
Council, 26 March 2014

Finance Department Work Plan 2014-15

Executive summary and recommendations

Introduction

The attached document is the Finance Department's proposed work plan for 2014-15. It details the department's main areas of work and priorities for the financial year from 1 April 2014 to 31 March 2015.

Decision

Council is asked to discuss the work plan and agree the contents.

Background information

This document is intended to supplement the Council's strategic intent document and sits alongside other departmental level strategy and work plan documents.

Resource implications

The resource implications are detailed in the attached work plan and based on the assumptions which are already part of the HCPC budget 2014-15.

Financial implications

The financial implications in the attached work plan are based on the assumptions which are already part of the HCPC budget 2014-15.

Appendices

Appendix One – Finance department work plan 2014–15

Date of paper

14 March 2014

Finance Department Workplan 2014-15

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Introduction

The Finance department

The Finance department supports HCPC by processing transactions including the subscriptions of registrants, suppliers' invoices, payroll and staff expenses. We manage the budgeting and financial reporting systems, and support budget holders, EMT and Council with management information and advice.

Finance department contribution to the HCPC strategy

Finance contributes primarily to objectives 1 and 2 of HCPC's strategic intent 2012-15:

Objective 1: Good governance (extracts most relevant to Finance)

To maintain, review and develop good corporate governance

To ensure continued financial probity and sustainability

To ensure continued risk management

To maintain regular monitoring of performance against objectives

Objective 2: Efficient business processes

To maintain, review and develop efficient business processes throughout the organisation

To continue to promote a culture of continuous quality improvement

To maintain, review and develop standards and processes as required across all functions

To ensure continued compliance with external quality assurance frameworks

To maintain, review and develop organisation-wide policies including equality and diversity and corporate social responsibility policies

To build partnerships with suppliers to ensure value for money procurement

To increase the benefit and reduce the cost of regulation.

This document

This document sets out the work priorities for the financial year April 2014-March 2015 and provides a basis against which the work of the Finance department can be planned and measured.

Priorities 2014-15

1. Effective day-to-day performance of our business as usual operational processes. A summary of the core Finance processes is included in Annex 1.
2. Identifying simplifications and/or improvements to core Finance processes which
 - improve the service to Finance's stakeholders, and/or
 - reduce the burden of the process on stakeholders, and/or
 - free up capacity within Finance to reallocate to more value adding activities while maintaining good internal controls.
3. The effective delivery of projects, including the upgrade of key Finance systems (the accounting system, Sage, and the purchase ordering system, PRS), and supporting other departments on the finance issues arising in their projects.

Key stakeholders for the department are budget holders, the EMT, Audit Committee and Council, registrants, HCPC employees, partners and suppliers.

Resources

The proposed 2014-15 Finance staff budget is £534k (2013-14: £483k) for a team of 12 FTEs (2013-14: 11), of which one is a temporary post created during 2013-14 to help manage the workload. The department organogram is at Annex 2.

We anticipate that, subject to no major increase in the number of registrants, the review of core Finance processes should free some capacity within the team, but it may be appropriate to reallocate this to additional business partner support to budgetholders, rather than reduce the complement.

The proposed non-payroll budget is £314k (2013-14: £229k), making a total 2014-15 Finance department budget of £848k (2013-14 total: £712k). The main costs within the non-payroll budget are:

- £64k internal and external audit fees (2013-14: £64k)
- £67k other legal and professional fees (2013-14: £19k. The increase over the 2013-14 budget is mainly for procurement-related legal advice)
- £100k bank charges (2013-14 budget was £70k but actual charges will be approx. £100k. Bank charges are expected to reduce from 2015-16 as a result of more efficient payment mechanisms for registrants)
- £50k insurance (employers and public liability, property etc. 2013-14: £49k).

Risk management

The Finance department manages a range of ongoing HCPC risks using various risk mitigations. The risks can be grouped under five broad themes as follows:

1. **Financial accuracy** - risks associated with financial reporting, ensuring tax legislation compliance and obtaining an unqualified audit opinion on the financial statements
2. **Cost control** - eg large capital project cost over runs or an unexpected rise in operating expenses
3. **Asset value protection** – eg falls in the value of fixed assets or failure of one of our banks
4. **Liquidity** – not having sufficient cash available to meet our commitments
5. **Financial service provision** - risks associated with the financial failure of key HCPC suppliers.

The Finance risks in the HCPC Risk Register are attached to this workplan at Annex 3.

Business continuity planning

The disaster recovery site at Uxbridge has been set up to provide alternative premises if offices are unusable. Our online banking system means that we are able to make payments to staff and suppliers even if all HCPC IT systems are down. Other mitigations in place include; daily data backups, offsite record archiving and the storage of financial stationery and equipment at the Uxbridge site.

Core Finance processes

The second priority identified above is the simplification and/or improvement of core finance processes, both for Finance and our stakeholders. This objective will be central to the Finance projects, but also a wider objective applied to all our processes during the year.

For example:

- the Sage and PRS (procurement system) upgrade project will consider the analysis available within the system so as to eliminate the need for budgetholders to maintain parallel records with detail that they currently cannot get from the Finance system.
- the travel management tender will be used as an opportunity to shift from paper to electronic transactions
- we will review the monthly management accounts process with a view to reducing the number of adjustments or corrections and speeding up the delivery of the information to budgetholders.

We will consult budgetholders and the auditors on proposed changes, in particular to ensure that sufficient financial control is maintained.

Projects

The Finance department has a key role to play in implementing several HCPC projects during 2014-15. The three projects listed below were included in the 2013-14 Finance workplan but did not initiate. In addition, Finance people will be involved in aspects of project design and testing for other department's projects, in particular the New Registration System project.

1. Sage and PRS (Finance system) upgrade

The current version of the accounting system, Sage, will be out of support at the end of 2014-15 so needs to be upgraded. The purchase order system PRS will need to be upgraded at the same time. The supplier database is currently held on Lotus Notes, and is not fully integrated with Sage. It will need to move to another platform as part of the Domino to Exchange migration project, and the Sage upgrade will aim to achieve full integration of the new database with the accounting system.

The project is an opportunity to reconsider the configuration of the systems with a view to improving the usability for budgetholders, increasing automation of processes etc.

2. Review of Direct Debit processes

The main objective is the review of the administration of direct debit instructions. The project will include investigation work into the use of paperless direct debit instructions by registrants. The intention would be for registrants to set-up a new direct debit instruction or change an existing direct debit instruction online or over the phone.

3. Change of payment services provider for debit and credit cards (as part of the Online Renewals Review project)

We will review our card payment services provider with the aim of reducing our bank charges.

Finance will also support

- Registration Systems Review Phase 1
- HR and Partners Systems project
- 186 Kennington Park Road project

System enhancements

Electronic expenses project investigation work

As part of the travel management contract tender, we will investigate a method for expense claims to be made electronically. This would enable claimants to file their expenses on-line and have them approved without the need of paper copies.

Anticipated projects in 2015–16

Assuming successful completion of the 2014-15 projects within the year, there are no anticipated Finance-owned projects for 2015-16 at this stage. Finance will contribute to the 2016 Fees Review, and members of the finance team may be involved in aspects of project design and testing for other departments' projects.

Achievements in 2013-14

Finance's priorities for 2013-14 were effective day-to-day management of the main operational processes and supporting activities (the same processes and activities as set out in Annex 1), and the effective delivery of projects. Finance's planned projects for 2013-14 were deferred, and the same three projects are now scheduled for 2014-15.

During the year, there have been three Finance Directors in post and a change in the Management Accountant post, which has been disruptive for the department and contributed to the deferral of the projects. Despite that, in 2013-14 Finance delivered on its "business as usual" with a high level of accuracy¹, and made improvements. We appointed a procurement manager (a new post agreed in the 2013-14 budget) who has updated our procurement policy and managed successful tenders. We developed the monthly management accounts and the budget setting and forecasting processes to improve the information available to budgetholders.

¹ As evidence, substantial assurance given in Internal Audit report on core financial controls September 2013; no significant risk findings on internal control in the NAO management letter; no major issues with payment or registrant receipt processing.

Annex 1: Finance department's main responsibilities, operational processes, supporting activities

Main responsibilities

- To monitor the financial position and performance of the HCPC and advise the EMT, Council and Committees of the need for adjustments to the business plan and strategy in a timely manner,
- To process financial transactions including collection of registrant income, payment of staff salaries, payment of suppliers,
- To manage the budgetary control process and produce the monthly management accounts,
- To provide financial forecasting and analysis to support the Council and Committees in developing strategy and policy,
- To produce the statutory financial statements and the financial sections of the HCPC Annual Report,
- To maintain good internal financial control and risk management including compliance with the HCPC Financial Regulations,
- To manage the relationship with key external suppliers; the HCPC's bankers, internal auditors, external auditors, financial software providers, HMRC, building valuers, insurance advisors and pension scheme providers,
- To provide procurement guidance and support individual procurements including tenders and supplier analysis,
- To deliver Finance projects to enable process improvement and enhance risk management.

Main operational processes

There are six main processes which generate the bulk of the Finance department's work throughout the year. These are as follows:

1. Registrant transaction management process

A key aspect of the NetRegulate Register is maintaining the accuracy of the financial information within NetRegulate. Each month, the Finance department extracts and summarises the detail from NetRegulate for financial reporting purposes.

The Transactions team administers the direct debit process, deals with the banking of all applicant / registrant income and monitors debtor balances which include the amendment of charges. Their ongoing tasks include arranging refunds for fee overpayments and the collection of debtor balances due to rejected direct debit collections and unpaid cheque payments.

2. Payroll and pensions administration process

Employee payroll and pension contribution payments are processed on a monthly basis by Action File, the payroll bureau to which the payroll is outsourced. Information on new starters, leavers, and overtime and salary changes is provided by the HR department; Action File calculates tax & NI deductions, makes salary payments by BACS and issues payslips; and Finance checks the output. In the 2014-15 budget, there are 242 employees (236 FTE). Council and Committee

members payroll processing is also performed once a month and is processed separately by Action File.

3. Supplier payment process

Pay runs for suppliers, partners, employee expenses, Council and Committee members and one off supplier payments are performed every week by the Finance department.

4. Budgeting and forecasting process

Each year, the Finance department helps the other departments to prepare their budgets and compiles these to form the overall budget. The budget includes capital expenditure plans and a cash flow forecast. The final budget is put before Council in March for approval.

Finance also prepares and presents the 5 year forecast, which previously went to the Finance & Resources Committee in June, and will now go to the Council in July.

In year forecasts are prepared after the 6 month and 9 month accounts are completed, to identify variations from budget and reforecast the year end result.

5. Monthly reporting process

The year to date management accounts and variance commentary are produced by the Finance department, reviewed by budget holders and EMT and, as meetings occur, the Council to consider progress against budget. The management accounts report departmental and project spending (opex and capex) against budget and include a balance sheet, cash flow statement and commentary on significant variances from budget.

During the year, re-forecasts are undertaken to identify any significant expected changes to the year end position compared to the original budget.

6. Year end statutory reporting and audit process

The Annual Report and Accounts is produced jointly by the Communications department, Secretariat and Finance departments. Planning for the year end starts in the autumn, and the National Audit Office's audit takes place in 3 stages from December through to May. The Audit Committee and Council will approve the 2013-14 Annual Report and Accounts at their June and July meetings (respectively) before the NAO sign the audit report and the report is laid in Parliament before the Summer recess in mid July. After laying in Parliament, the Annual Report and Accounts is published on the HCPC website.

During 2014-15, we will plan the preparation and audit of the 2014-15 report with the aim of completing the process earlier, in June 2015.

Supporting activities

There are four main supporting activities that contribute to the Finance department's workload during the year, as follows:

1. Reconciliations

All asset and liability accounts on the balance sheet are reconciled on a monthly basis. This is a key financial control that provides assurance that all transactions have been accurately recorded within the accounting system.

2. Cash management

Funds are held with four² high street banks on either instant access to meet short term working capital needs or on fixed terms to maximise interest returns. Revisions of the reserves and investment policies will be proposed this year.

3. Procurement guidance

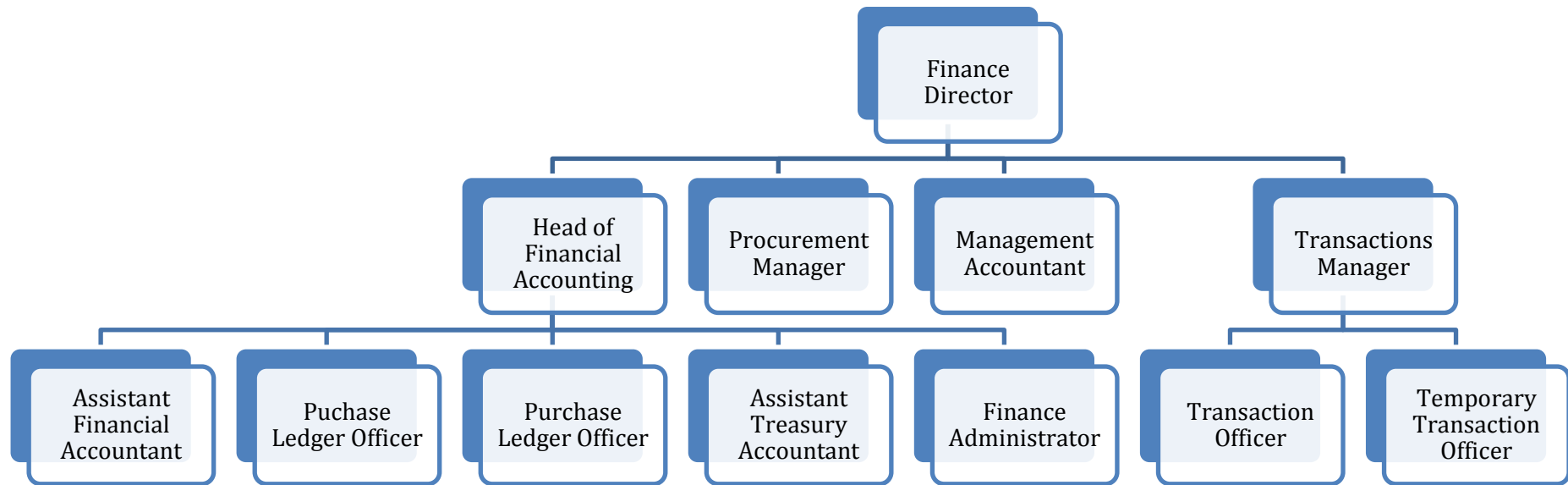
Procurement of goods and services from suppliers is carried out by the Procurement Manager in conjunction with HCPC budget holders and project leads. Procurement includes tendering and managing the supplier relationship. The Finance department is responsible for approving or declining new supplier applications to be set up in the Lotus Notes database and running credit checks on new suppliers.

4. Committee work

In 2014-15, the Finance department will continue to prepare and present briefing papers to HCPC Committees on financial issues. Papers include the remuneration increase paper, the annual budget, reforecasts, the Annual Report & Accounts, audit findings reports, expense and allowance fee changes and fee rise papers.

² Santander, Barclays, NatWest and Lloyds. NatWest is owned by Royal Bank of Scotland

Annex 2: Finance Department organogram



Annex 3: Finance risks on risk register

Ref #	Description	Risk owner	Impact before mitig'n Jan 2014	Likelih'd before mitig'n Jan 2014	Risk Score = Impact x Likelih'd	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2014	RISK score after Mitigation Jun 2013
15.1	Insufficient cash to meet commitments	Finance Director	5	1	5	Maintain an appropriate level of cash reserves to meet ongoing needs and comply with the Reserves policy. Effective management of collections and payments processes.	Regular cash forecasts and reviews	Annual and Five Year Plan forecasting of income (volumes & fees) and costs. Fee rises and DoH grant applications as required.	Low	Low
	Links to 15.5, 15.6, 15.17, 16.1, 16.2, 16.3									
15.2	Unexpected rise in operating expenses	EMT	3	1	3	Budget holder accountability for setting budgets and managing them. Timely monthly reporting and regular budget holder reviews held. Finance & Resources Committee review of the monthly variances year to date.	Six month reforecasts with spending plan revisions as feasible and appropriate.	Legal cost insurance for FTP cases. Capped FTP legal case costs.	Low	Low
	Link to 13.1									
15.3	Major Project Cost Over-runs	Project Lead / EMT	4	2	8	Effective project specification including creating decision points. Effective project management and timely project progress reporting (financial and non financial).	Creation of a project capex contingency budget. Project exception reports including revised funding proposal is presented to EMT for approval.	Finance & Resources Committee review of the project spending variances to date	Low	Low
	Links to 8.1-8.4									
15.5	Inability to pay creditors	Finance Director	5	2	10	Effective weekly payment process management with regular review of aged creditors listing and supplier statements	Effective cash-flow forecasting. Registrant creditors policy compliance.	Extensive use of preferred suppliers with bank account details loaded into Sage.	Low	Low
	Links to 15.1									
15.6	Inability to collect from debtors	Finance Director	5	2	10	Collection via Direct Debit instruction for approximately 80% of renewal fees value	Registrant debtors policy compliance	Prompt actioning of rejected DDs. Periodic reviews.	Low	Low
	Links to 15.1									

Ref #	Description	Risk owner	Impact before mitig'n Jan 2014	Likelih'd before mitig'n Jan 2014	Risk Score = Impact x Likelih'd	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2014	RISK score after Mitigation Jun 2013
15.18	PAYE/NI compliance	Finance Director	3	2	6	Effective payroll process management at 3rd party. Payroll system tax deductions set up using valid tax codes. Tax provisions made and tax returns filed on a timely basis. Real Time Information ensures tax codes are up-to-date.	Signed disclosure forms indicating tax category status for all Council and Committee members. Professional tax advice sought, including status of CCM's and partners	Tax Provisions maintained for PAYE/NI payable relating to Council and Committee members. PAYE Settlement Agreement in place with HMRC relating to Category One Council and Committee members.	Low	Low
15.19	Corporation tax compliance (tax due on investment income only)	Finance Director	3	1	3	Preparation and filing of the Corporation Tax return (CT600 form) by third party following determination of Corporate tax liability during Annual Report process.	Professional tax advice sought e.g. Corporate Tax Return preparation (including capital allowance claims) and filing.	-	Low	Low
15.20	Bank insolvency or fraud	Finance Director	5	2	10	Funds diversification - cash spread across three UK banks, with at least a Standard and Poor AA minus credit rating	FSA insurance for proven financial loss of up to £50k of funds held per UK financial institution.	Professional Indemnity & fidelity (fraud) insurance for first £100k of loss by supplier acting on HCPC's behalf.	Low	Low
15.21	Financial distress of trade suppliers causes loss of service	Finance Director	4	4	16	Financial monitoring of key suppliers	Escrow agreements	Alternative suppliers	Medium	Medium
15.22	Payroll process delay or failure	Finance Director	5	2	10	Outsourced to third party. Agreed monthly payroll process timetable (with slack built in). If process delayed, payment may be made by CHAPS (same day payment), cash or cheque.	Hard copy records held securely. Restricted system access.		Low	Low

Ref #	Description	Risk owner	Impact before mitig'n Jan 2014	Likelih'd before mitig'n Jan 2014	Risk Score = Impact x Likelih'd	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2014	RISK score after Mitigation Jun 2013
15.23	PSA full cost recovery model places excessive pressure on HCPC April 2013 onwards	Chief Exec & Finance Director	4	3	12	Communicate with PSA to understand potential models for cost recovery and feed back on impact on HCPC	Responded to forthcoming DH Consultation on Levy Methodology	Budget for projected amount at appropriate time.	Low	Low
	Model not yet finalised by DH or PSA									
15.24	Failure to adhere to Procurement and Tendering requirements	Finance Director	4	2	8	Legal advice on ISO9001 & OJEU compliant process design.	Internal monitoring of Tendering and contract process use.	New suppliers process as "backstop" to failure.	Low	Low

Risks 15.4 and 15.17 were removed from the register in previous years.