

unconfirmed**THE HEALTH PROFESSIONS COUNCIL**

Chief Executive and Registrar: Mr Marc Seale

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MINUTES of the 33rd meeting of the Finance and Resources Committee held on **Monday 20 November 2006** at Park House, 184 Kennington Park Road, London, SE11 4BU.

PRESENT: Mr R Clegg (Chairman)
 Ms P Blackburn
 Mr J Camp
 Mrs M Clark-Glass
 Mr M C Davies
 Ms S Drayton
 Mr W Munro
 Mr D Ross
 Mr K Ross (from item 3 inclusive)
 Mrs B Stuart

IN ATTENDANCE:

Mr C Bendall, Secretary to the Committee
 Mr T Berrie, Information Services Manager
 Mr R Dunn, Director of Corporate Services
 Ms L Foster, Human Resources Director
 Mr N Hacking, Barnett Waddingham LLP (until item 5 inclusive)
 Mr R Houghton, Registrations Manager (Operations)
 Ms K Johnson, Director, Fitness to Practise
 Mr R Kennett, Accountant member - Audit Committee (Observer)
 Mr S Leicester, Finance Manager
 Ms C Milner, Management Accountant
 Mr J Minett, Rensburg Sheppards Investment Management Ltd (until item 6 inclusive)
 Ms C Phillips, Project Manager
 Mr G Ross-Sampson, Director of Operations
 Mr M Seale, Chief Executive and Registrar
 Ms Y Hussain, Partner Manager

Item 1.06/152 APOLOGIES FOR ABSENCE

- 1.1 Apologies for absence were received from Mrs J Sheridon.
- 1.2 The Chairman welcomed Ms Blackburn to her first meeting of the Committee.

Item 2.06/153 APPROVAL OF AGENDA

- 2.1 The Committee approved the agenda, subject to receiving the item on the pension fund as item 5.

Item 3.06/154 MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 18 SEPTEMBER 2006

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

Item 4.06/155 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.
- 4.3 The Committee noted that the consultation on the proposed changes to fees had started on 6 November 2006 and would end on 6 February 2007. The Committee noted that there had been approximately 90 responses to date.

Item 5.06/156 PENSION FUND UPDATE

- 5.1 The Committee received a paper for discussion/approval from the Executive.
- 5.2 The Committee noted that the HPC's employee pension scheme was an unusual scheme, as it aimed to provide a target pension, but this was not guaranteed. The current scheme, managed by Capita Pension Trustees Ltd, had been established in 1995 but had recently experienced problems. The Committee noted that the trustees had guaranteed an interest rate for individual accounts of 4% for contributions made before 1 April 2003 and 2% for contributions made after 1 April 2003. It was possible that the trustees had been aware of issues with the scheme since 2003.
- 5.3 The Committee noted that the trustees had written to the HPC on 9 October 2006 to explain that the scheme could not continue to provide the target benefits but was currently approximately in balance in providing the pensions capital. This meant that, on retirement, individuals' contributions would be used to purchase an annuity (or could be drawn down as income) but income from an annuity could be 80% less than expected.
- 5.4 The Committee noted that, on the recommendation of Mr Kennett, Mr Nigel Hacking, an actuary and partner at Barnet Waddingham LLP, had

been approached by the Executive to examine the HPC's pension position and obligations and to recommend a suitable approach. On behalf of the HPC, Mr Hacking had attended a briefing by the trustees on 3 November 2006. The Committee noted that other employers at the briefing had appeared to reluctantly accept the situation and it was unclear if other employers would contemplate legal action against the trustees. The Committee noted that the cost of any legal action would not deplete the pension fund.

- 5.5 The Committee noted that Mr Hacking had suggested three options on how to proceed.
- 5.6 The Committee noted that option one involved HPC staying in the existing scheme and creating an HPC sub-fund which would provide a target pension. This would involve a great deal of work to separate the HPC's contributions from the global fund and would also involve a significant increase in contributions, together with legal and actuarial costs of creating a sub-fund. There would be a risk that the sub-fund could not provide the target pension.
- 5.7 The Committee noted that option two involved accepting what had happened and continuing the present arrangements. The Committee noted that the trustees had been unable to confirm their future investment strategy, but it was likely that they would invest very cautiously with correspondingly low returns.
- 5.8 The Committee noted that option three involved establishing a new pension scheme. However, if the HPC withdrew all funds from the current scheme, this could trigger a requirement under section 75 of the Pensions Act 1995 by which an employer had to pay their share of the overall deficit of the scheme including the share of the debt of the previous employers (approximately 250 employers) who had used the scheme. The amount payable could run into several hundred thousand pounds. The Committee noted that this requirement could be avoided if at least one employee (not a notional individual) remained in the pension fund and made minimal ongoing contributions.
- 5.9 The Committee discussed the HPC's responsibilities to current and previous employees who were members of the pension scheme. The Committee noted that the HPC had acted in good faith in offering the scheme to employees to date. However, preliminary legal advice to the HPC was that a holding letter should be issued to new employees qualifying for and electing to enter the pension scheme to explain that the scheme could not be offered until the current issues had been resolved, but the entitlement to employer contributions would be honoured. The Committee noted that 36 current employees were members of the scheme.

5.10 The Committee noted that the HPC had obligations to its registrants, in terms of avoiding excessive expenditure, as well as to its employees.

5.11 The Committee agreed that the Executive should seek advice on the following issues:

(1) legal advice on whether any action could be taken against the pension trustees. This might be dependent on action taken by other employers who contributed to the scheme;

(2) legal advice on the HPC's contractual obligations to employees in respect of a pension scheme;

(3) specialist pension advice on what arrangements should be considered for the future of the employee pension scheme, based on the three options outlined above. This should include a calculation of the debt which might be incurred by the HPC under section 75 of the Pensions Act 1995, although this information might not be available from the trustees until the end of the year; and

(4) the President and the Chairman should be kept informed of developments and the Chairman should hold a watching brief on this matter.

Action: SL/President/Chairman (Ongoing)

5.12 The Committee agreed that action should be taken quickly and that a comprehensive paper should be submitted to the Committee as soon as possible. It was noted that a special meeting of the Committee might be required and that the Council would be notified of the situation at its meeting on 14 December.

Item 6.06/157 PRESENTATION FROM HPC INVESTMENT MANAGER

6.1 The Committee received a presentation on the performance of investments managed by Rensburg Sheppards Investment Management Ltd. Details of asset performance and allocations as of 15 November 2006 were tabled.

6.2 The Committee noted that, as of 15 November, the value of the investments was £1.891 m and that the value had increased by 3.6% since 30 September 2006.

6.3 The Committee thanked Mr Minett for his presentation.

Item 7.06/158 FINANCE AND FACILITIES MANAGEMENT REPORT

7.1 The Committee received a report on the work of the Finance and Facilities Management Department.

- 7.2 The Committee noted that the Executive had met VAT advisors from Baker Tilly in October, to discuss cancelling the VAT registration for 22-26 Stannary Street Ltd. Refurbishment costs of £250,000 needed to be incurred to trigger the process.
- 7.3 The Committee noted that other significant projects for the Department included:
- the proposed changes to the fees;
 - issues surrounding the pension scheme; and
 - completion of the BACS-IP electronic banking project.
- 7.4 The Committee noted that funds under management could potentially earn a higher interest rate and Mr Kennett agreed to discuss this with the Finance Manager.

Item 8.06/159 HUMAN RESOURCES DEPARTMENT REPORT

- 8.1 The Committee received a report on the work of the Human Resources Department.
- 8.2 The Committee noted that the new Director of Communications had started work on 4 September 2006 and was involved in recruiting staff to fill two vacancies in the Communications Department.
- 8.3 The Committee noted that the Employment Equality (Age) Regulations 2006 had had a significant impact. For example, person specifications had been amended to delete references to specific amounts of experience.
- 8.4 The Committee noted that other projects included the annual review of all job descriptions and the introduction of new standard contracts for all employees.

Item 9.06/160 PARTNER MANAGER REPORT

- 9.1 The Committee received a report on the work of the Partner Manager.
- 9.2 The Committee noted that draft role briefs for Continuing Professional Development assessors would be drafted in November and December.
- 9.3 The Committee noted that the performance appraisal system for Partners was underway.
- 9.4 The Committee noted that the Partner Conference was due to be held in Glasgow on 27-28 November 2006. The Committee noted that 220 Partners were due to attend.

Item 10.06/161 CORPORATE SERVICES REPORT

- 10.1 The Committee received a report on the work of the Corporate Services Department.
- 10.2 The Committee noted that consolidation of the servers had been completed and work was being finalised to replicate data on the servers of the HPC's Internet Service Provider.
- 10.3 The Committee noted that the BACS-IP and AUDDIS electronic banking project was nearing completion.

Item 11.06/162 OPERATIONS REPORT

- 11.1 The Committee received a report on Operations, covering the Registration Departments, Quality Management, Project Management, Continuing Professional Development and Aspirant Groups and Approvals and Monitoring.
- 11.2 The Committee noted that there were currently 87 grandparenting applications under consideration.
- 11.3 The Committee noted that the recent British Standards Institute quality audit of HPC's systems had identified one non-conformity, which the Executive were considering.
- 11.4 The Committee noted that the Manager for Continuing Professional Development (CPD) would make a presentation on the CPD systems to the Education and Training Committee on 5 December.
- 11.5 The Committee noted that the Approvals and Monitoring Department was at capacity for visits to education providers in summer 2007.

Item 12.06/163 PROVISION OF LEGAL SERVICES

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that the Council meeting on 11 May 2006 had agreed the way in which external legal services would be provided, i.e. that services connected with Fitness to Practise procedures should be provided by one firm, whilst a second firm would act as parliamentary agent. The Council had agreed that competitive tenders should be sought for provision of legal services in both areas and that the tendering exercise should be completed by 31 March 2007.

- 12.3 The Committee noted that the paper included the process for appointing legal services providers, the draft advertisement for tenders, a questionnaire for interested firms and the timetable for the process.
- 12.4 The Committee agreed that the questionnaire should ask interested firms to describe their relevant experience.
- 12.5 The Committee approved the following documents:
- (1) the appointment process;
 - (2) the advertisement;
 - (3) the pre-qualification questionnaire (subject to the amendment agreed above); and
 - (4) the timetable.

Action: MJS (Ongoing to March 2007)

Item 13.06/164 INVESTMENT POLICY REVIEW

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that, at its meeting on 21 November 2005, it had agreed to review the investment policy on an annual basis.
- 13.3 The Committee agreed the minor amendments to the policy which were set out in the paper.

Action: SL (by 7 February 2007)

Item 14.06/165 PROJECT REPORTING

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the paper proposed the introduction of a new project financial reporting system from the start of the next financial year. To date, project expenditure had been included in departments' budgets, but members of the Executive and the Council now required accurate reports on individual projects to ensure that they were delivered to specification, on time and on budget.
- 14.3 The Committee noted that the proposed system would include monthly financial reports on significant major projects, such as the proposed changes to the HPC's fees, introduction of CPD, renovations to 22-26 Stannary Street and the equality and diversity project.
- 14.4 The Committee approved the reporting system.

Action: SL (Ongoing from April 2007)

Item 15.06/166 PROJECT MANAGEMENT AT HPC

- 15.1 The Committee received a paper for discussion/approval from the Executive.
- 15.2 The Committee noted that the paper proposed a formal approach to project management and planning, to ensure a consistent and efficient approach to projects. The proposal included definitions of a project, project types, roles within a project team, success criteria and the process for prioritising and scheduling projects.
- 15.3 The Committee noted that it was responsible for considering proposals with significant financial or resource implications.
- 15.4 The Committee noted that the process for prioritising and scheduling projects would begin each September and run until December. The Committee noted that any decisions made at the Council Awayday would be fed into the process.
- 15.5 The Committee noted that there was no spare capacity within the HPC to take on other projects (for example, commencing statutory regulation of a profession) and existing projects would have to be deferred or cancelled if other requirements arose.
- 15.6 The Committee agreed the principles around effective project planning, management and execution as detailed in the paper.

Action: CP (Ongoing)

Item 16.06/167 DIRECT DEBIT NAME CHANGE

- 16.1 The Committee received a paper for discussion/approval from the Executive.
- 16.2 The Committee noted that, when the HPC had been established, no change was made to registrants' direct debit instructions to their banks to recognise the change of name from the Council for Professions Supplementary to Medicine to the Health Professions Council.
- 16.3 The Committee noted that the paper proposed writing to all registrants with direct debit arrangements to inform them of the change of name. The change was required to complete the project to transfer to the new electronic banking system (BACS-IP/ AUDDIS).
- 16.4 The Committee expressed concern that registrants had not been notified at the time of the recent consultation letter on the proposed changes to fees and that the change of name had not been actioned earlier.

- 16.5 The Committee noted that the HPC's parliamentary agent had advised that the HPC needed to communicate with registrants by letter, rather than e-mail.
- 16.6 The Committee agreed that the Executive should confirm why the HPC was required to notify registrants (i.e. the regulatory or legislative requirement) and should proceed with notification and incur the cost only if absolutely necessary.

Action: SL (by 31 March 2007)

Item 17.06/168 DRAFT FINANCIAL REGULATIONS

- 17.1 The Committee received a paper for discussion/approval from the Executive.
- 17.2 The Committee noted that the draft regulations had been prepared by the Executive with input from the HPC's solicitor and parliamentary agent and replaced the standing financial instructions agreed by the Council in November 2002. The Committee noted that the draft regulations reflected current practice.
- 17.3 The Committee noted that the Executive intended to seek input from the Audit Committee and from the HPC's external auditors and, subject to their views, would submit the draft regulations to the Council on 14 December 2006.
- 17.4 The Committee agreed the following amendments:
- Paragraph 8 - should be amended to state that the Chief Executive had overall executive responsibility to the Council for the items mentioned;
 - Paragraph 8a - should be amended to state that the Chief Executive was responsible for the organisation and management of HPC's functions and the leadership and management of all employees (i.e. two separate responsibilities);
 - Paragraph 19 - should be amended to state that the annual accounts should be presented to the Finance and Resources Committee as well as the Audit Committee and the Council; and
 - There should be a clear statement that there should be no corporate credit cards unless authorised by the Council.

Action: MJS (by 6 December 2006)

Item 18.06/169 LISA REGISTRATION SYSTEM ANNUAL SUPPORT COST

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

- 18.2 The Committee noted that on-going support costs for the registration system had been frozen since September 2003, which allowed for 13 "man days" of system support per quarter from Digital Steps Ltd. Additional support had been available on a cost basis.
- 18.3 The Committee noted that Digital Steps Ltd proposed to increase the amount of support as the HPC enhanced the LISA system to accommodate CPD and the proposed fees increase.
- 18.4 The Committee agreed the proposed changes to the LISA support contract.

Action: RD (by 30 November 2006)

Item 19.06/170 COSTING MODEL UPDATE

- 19.1 The Committee received a paper to note from the Executive.
- 19.2 The Committee noted that the Council on 4 October 2006 had agreed that, in the costing model, the costs of approving and monitoring programmes of education should be allocated to the renewals fee rather than the UK registration fee.
- 19.3 The Committee noted the update to the costing model.

Item 20.06/171 HPC PARTIAL DISASTER RECOVERY INVOCATION, 9-10 OCTOBER 2006

- 20.1 The Committee received a paper to note from the Executive.
- 20.2 The Committee noted that there had been a power failure in South London on the afternoon of 9 October 2006. The Committee noted the action taken by the Executive to ensure continuation of the HPC's operations.
- 20.3 The Committee noted that the disaster recovery procedures had operated well.

Item 21.06/172 SEPTEMBER 2006 MANAGEMENT ACCOUNTS

- 21.1 The Committee received a paper to note from the Executive.
- 21.2 The Committee noted that the first half of the financial year had led to a higher surplus than budgeted. The HPC continued to be in a stable financial position, although some favourable variances would be reduced by the end of the year due to expenditure in the third and fourth quarters.

- 21.3 The Committee noted that capital expenditure was lower than budgeted, especially for LISA projects, and that capital expenditure on renovations to 22-26 Stannary Street would be deferred until April 2007.

Item 22.06/173 FINANCIAL PROCEDURES - REVISED

- 22.1 The Committee received a paper to note from the Executive.
- 22.2 The Committee noted that the current financial procedures had been produced in 2003 by the HPC's former auditors and had not been revised or updated.
- 22.3 The Committee noted the updated procedures attached to the paper.

Item 23.06/174 DATES OF COMMITTEE MEETINGS 2007-8

- 23.1 The Committee received a paper to note from the Executive.
- 23.2 The Committee noted the meeting dates in 2007-8 which had been agreed by the Chairman.
- 23.3 The Committee noted that some members preferred to attend meetings on Mondays and Fridays and asked that this should be considered in future.

Item 24.06/175 UPDATE ON THE PROJECT TO REFURBISH 22-26 STANNARY STREET

- 24.1 The Committee received a paper to note from the Executive.
- 24.2 The Committee noted that it had last been updated on the project on 22 June 2006. Since that time, work had continued to reduce the estimated refurbishment costs, appoint consultants and adjust the plans.
- 24.3 The Committee noted that the Executive would submit the final proposals to the Committee for approval.

Item 25.06/176 ANALYSIS OF AGE AND GENDER OF REGISTRANTS

- 25.1 The Committee received a paper for information from the Executive.
- 25.2 The Committee noted that the Executive had compiled and analysed current data held by the HPC in relation to age and gender for all professions. The purpose of the analysis was to assess likely future trends in registrant numbers and therefore income from fees.

- 25.3 The Committee noted that the data in the paper did not enable the identification of individuals and could therefore be shared with external organisations.

Item 26.06/177 ANY OTHER BUSINESS

- 26.1 There was no other business.

Item 27.06/178 DATE AND TIME OF NEXT MEETING

- 27.1 The next meeting of the Committee would be held at 10.30 a.m. on Wednesday 7 February 2007.

- 27.2 Subsequent meetings would be held at 10.30 a.m. on

Thursday 8 March 2007 (Remuneration Committee)

Wednesday 21 March 2007

Thursday 26 April 2007

Thursday 21 June 2007

Thursday 26 July 2007

Tuesday 18 September 2007

Tuesday 20 November 2007

Wednesday 6 February 2008

Thursday 6 March 2008 (Remuneration Committee)

Wednesday 19 March 2008

Thursday 24 April 2008

Thursday 19 June 2008

CHAIRMAN

DATE