/financial crisis could also be considered a risk.
Action: Add cyber-attack impacting payment system and severe financial crisis as additional financial risks

13. It was agreed that these financial risks (with added mitigations) would be appended to the Risk Register and monitored through that route.
Action: Add financial risks to Risk Register

14. The ARRC suggested that the Board may wish to consider a statement on risk appetite, although it was agreed that this would likely depend on the nature of the risk.
Action: JL to consider what a risk appetite statement might look like

15. The ARRC considered other unforeseen costs and challenges. There was agreement that the organisation was agile, as had been demonstrated during the COVID-19 pandemic. The team easily adjusted to working from home, and there is now good infrastructure to continue this if office working wasn't an option for whatever reason. JL confirmed that UKPHR has thorough insurance cover, that had just been renewed. There is a business continuity plan in place.

16. A minimum level of reserves was considered. It was suggested that £60,000 should be kept available for legal fees and staff costs to cover sickness and/or parental leave. If statutory redundancy payments needed to be paid out with the closure of the business, this would total approximately £20,000, although it would be preferable to keep the team working to support registrants and a move to another regulator to retain public protection in case of UKPHR having to shut down. In addition, three months of slimmed down operational costs would be £100,000. DV noted that if we were in a situation where UKPHR had to shut down because of significant downturn in registrant numbers, or the moving of registrants onto another register (ie if directed by government), then we would have significant advance notice and should shut down in a managed way. PJ reminded the group of the initial TUPE discussions from several years ago when there was consideration of UKPHR moving under the auspices of HCPC. If staff were brought over from UKPHR to another organisation, those costs would be covered.

17. It was suggested that there is a red/amber/green flag system for when reserves drop below a minimum number. It was agreed that such an alert system would be useful in terms of bringing potential issues to the attention of the ARRC or the Board. JL noted that reserves would be reported to the ARRC/Board quarterly as part of regular financial reporting. The exact scenarios that could be planned for cover many potential circumstances,

18. Regarding a target level of reserves, indicative numbers of between 150,000 and 250,000 were discussed. These numbers could be reviewed according to the policy every year when budgets and spending are being discussed and agreed. A range makes sense, because of the cyclical nature of UKPHR's income- increased renewal payments come in between May and July.

19. Regarding spending reserves, the Charity Commission recommends that charities don't hold reserves that are higher than necessary and tie up money on unnecessary unnecessarily when we could be spending it on charitable activities. IT was agreed that if reserves remained high and there were no significant areas of spending that were Board endorsed, fees could remain static or have a very slight increase (of a few pounds). It was agreed that it becomes difficult to raise fees again (if required) after a period of no increases.

20. Excess reserves could be spent on projects or staff resource, to undertake work that is within the scope of the UKPHR strategy, and that are endorsed by the Board. It was agreed that there should be an agreed cap that the Chief Executive can spend without specific Board endorsement, within the scope of the agreed operational/business plan (that falls beneath the strategic plan) to ensure that there is some flexibility within the team and that quick decisions could be made, if needed. Board agreement for spending significant amount of reserves should be made on a case by case basis, including for potential scenarios where the total reserves falls below the bottom agreed benchmark. JL noted that for invoices over £25,000 she would ask the Chair to counter-sign, although this is part of financial management rather than reserves policy. It was agreed that costs/projects above a certain agreed amount (ie £10,000 or £25,000) would need additional Board support, which could also happen through financial management.

21. JL confirmed that she had enough detail from the ARRC to draft a reserves policy for Board consideration.

Item 6 – Key Performance Indicators

22. ARRC had agreed a set of indicative KPIs at their September 21 Board meeting. These were divided into registration data and 'back office' data. The registration data are now minded from the new Registration Online System, which is working well. All registration data requirements are now reflected in the monthly reports to the RAG and regular reports to the Board, including longitudinal data presented in order to identify trends.

23. JL noted that there was an effort to fill in gaps in data on protected characteristics (other than ethnicity, which is already collected). All registrants will be offered the opportunity to complete an EDI monitoring form to fill in the blanks on their records, although of course this can not be a requirement. This data will be particularly useful to understand whether there are differentials in opportunities or successful applications depending across protected characteristics. We're working on a formal data strategy that will set out exactly what we should do with this data.

24. It was noted that UKPHR hasn't yet done any work on the maximum capacity to deal with SRbPA applications, and this was something to think about. JL agreed that a 'trigger point' would be useful.

    Action: JL to consider with the team whether there was a trigger point where UKPHR would no longer be able to accept new SRbPA applications without additional resource

25. It was noted that the UKPHR team were planning on doing a project later in the year on reasons for lapsed registration, based on exit survey data. So far, it looks like most lapses are due to retirement or career change rather thank not seeing value for money in maintaining registration.

26. Back office KPIs were discussed, and it was agreed that some originally agreed are no longer useful to measure, while progress has been made in other areas:

    a. Financial reporting is now more sophisticated and works well
    b. Sickness absence will only be reported when it meets statutory trigger points. There are generally low sickness absences.
    c. The original suggestion of a quarterly staff well-being survey was excessive now that we're in a more stable position. It was agreed that this could be done annually
    d. The risk register has been significantly developed, with regular risk reporting in place
    e. Office attendance- the team now have a regular schedule of 2-3 times per month attending the office; this probably doesn't need to be reported further unless there is a significant change in approach. This can be explored in the staff survey.
    f. IT connectivity- the new IT provider seems to have sorted out the issues we'd had previously, so this no longer needs regular monitoring.
    g. Expenditure on IT per registrant- this was probably suggested to make a case for change with the new system. We no longer need to make this case and it's unclear what value this particular measurement has, as well as it being a very complex area, so it was agreed to not pursue reporting

h. Registrant IT experience- again, this was probably suggested to make a case for change. An annual registrant survey can include questioning about the IT experience. We can also look at things like google analytics to understand the user experience, as well as produce some stats about how long applications take to be processed. However, no real issues have arisen
i. Board papers- there were no reported issues with Board papers, and it was agreed that formal monitoring wasn't necessary, as it might be in a larger organisation with lots of different people preparing governance materials. However, a survey of Board members from time to time could be useful. This could be addressed as part of the light touch governance review planned for later this year.

27. There was further discussion about a potential survey of registrants, the value it could bring, and acknowledgement of the fact that it could be resource intensive. However, it was agreed it would be a useful tool to understand registrant perceptions of the continuing value of UKPHR registration. It could also be tied into the strategy and be a 'success measure' for implementation.

28. The ARRC acknowledged how much the organisation has progressed and developed since the original KPIs were agreed.

<u>Item 7 – IT upgrade</u>

29. PJ gave a brief update on the IT upgrade. The Registrar is using the system and has given good feedback. Renewal payments are now coming in and all is working smoothly with that. Approximately 25% have completed annual renewals so far. Further tweaks continue to be made via Fortesium. The new system has completely revolutionised how renewals are processed and has removed a truly significant amount of administration work from the team's desks. As noted, an impact assessment will attempt to quantify this.

<u>Item 8 – Risk Register</u>

30. JL presented the risk register by exception. The risk around lack of rigour in processes and decision-making has been downgraded from amber to green, because of the policies now put in place that guide this area ie exceptional circumstances and parental leave, as well as formalising the registrar role description and signing a contract, and strengthened appeal rules.

31. Risks to the PH system which are largely out of our control remain red. The impact of the move of HEE to NHS England is still unknown, although initial signs point to the continued prioritisation of local practitioner schemes and development of career frameworks- an evaluation will be published in the near future. JL continues to liaise regularly with key partners to improve relationships and joint working.

<u>Item 9 - AOB</u>

32. It was agreed that the accountant should be invited to the next meeting to present the end of year accounts.