

Council, 22 March 2016

Finance Department Work Plan 2016-17

Executive summary and recommendations

Introduction

The attached document is the Finance Department's proposed work plan for 2016-17. It details the department's main areas of work and priorities for the financial year from 1 April 2016 to 31 March 2017.

Decision

Council is asked to discuss the work plan.

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 2016-17.

Financial implications

The financial implications in the attached work plan are based on the assumptions which are already part of the HCPC budget 2016-17.

Appendices

Finance department work plan 2016–17

Date of paper

10 March 2016

Finance Department Workplan 2016-17

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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 2016-20:

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 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 from and manage effectively the cost of regulation.

Main objectives for 2016-17

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. Continue work to ensure full realisation of the benefits of the upgraded accounting and purchase ordering systems. This includes work to ensure that the accounting system is the "single version of the truth", and process efficiencies that free up the Finance Department's time for value adding work and minimise the administrative burden on our customers in other departments.
3. Support the implementation of the new procurement policy and procedures. We will work proactively with departments to identify and plan new procurements and contracts due for retender. This will include procurement arising out of major projects (in particular, the refurbishment of 186 Kennington Park Road, the website review and the Registration Transformation project), the migration of Fitness to Practise and Communications departments' printing arrangements to the Managed Print government framework contract, and a review of facilities contracts.

4. Develop the Five Year Plan model. We will continue working with Grant Thornton and internal users to develop the model to enable better sensitivity analysis on the effects of changes in key factors such as registrant numbers, registrant payment options, FTP case outcome rates. We also plan to improve the integration of the Five Year Plan model with the accounting system and the budgeting and forecasting processes.
5. Complete the PCI DSS project. The Payment Card Industry Data Security Standard sets the requirements for our handling of registrants' card payments. The Standard has been revised and the project is to undertake a review of our processes to ensure we still comply. The project was planned for 2015-16 but only began in the final quarter, and will complete in 2016-17.

Other objectives:

6. Support the Registration Transformation project. Finance will be closely involved in the design of new processes and the assessment of the impacts of any potential rule changes, as well as supporting the procurement.
7. Review our payroll processes and provider, working with HR. The current outsourced payroll provider was appointed in 2012 and the contract is due for review. Payroll change data is mostly owned by HR but the interface with the payroll provider is currently shared between HR and Finance, with some duplication of effort. This was a planned objective for 2015-16 but has been deferred to align with the HR and Partners major project.
8. Retender our banking and credit card services (planned for 2015-16 but carried forward). Our arrangements with our current account provider and our card payment service provider are both due for review.
9. Formalise the finance strategy. Our strategy includes aims of simplifying processes, reducing transaction processing, providing relevant information and a business partnering service to budget holders, ensuring accountability and value for money. The strategy will be documented for review and approval by EMT and Council.

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

Resources

The proposed 2016-17 Finance staff budget is £527k (2015-16: £529k) for a team of 11 FTEs (2015-16: 11). The department organogram is at Annex 2.

The proposed non-payroll budget is £329k (2015-16: £316k), making a total 2016-17 Finance department budget of £856k (2015-16 total: £844k). The main costs within the non-payroll budget are:

- £93k internal and external audit fees (2015-16: £85k). The increase is because one audit in the 2015-16 internal audit programme has slipped to 2016-17;
- £15k printing and stationery (2015-16: £24k). This includes scanning invoices etc for electronic filing. This cost has reduced as a result consolidated and electronic invoicing introduced during 2015-16;

- £53k other legal and professional fees (2015-16: £32k). This includes valuation fees, consultancy support on the development of the 5 year plan model and procurement legal advice;
- £83k bank charges and credit card commission (2014-15: £98k). We negotiated reduced credit card commission rates during 2014-15 and the full year effect of the savings is now coming through
- £56k insurance (employers and public liability, property etc. 2015-16: £49k). The premiums for 2016-17 have not yet been agreed but we have made one claim (for the business interruption costs of the flood in June) and notified other possible claims so premiums are likely to increase.

Risk management

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

1. **Liquidity and business continuity** – events with an impact on our ability to operate due to a cash shortage, or the failure of a key supplier
2. **Compliance** – risks of fines and/or reputational damage if we were to be non-compliant with tax, pensions or procurement legislation
3. **Cost control** - eg large capital project cost over runs or an unexpected rise in operating expenses
4. **Theft or fraud** – although theft or fraud is normally relatively low value financially, it can have a disproportionate impact on reputation and/or culture, so effective controls to minimise the risk are essential
5. **Allocation of resources** – risks of misalignment of budget and strategy, or modelling/budgeting error leading to overcommitment of funds.

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.

Projects

Finance will be leading on the PCI DSS project, as described above, and also supporting other major projects during 2016-17, in particular:

- **Registrations Transformation and Improvement Project.** The Registrations Transformation project is due to complete phase 1 by November 2016. There will then be a further update of the business case for a gateway review, and if the gateway is passed, the procurement for phase 2 will follow in quarter 4. Finance will also support the project with further modelling of the cash flow impacts of different payment options

- **NetRegulate Changes 2016-17.** The project to implement changes to the NetRegulate system is an annual fixture and Finance will be involved in the testing of the updates.

Achievements in 2015-16

The department was affected by turnover during the year, but team members have stepped up and ensured that our business as usual has been delivered reliably, and very good progress has been made on our improvement agenda. Finance's objectives for 2015-16, and a summary of our performance, are set out below.

Objective	Achievements
1. Effective day-to-day performance of our business as usual operational processes	BAU was delivered with low level of errors or complaints. No major issues with payment or registrant receipt processing; no significant audit concerns
2. Complete the Finance systems project and realise the benefits	<p>The upgraded systems went live in April 2015 and the project closed in January 2016.</p> <p>Benefits are being realised, in particular on the project objective of making the Finance system the "single version of the truth", containing all the financial information needed by budget holders and thereby eliminating the need for overlapping offline record keeping.</p> <p>In parallel, we have simplified and reduced transaction processing, including the introduction of direct payment of partners, and moving from paper based to electronic processes.</p> <p>This work continues in 2016-17, see objective 2 above</p>
3. Introduce the new travel management contract	The contract went live in May and is now in use across the business with a high level of compliance. The contract delivers savings on booking fees and efficiencies in processing
4. Deliver the PCI DSS project.	The project has started but will not complete till 2016-17. Project is dependent on the Telephone Credit Card Automation Project which slipped
5. Support the Registration Systems and Processes project	We supported the design of new financial processes in the first quarter of the year, and the development of the business case presented to Council in September

Objective	Achievements
6. Review the contracted out payroll service	This has been deferred to align with the HR and Partners Project. Now planned for 2016-17
7. Retender our banking and credit card services	This slipped due to other work overrunning and taking higher priority. Planned for 2016-17
8. Review the procurement policy	The new policy was approved by the Council in December. The policy and a procurement manual with supporting procedures was launched in January

Annex 1: Finance department's main responsibilities and main operational processes

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, including the 5 year plan,
- To produce the Annual Report and Accounts,
- 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 travel management company, bankers, auditors and insurance advisors,
- 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 nine 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, Finance 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 a contracted out payroll bureau. The contract was let in 2012 and will be reviewed during 2016-17. Information on new starters, leavers, and overtime and salary changes is provided by the HR department; the bureau calculates tax & NI deductions, makes salary payments by BACS and issues payslips; and Finance checks the output. Council and Committee members payroll processing is also performed once a month and is processed separately by the bureau.

3. Supplier payments

Pay runs for suppliers, partners, employee expenses, Council and Committee members and one off supplier payments are performed every week by the Finance department. Partners are now paid directly, from HCPC's own records of the work undertaken, without partners having to raise their own invoices.

4. Budgeting and forecasting

Finance manages the process to prepare the HCPC annual budget, including supporting each department's budget bids and an iterative process, if necessary, to ensure that total expenditure is in line with available income. The final budget is put before Council in March for approval.

In year forecasts are prepared based on actual results at months 6 and 9, to identify significant variations from budget and provide an opportunity for corrections to be made in time to affect the final outturn for the year. The month 9 reforecast is used as a baseline in the budget setting process for the following financial year.

Finance also prepares and presents the 5 year plan, which enables the Executive and Council to take a longer term view and to identify when fee changes may be necessary.

5. Monthly reporting

The year to date management accounts and variance commentary are produced by Finance, reviewed by budget holders and EMT and, as meetings occur, the Council to consider progress against budget.

6. 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.

7. Cash management

Funds are held with four¹ high street banks on either instant access to meet short term working capital needs or on fixed terms to maximise interest returns.

8. Procurement

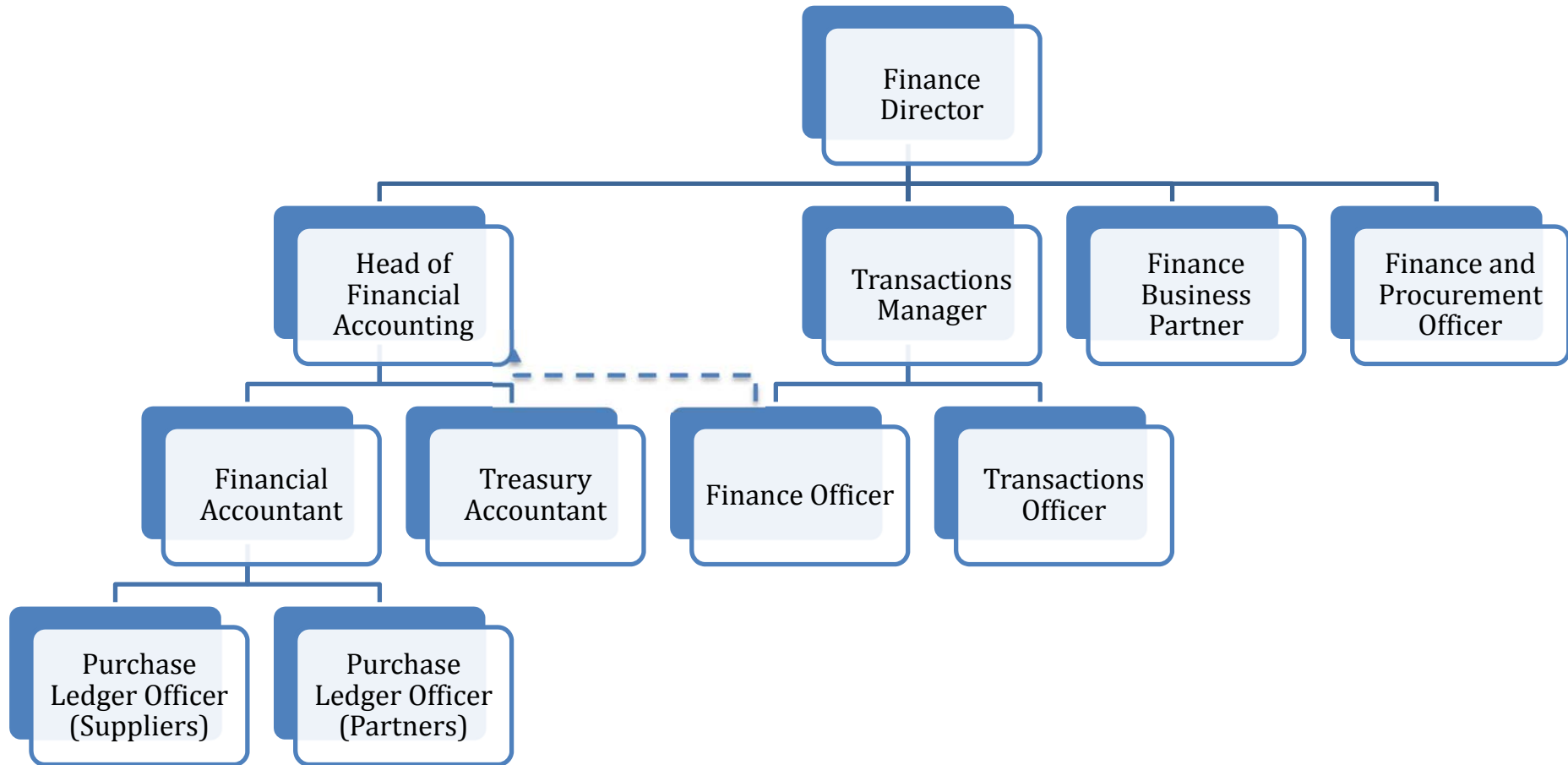
Finance supports HCPC budget holders and project leads in the procurement of goods and services from suppliers.

9. Year end statutory reporting and audit

The Annual Report and Accounts is produced by Finance with support from Communications and Secretariat. Planning for the year end starts in the autumn, and the National Audit Office's audit takes place in several stages from November through to May. The Audit Committee and Council will approve the 2015-16 Annual Report and Accounts at their mid June and early 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.

¹ Santander, Barclays, NatWest and Lloyds. NatWest is owned by Royal Bank of Scotland

Annex 2: Finance Department organogram



Annex 3: Finance and pensions risks on the HCPC risk register

Ref #	Description	Risk owner (primary person responsible for assessing and managing the ongoing risk)	Impact before mitig'n Jan 2016	Likelihood before mitig'n Jan 2016	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2016	RISK score after Mitigation Jul 2015
15.1	Insufficient cash to meet commitments	Finance Director	5	1	5	Reserves policy specifies minimum cash level to be maintained throughout the year. Cash flow forecast prepared as part of annual budget and 5 year plan assesses whether policy minimum level will be met.	Regular cash forecasts and reviews during the year	Fee rises and DoH grant applications as required.	Low	Low
15.2	Unexpected rise in operating expenses	EMT	4	1	4	Budget holder accountability for setting budgets and managing them. Timely monthly reporting and regular budget holder reviews held. EMT review of the monthly variances year to date.	Six and nine month reforecasts with spending plan revisions as feasible and appropriate. FTP costs mainly incurred towards the end of the lifecycle of a case, so increase in case pipeline would give early warning of rise in FTP costs.	Capped FTP legal case costs.	Low	Low
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).	Project budgets have 15% contingency. Project exception reports including revised funding proposal is presented to EMT for approval.	EMT review of the project spending variances to date	Low	Low

Ref #	Description	Risk owner (primary person responsible for assessing and managing the ongoing risk)	Impact before mitig'n Jan 2016	Likelihood before mitig'n Jan 2016	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2016	RISK score after Mitigation Jul 2015
15.7	Registrant Credit Card record fraud/theft	Finance Director	2	2	4	Compliance with PCI standards.	Limited access to card information	Professional Indemnity & fidelity (fraud) insurance for first £250k of loss	Low	Low
15.9	Mismatch between Council goals & approved financial budgets	Chief Executive	4	2	8	Close and regular communication between the Executive, Council and its Committees.	Adequate quantification of the budgetary implications of proposed new initiatives	Use of spending prioritisation criteria during the budget process	Low	Low
15.12	Unauthorised removal of assets (custody issue)	Facilities Manager & IT Director	2	2	4	Building security including electronic access control and recording and CCTV. IT asset logging (issuance to employees)	Fixed Asset register itemising assets. Job exit procedures (to recover HCPC laptops, blackberries, mobile phones etc). Regular audits. Whistleblowing policy.	Computer asset insurance.	Low	Low
15.13 a	Theft or fraud	Finance Director	3	2	6	Well established effective processes, incl segregation of duties and review of actual costs vs budgets.	Regular audits; whistleblowing policy	Professional Indemnity & fidelity (fraud) insurance for first £250k of loss	Low	Low
15.18	PAYE/NI/corporation tax compliance	Finance Director	2	3	6	Effective payroll process management at 3rd party. Finance staff attend payroll & tax updates	Professional tax advice sought where necessary, including status of CCM's and partners	PAYE Settlement Agreement in place with HMRC relating to Category One Council and Committee members.	Low	Low

Ref #	Description	Risk owner (primary person responsible for assessing and managing the ongoing risk)	Impact before mitig'n Jan 2016	Likelihood before mitig'n Jan 2016	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2016	RISK score after Mitigation Jul 2015
15.20	Bank insolvency: permanent loss of deposits or temporary inability to access deposits	Finance Director	5	1	5	Investment policy sets "investment grade" minimum credit rating for HCPC's banks and requires diversification - cash spread across at least two banking licences	-	-	Low	Low
15.21	Financial distress of key trade suppliers causes loss of business critical service	Finance Director	4	2	8	Financial health of new suppliers above OJEU threshold considered as part of OJEU PQQ process. Ongoing financial monitoring of key suppliers	Escrow agreements	Alternative suppliers where possible, eg transcription services framework	Medium	Medium
15.22	Payroll process delay or failure	Finance Director	2	2	4	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) or cheque.	Hard copy records held securely. Restricted system access.		Low	Low
15.24	Failure to apply good procurement practice (contracts below OJEU threshold) leads to poor value for money and/or criticism	Finance Director & Procurement Mgr	2	2	4	Approved procurement policy. Legal advice on ISO9001 compliant process design.	Internal monitoring of Tendering and contract process use.	New suppliers process as "backstop" to failure.	Low	Low

Ref #	Description	Risk owner (primary person responsible for assessing and managing the ongoing risk)	Impact before mitig'n Jan 2016	Likelihood before mitig'n Jan 2016	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2016	RISK score after Mitigation Jul 2015
15.25	Failure to adhere to OJEU Procurement and Tendering requirements leads to legal challenge and costs	Finance Director & Procurement Mgr	4	2	8	Use Framework Agreements as standard practise at HCPC	Robust OJEU specific processes agreed by legal advisors	Legal oversight of OJEU scoring and supplier communication	Low	Low
15.26	Budgeting error leads to overcommitment of funds	Finance Director	4	2	8	Income and FTP costs are budgeted for on FAST standard models. Payroll costs are budgeted for post by post. Cautious assumptions used in relation to income and payroll.	Budgets are prepared by departments and then reviewed by Finance. Budgets for coming year baselined vs current year budget and forecast	Budgets are discussed/challenged by EMT at annual pre-budget setting review	Low	Low
15.27	Payment error leads to irrecoverable funds	Finance Director	3	2	6	Extensive use of preferred suppliers with bank account details loaded into Sage.	System controls over changing payee bank details	Payment signatory reviews of payment runs	Low	Low
15.28	PSA fee increases substantially, placing significant financial pressure on HCPC	Finance Director	4	3	12	Consider increase in fees	Legislative and operational adjustments		Medium	New

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16.2	Non compliance with pensions legislation	Finance Director and HR Director	3	2	6	HCPC pension scheme reviewed for compliance with pensions legislation including auto enrolment	HR and Finance staff briefed on regulations	Advice from payroll provider. Seek specialist pensions legal advice as required.	Low	Low
16.3	Increase in the Capita Flexiplan funding liability resulting from scheme valuation deficiency	Finance Director	3	2	6	Plan is closed to new members so there is only a limited set of circumstances that could give rise to an increase in the liability	Initial employer contributions to the Plan deficit were set on prudent basis	Monitor the performance of the Plan through periodic employers' meetings	Low	Low