

Audit, Risk, & Remuneration Committee

Minutes of meeting on 21 March 2024



Present: Duncan Vernon - Chair (DV)
Jenny Douglas (JDoug)
Joanna Dowd (JDowd)
Linda Smith
James Sandy

Apologies: David Evans
Helen Featherstone

Jessica Lichtenstein (JL)
Pav Johal (PV)

Item 1 – Welcome, apologies, and declarations of interest

1. DV welcomed the group and noted apologies from James Sandy. There were no new declarations of interest, although DV noted that some declarations published on the website may need to be updated.

Action: JL to circulate message to Board asking them to confirm bios and declarations as published on the website.

Item 2 – Minutes from last meeting

2. The committee noted the minutes from 18 January 2024 as an accurate record.

Item 3 – Action points and matters arising

3. Outstanding actions from the last meeting were discussed. JL confirmed that the light touch review of the SRbPA route was progressing well and that improvements would be presented to the E&S Committee and the Board later. It was agreed to close this item on the action log, as this is being dealt with through a more formal project.
4. The ARRC received the staff survey results. JL confirmed that she'd received some good suggestions for future content. Because of the small number of staff, the survey could not go into as much depth as some similar surveys, as it's difficult to retain anonymity. But overall, the results were very positive and indicate a cultural sea change for the team in terms of feeling valued and being happy at work. There were some points raised about physical safety in the office that JL and PJ will look into. It was confirmed that the building management do assist with fire safety assessments and that UKPHR's is up to date, and that UKPHR and its employees are insured.

Action: PJ to ask building management about the fire safety requirements ie fire extinguisher and servers being in the same room as paper archives.

Item 4 – Operational plan for 2024/25

5. JL presented the operational plan for the forthcoming financial year, noting projects, BAU, and significant milestones to help the Board understand the work of the team, as well as pressures that may arise. Some projects don't yet have timelines, but the plan is designed to be agile and reviewed by the team quarterly.

6. The ARRC confirmed that this was a helpful initiative and maps out the scale of activity. There was a suggestion that the activities, especially projects, should be prioritised (i.e. low, medium, high)
7. There was some concern about the extent of work to be delivered through a small team, but JL and PJ confirmed that it was on a similar level to the previous year, which was for the most part delivered.

Item 5 – 2024/25 budget

8. JL presented a draft budget to the ARRC. She attempted to predict reserves at the end of each month, but emphasised that these were educated guesses, as payments and invoices are not always received when predicted.
9. Regarding income, this budget assumed the fee rises agreed the previous year. Practitioner numbers increases were predicted according to last year's trends (including rising attrition rates), and there are modest increases in specialist numbers due to a higher proportion of multidisciplinary specialty trainees in the system- JL is establishing better data exchange with the Faculty to allow for more exact predictions. There are also some increases predicted for apprentices to come onto the register, but it's difficult to predict how many graduates will take advantage of this opportunity.
10. There are also some new opportunities for income involved with SRbPA development programmes, although most of this will be paid back out in moderator expenses. It is also assumed that some income will come in through conference sponsorship.
11. There are still some peaks and troughs recorded for income throughout the year, but renewal communications will promote direct debit options to smooth income.
12. Regarding expenses- the assumption is a 4% salary increase for the team, which is addressed under item 6. It was also noted that there will be some periods of handover where we pay double salary for mat leave cover, but the other period of mat leave will be very short and will accommodate a flexible/reduced hours schedule after return to work. For the latter team member, there will be a reduction of hours from 3 days to 2. Some tasks will be reallocated to the rest of the team; this can be accommodated for now, as we're still looking at additional efficiencies made by ROL developments. Whether these developments mean that we need to reconsider our permanent staffing situation will need to be examined over the coming year. However, JL was confident that the salary expenses and working patterns for 24/25 would be appropriate to allow us to deliver the operational plan.
13. Moderator expenses in 23/24 were significantly higher than anticipated, as we didn't account for the intensive training of new practitioner and specialist moderators. Most moderation activity last year had to be doubled up for training purposes. However, this will be reduced significantly for 24/25 so the budget should be more on track. JL noted that the training period is over and moderators have agreed to ensure they rotate responsibilities to maximise budget efficiency.

14. The budget assumes an in-person conference. If £5000 is received from sponsors, the cost is about £5000 more than an online conference- which does contribute to an overspend. JL noted a conference strategy that capitalises on the conference as a tangible benefit of registration. There is also the possibility of charging non-registrants to attend to make up some of the shortfall.
15. Regarding IT expenses- there are additional costs for annual development of Registration Online to make technical changes align with updated processes. These were not budgeted for last year but will be moving forward. There are also still license fees being paid for the e-portfolio which is not fit for purpose; the decision was made in 2021 to pause work on this, and we need to wait out our contract that runs until 2026.
16. Rent and facilities costs are another significant expense. Rent itself is stable, but service charges and utilities are rising. JL noted that a project will be undertaken to scope alternatives to the office i.e. becoming a virtual organisation or moving to a smaller premises.
17. The predicted net result is -£22,000, which means spending is 4% higher than income. It had originally been thought that there would be a positive net result this year when doing the original fee projections, but several considerations were not made at the time which impact expenditure (increased moderation expenses, in person conference, and some budget oversights such as ROL development and independent assessor costs), which are all now accounted for in the budget. JL also pointed out months where we would go slightly below our reserves target.
18. There are several measures being taken to cut costs this year: reduction in need for CE coaching, elimination of consultancy budget (it's not needed according to our operational plan), pursuing of charity discounts for services.
19. The ARRC discussed the draft budget. They acknowledged that in 2021 there were sizable reserves and the Board agreed to spend a reasonable amount of this on additional staffing and a new registration system to comply with charity best practice. This was an investment that they expect to benefit registrants and increase assurance of the register and of UKPHR overall. These have now been implemented, and the ARRC had expected a small surplus for this year. However, they accepted that some of the projections had been incorrect for justified reasons, and that some unexpected spend had to be made. However, there was recognition that a deficit is not a sustainable position, and they asked for reassurance that this would not be the case longer term.
20. JL gave some reassurance about the broader trajectory of UKPHR finances and eliminate the negative result, and to better secure UKPHR's financial future: focussed work on attrition rates and expanding the practitioner register, review of all fees, consideration of the future of the office (which could save up to £50,000 annually, even taking into account the increased costs in other areas), and scoping a new category of registration for retired specialists. She also noted that there was not yet an agreed approach for fee rises for 25/26 and beyond, and that this could be flexed. She has already raised the prospect of reviewing SRbPA fees (note that the SRbPA process is not self-funding) with the light touch review group, who are supportive.

21. Regarding plans to increase practitioner registration- JL confirmed that feedback from the 'system' and scheme leads is that there is significant desire to attain registration, with scheme waiting lists and people in the pipeline. Organisation and funding of schemes in England is still something being worked out by NHS England, but we are working to influence. The system is slowly incorporating practitioner registration into their broader workforce strategies, which will mean further expansion -although the scope isn't yet possible to predict. It was agreed that a focus on reducing attrition rates were where a stable and future-proof practitioner registration pool would be achieved.
22. JL noted that the conference is a tangible benefit to registration, particularly an in-person conference- and that this could be a tool for communicating this to registered practitioners. JL noted that projections given to the Board in 2023 noted that with a steady trajectory, Practitioner registration would not become self-funding until the end of the period of the five year strategy. The ARRC also indicated that they would be comfortable charging for the conference where appropriate.
23. It was noted that unplanned expenses will likely arise during the following financial year as well, and that there needed to be some wiggle room to accommodate this.
24. JL also noted that staff pay rises was another area where costs could be cut, but that this would be discussed in full at the next item. She confirmed that a balanced budget was achievable if the conference wasn't held, staff pay rises were restricted to the bottom end of the scale, and restrictions were placed on moderations- which could be seen as risky as it's the key method of quality assurance of the register. However, JL did confirm that she is trying to get a better understanding of moderation costs so that they could be better controlled.
25. It was agreed that if there was to be budget deficit, there needed to be a very clear way out of it set out to the Board in April. There needed to be overarching assurance about the financial trajectory. It was also agreed that a balanced budget should be presented to the Board so they could see what it looks like and decide whether there is a valid financial strategy to ensure this. It was suggested that this is presented in terms of benefits and risks (and refer to the risk appetite statement, which indicates a higher risk appetite when it comes to finance), and make it clear what we are investing in.
26. The reserves predictions were also noted. JL confirmed that there were points in the year where reserves would be slightly below target. She also reiterated that the budget was theoretical but monthly reserves (ie the bank balance) is tangible. So, it's important for the Board to think about reserves independently of the budget.
27. In conclusion, the ARRC agreed that the Board needed the budget presented in a way that made it clear what the budget was investing in, what the returns would be, and asked to explore an agreed position for the future ie does the UKPHR want to budget to a surplus. It was noted that a final decision about the conference will need to be made before the Board meeting, and that DV, JS, and LS were happy to be involved in that conversation.
28. The ARRC reiterated the importance of a conference strategy, as the costs may vary annually- this will help shape future budgets.

29. It was also noted that we may wish to consider discounts to those who pay by direct debit to incentivise. JL confirmed that this could be taken into consideration/costed for next year's fees review.

Action: JL to present the budget to the Board, reflecting the comments of the ARRC.

Item 6 – 2024/25 staff pay

30. JL noted that the average inflation for January 2024 was 4%, while the previous year was up to 10.1%. Official figures are down, although cost of living remains very high. The expected basic pay across all sectors is 4% and for public and third sector this is 3%. The ARRC received projections for a range of salary rises from 3%-4.5%. She had budgeted according to a 4% pay rise and noted that each half percentage is less than £2000.
31. The group highlighted that it was essential to continue to support staff both financially where possible and through developmental opportunities, which they acknowledged is being done. It was agreed that a 4% pay rise was reasonable.

Item 7 – Risk Register

32. As the last meeting agenda included a deep dive into the risk register, JL highlighted what had changed since the last meeting. A separate risk around apprenticeships was added to keep monitoring closely, as well as a risk relating to changes to the system due to the COVID public inquiry.
33. The ARRC agreed that an annual deep dive into the risk register would be sensible.

Item 8 – Any other business

34. JL noted the arrangements regarding the newest staff member's maternity leave, and that there would not be recruitment for maternity cover. JL confirmed that the team were comfortable with a re-distribution of her administrative tasks and noted that the majority of her leave would be during a slow summer period. HR advice has confirmed that this is all reasonable. The ARRC confirmed that it would support any reasonable initiatives to support those who had been on maternity leave back into work.
35. JS noted that with the new vice chair roles, he would be focussing on supporting staff. He offered to be a touchpoint for any issues staff wanted to raise.

Action: JL and PJ to communicate to the team that JS would be available to discuss any issues they wished to raise.

36. JL noted that the way staff pensions is organised is unusual, with staff making contributions directly from their personal accounts rather than to a group pension via payroll. This is normally only the approach when there are 1-2 staff members. The UKPHR's accountant and financial advisor suggested that this was changed, and that pensions should be managed in-house and through payroll. Nest was suggested as an appropriate fund. There should be no difference in terms of

contributions or risk, and UKPHR will save money as a financial advisor is no longer necessary if this approach is taken. The team are open to making the change.

37. JL noted that the options are very limited because of the small size of the UKPHR, so Nest is likely the only possibility.

Action: JL to bring a short options paper on pensions to the Board in April.