

UNCONFIRMED

THE HEALTH PROFESSIONS COUNCIL

Chief Executive and Registrar: Marc Seale

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FINANCE AND RESOURCES COMMITTEE

MINUTES of the 21st Meeting of the Finance and Resources Committee held at 12.30 p.m. on **Wednesday 23rd March 2005** at Park House, 184 Kennington Park Road, London, SE11 4BU.

PRESENT:

Mr C Lea, Chairman
Mr M Barham (part)
Professor N Brook
Mr R Clegg
Professor J Harper (part)
Mr D Ross
Mr K Ross
Mrs B Stuart
Dr S Yule

IN ATTENDANCE:

Mr M Seale (Chief Executive and Registrar)
Mr P Baker (Finance Director and Committee Secretary)
Mr R Ballard (Management Accountant) (part)
Mr R Dunn (Director of Information) (part)
Miss L Foster (Human Resources Manager) (part)
Mrs E McKell (Partner Manager) (part)
Mr D Robinson (BDO Stoy Hayward – auditor) (part)

FIN024/05 APOLOGIES FOR ABSENCE

24.1 Apologies had been received from Mr W Munro, Mrs J Stark and Mr N Willis

FIN025/05 APPROVAL OF AGENDA

25.1 The Draft Agenda was adopted as the Agenda for the Meeting. Item 7 and the agenda items to be taken in private were to be taken following this item and the agenda would then recommence with item 3. (The minutes are noted in the original order.)

FIN026/05 APPROVAL OF MINUTES OF THE MEETING HELD ON 11TH FEBRUARY 2005

26.1 The minutes of the 20th meeting of the Health Professions Council Finance and Resources Committee were confirmed as a true record and signed by the Chairman.
Paul Baker, the Finance Director, presented his report.

FIN027/05 MATTERS ARISING

27.1 The Secretary reported on matters arising as follows:

LISA Reporting

BDO Stoy Hayward was currently auditing the LISA system prior to the year end and had incurred no problems to date.

27.2 There were no other matters arising.

FIN028/05 FINANCE AND OFFICE SERVICES REPORT

28.1 Paul Baker, the Finance Director, presented his report.

28.2 Since the last meeting the department had progressed routine work and also concentrated on the budget for 2005/6 and the pay review at 1st April.

28.3 £3.2 million was currently on deposit on special interest reserve, the money market or by bond, earning rates up to 4.695%.

28.4 A number of meetings had taken place, which included ones with Kingsley Napley (re fees), the Corps of Commissionaires, Linbrook Services and Covent Garden Bureau.

28.5 Office Services was currently engaged on securing planning permission for converting the Mezzanine for office use.

28.6 The Committee NOTED the paper.

FIN029/05 INFORMATION AND IT DEPARTMENT REPORT

29.1 Roy Dunn presented the report of the Information and IT Department.

29.2 He updated the committee with regard to projects (Fitness to Practise, an Education and Policy system, Authentication of Users, Document Control and Freedom of Information, the HR system, the Customer Service system, the IT helpdesk and Business Continuity).

29.3 Key Information and IT projects scheduled for 2005/6 were ICR Renewals, BACS-IP, Online Renewals, BART, Intl and CPD, Ethnicity and one new profession.

29.4 A complex series of multi-dependant projects will need to be delivered over the next six months to offer maximum benefit to HPC as the organisation approaches the peak renewals season. Multiple suppliers will need to work in partnership under very specific guidance from the department.

29.5 The Committee NOTED the report.

FIN030/05 HUMAN RESOURCES DEPARTMENT REPORT

30.1 Larissa Foster, Human Resources Manager, presented the departmental report, which covered employee resourcing, employee contract review, an internal audit of the department (see Audit Committee minutes), partner numbers including details of panel recruitment, registration assessors and visitors.

30.2 A joint presentation on PowerPoint was then made to the Committee by Larissa Foster and Liz McKell (Partner Manager). This covered the current and future work of the department and was similar to a recent awareness training presentation to all staff.

30.3 The Committee NOTED the report and presentation.

FIN031/05 ATTENDANCE ALLOWANCES FOR CANCELLED FITNESS TO PRACTISE CASES

31.1 It was reported that from time to time Fitness to Practise cases are cancelled at short notice or complete in a shorter time than was originally designated. Often panel members have had to turn down other work to attend, on the understanding they will get a fee from the

31.2 The Executive suggested the following formula for fees to be charged, should they be requested by panel members:

Cancellation on day of hearing: Full Fee (attendance allowance)

Cancellation 1 working day before: Full Fee

Cancellation 2 working days before: ½ Fee

Cancellation 3 working days before: ½ Fee

Cancellation 4 working days before: ½ Fee

Cancellation 5 working days before: ½ Fee

Cancellation >5 working days before: No Fee

31.2 The Committee AGREED that with effect from 1st April 2005 attendance allowances should be payable in accordance with the suggestion above.

SUBJECT TO COUNCIL RATIFICATION

FIN032/05 VAT ON ATTENDANCE ALLOWANCES

32.1 The Council referred the minute of the last meeting back to the Finance & Resources Committee. Various members of Council contend that they should

charge VAT on top of their attendance allowance rather than accept that VAT is part of their allowance.

32.2

The following is an extract from a paper put to the Committee:

At the Council Meeting held on Wednesday 2nd March, the Council was apprised of the fact that for self-employed persons earning income over the VAT threshold, attendance allowances received from the HPC were subject to VAT. There had been an issue as to whether this was the case as the allowance might relate to education but as the HPC was not an educational body, this was ruled out.

Since its inception Council Members have been receiving an attendance allowance of £260 per day. The argument brought up by a small number of Council Members at its meeting was that they felt that they, as individuals registered for VAT, should charge the HPC VAT over and above the £260 daily allowance. As HPC cannot reclaim VAT on any of its income (per the Order in Council), the additional charge per day of £45.50 would have to be borne by the organisation. In the hands of the Council members, this amount would have to be paid to HM Customs & Excise as Output Tax, net of any input tax they might incur individually. (Please note that the contract issued to HPC partners states in Section 4.1 that "the daily fee will be inclusive of VAT if applicable".)

The Committee was asked to re-think its policy of charging a composite attendance allowance, inclusive of VAT, as it might be *ultra vires*.

The Executive was instructed at the end of 2004 not to spend any more money on professional fees in this regard, as ostensibly this was really a matter for individuals, although at least one Council member felt that this advice should be forthcoming from HPC.

Consequently we have not gone to lawyers but sought guidance from BDO Stoy Hayward as to what the law is.

We have been advised that it is not necessary for us to add VAT to the allowance paid and that a composite allowance is acceptable, unless there is a contractual relationship to the contrary.

The following is an extract from an e-mailed response from the VAT department of BDO Stoy Hayward and it cites Section 19(2) of the VAT Act, i.e. the legal position.

I understand that an agreed rate of £260 per day is paid to members for their services. In general, where an amount is agreed between two parties in respect of services provided, then this will normally be treated for VAT purposes as being VAT inclusive unless the agreement between the parties (verbal or otherwise) expressly states to the contrary. The relevant UK VAT legislation is s19 (2) VAT Act 1994.

32.3

The President indicated that she would enquire as to the original letters of appointment with the Department of Health.

ACTION: NORMA BROOK

32.4 The Committee AGREED that the status quo should remain and that interested parties should be informed of the decision when the minutes had been agreed by the Chairman of the Finance & Resources Committee.

SUBJECT TO COUNCIL RATIFICATION

FIN033/05 REPORT ON THE AUDIT COMMITTEE MEETING HELD EARLIER ON 23RD MARCH 2005

33.1 The Chairman of the Audit Committee, Sandy Yule, reported verbally on the meeting held at 9 a.m. Minutes will be reported at the next meeting.

33.2 The Committee, together with the Chief Executive and some members of the Finance & Resources Committee had undertaken a successful self-assessment day run by the National Audit Office. The report from the meeting had been produced to the meeting and agreed.

33.3 The main outcomes from the day were as follows:

- a) The remit of the Committee should be expanded.
- b) Responsibility for approving the risk assessment document should become the responsibility of the Committee.
- c) The Audit Committee should cease to be a sub-committee of the Finance & Resources Committee and should report directly to Council.
- d) The membership of the Committee should be reviewed and specific note taken of the experience of members, training to be given where necessary.
- e) Timing and number of meetings should be reviewed.

33.4 An internal audit report had been received from BDO Stoy Hayward on the Human Resources function. There were a number of matters to be addressed and a further audit done later in the year.

33.5 The audit strategies from BDO Stoy Hayward and the National Audit Office for the year end were agreed.

33.6 The internal audit work requirement for the year would be agreed between the Committee and BDO Stoy Hayward following the year end audit.

33.7 The Committee NOTED the verbal report from the Chairman of the Audit Committee and APPROVED the recommendation that the Audit Committee should report directly to Council, subject to the alteration of its Standing Orders.

SUBJECT TO COUNCIL RATIFICATION

FIN034/05 MANAGEMENT ACCOUNTS TO 31ST JANUARY 2005

34.1 The Committee NOTED the management accounts for the ten months ended 31st January which showed an operating deficit for the period of £99,761 against a budgeted surplus of £555,817, an adverse variance of £655,578. This variance reduced to £458,763 after accounting for unbudgeted unrealised gains on investments of £143,658 and investment income £53,157 over budget.

34.2 No further discussion took place on these figures as the February figures were available under the next agenda item.

FIN035/05 MANAGEMENT ACCOUNTS TO 28TH FEBRUARY 2005

35.1 The Committee NOTED the management accounts for the eleven months ended 28th February which showed an operating surplus for the period of £39,859 against a budget of £742,213, an adverse variance of £702,354. This variance reduced to £480,598 after accounting for unbudgeted unrealised gains on investments of £167,382 and investment income £54,374 over budget.

35.2 The detailed commentary provided by the Management Accountant gave insight into the various variances. The main reasons for overspends included unbudgeted use of Bircham Dyson Bell (since restricted), the cost of the CPD consultation, the development of the Education and Training Department and the increasing case workload of the Fitness to Practise Department (including the unbudgeted cost of Registration Appeals).

35.3 The Committee NOTED the accounts.

FIN036/05 ANY OTHER BUSINESS

36.1 There was no Any Other Business

FIN037/05 DATE AND TIME OF NEXT MEETINGS

37.1 The next meeting was confirmed as Thursday 28th April 2005 at 11 a.m. in Park House.

37.2 Subsequent meetings will be held as follows:
Thursday 23rd June 2005 – preceded by the Audit Committee
Friday 29th July 2005
Tuesday 20th September 2005
Monday 21st November 2005 – preceded by the Audit Committee
Wednesday 8th February 2006
Wednesday 22nd March 2006 – preceded by the Remuneration and Audit Committees
Thursday 27th April 2006
Thursday 22nd June 2006 – preceded by the Audit Committee
(The Audit Committee Meetings are subject to change following the adoption of the change of responsibilities and reporting structure for the committee.)

Signed (Chairman)

Date