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Council, 25 March 2015

Finance Department Work Plan 2015-16

Executive summary and recommendations

### **Introduction**

The attached document is the Finance Department's proposed work plan for 2015-16. It details the department's main areas of work and priorities for the financial year from 1 April 2015 to 31 March 2016.

### **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 2015-16.

### **Financial implications**

The financial implications in the attached work plan are based on the assumptions which are already part of the HCPC budget 2015-16.

### **Appendices**

Finance department work plan 2015–16

### **Date of paper**

10 March 2015

# Finance Department Workplan 2015-16

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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 2015-March 2016 and provides a basis against which the work of the Finance department can be planned and measured.

### Main objectives for 2015-16

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. Implement the upgraded Finance systems and realise the benefits. The upgrades to the accounting system and the purchase ordering system (delivered through the 2014-15 Finance Systems major project) are due to go live in March 2015. The department will work with users to ensure the new systems work as intended and deliver the expected benefits both for users in other departments and for Finance. The final phase of the project is the introduction of electronic invoice approval, which is due to go live in August.
3. Introduce the new travel management contract. In February, we signed a travel management contract with Click Travel, one of the providers on a government framework contract for travel management services, replacing the arrangement with

Cooperative Travel. The new contract includes lower booking fees and better management information. We need to ensure the new contract delivers the expected benefits and is used by staff and partners

4. Deliver 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.
5. Support the Registration Systems and Processes project. Finance will be closely involved in the design of new processes and the assessment of the impacts of any potential rule changes.
6. Review the contracted out payroll service. Our payroll service was contracted out to the current provider in 2012 and is due for review. We will aim to integrate as closely as possible with the new HR and Partners system, which is due to go live during 2015-16.
7. Retender our banking and credit card services. Our arrangements with our current account provider and our card payment service provider are both due for review. We will ensure that we receive competitive pricing.
8. Review the procurement policy. The policy will be reviewed to ensure that it addresses the data security standards required of our suppliers and to encourage the use of framework contracts.

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

## Resources

The proposed 2015-16 Finance staff budget is **£529k** (2014-15: £534k) for a team of 11 FTEs (2014-15: 12). One fixed term contract post created to help manage the workload ends at the end of May. The department organogram is at Annex 2.

The proposed non-payroll budget is £316k (2014-15: £314k), making a total 2015-16 Finance department budget of £844k (2014-15 total: £848k). The main costs within the non-payroll budget are:

- £85k internal and external audit fees (2014-15: £64k). The internal audit contract was retendered in November 2014 and the Audit Committee decided to increase the budget with the aim of receiving a better quality service
- £24k printing and stationery (2014-15: £12k). This includes scanning invoices etc for electronic filing. We expect this cost to reduce in future years as a result of consolidated and electronic invoicing to be introduced in 2015-16
- £32k other legal and professional fees (2014-15: £67k). We intend to reduce the need for procurement legal advice through greater use of framework contracts
- £10k small projects (2014-15: £5k). This is for consultancy and training for the introduction of electronic expenses. £50k has also been provided within the HCPC capital expenditure budget
- £98k bank charges (2014-15: £100k)
- £49k insurance (employers and public liability, property etc. 2014-15: £51k).

## 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 three major projects and supporting several other major projects during 2015-16.

### 1. Sage and PRS (Finance system) upgrade

The upgraded Finance systems are on track to go live in March 2015 but the project continues into 2015-16, including the implementation of electronic invoice approval (for expenditure not initiated via purchase orders) and project closure. As noted above, after the closure of the formal project, the Finance department will work with users to ensure the new systems are fully understood and used to their full advantage.

### 2. NetRegulate Changes 2014-15

The project to implement changes to the NetRegulate system is an annual fixture and the 2014-15 project is being led by Finance and includes a component dealing with registrant balance reporting. The project started in 2014-15 and is due to finish in July 2015.

### 3. PCI DSS compliance review

The Payment Card Industry Data Security Standard is the accepted best practice for the processing of card payment transactions. A revised version of the standard was issued in November 2013. Phase 1 of the project is to commission a review of our compliance and any gaps, and the options to address any such gaps. Phase 2, if required, would be the implementation of the solution. Finance is leading the project

Finance will also support other departments' projects, in particular

- Registrations Process and Systems review
- Telephone credit card automation
- Fees review
- HR and Partners phase 2
- Public Health Specialists

### **Departmental/minor projects**

#### **Electronic expenses project investigation work**

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.

### **Achievements in 2014-15**

Finance's priorities for 2014-15 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.

In 2014-15 Finance delivered on its "business as usual" with a high level of accuracy<sup>1</sup>, and made improvements in its processes and in the support provided to other departments.

The Sage/PRS project is on track and we have made key contributions to the Registration processes and systems review project; financial regulations were reviewed and authorization limits raised; better financial information has been provided for major projects; the 5 year plan model and the models that feed into it (registrant numbers, income, FTP caseload and costs) have been converted to the FAST<sup>2</sup> standard; and we renegotiated improved rates with our card payment processing service.

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<sup>1</sup> As evidence, substantial assurance given in Internal Audit report on core financial controls at March Audit Committee; no significant risk findings on internal control in the NAO management letter; no major issues with payment or registrant receipt processing, reduced number of complaints relating to Finance.

<sup>2</sup> Flexible, Appropriate, Structured, Transparent [www.fast-standard.org](http://www.fast-standard.org)

## 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 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 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 service is under review following two issues with the current provider. 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.

### **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. 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.

### **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 four<sup>3</sup> 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. A revision to the procurement policy will be proposed during the year, to reflect the preference for the use of pre-tendered framework contracts, and the need to consider the appropriate level of data security certification required of suppliers.

### **9. Year end statutory reporting and audit**

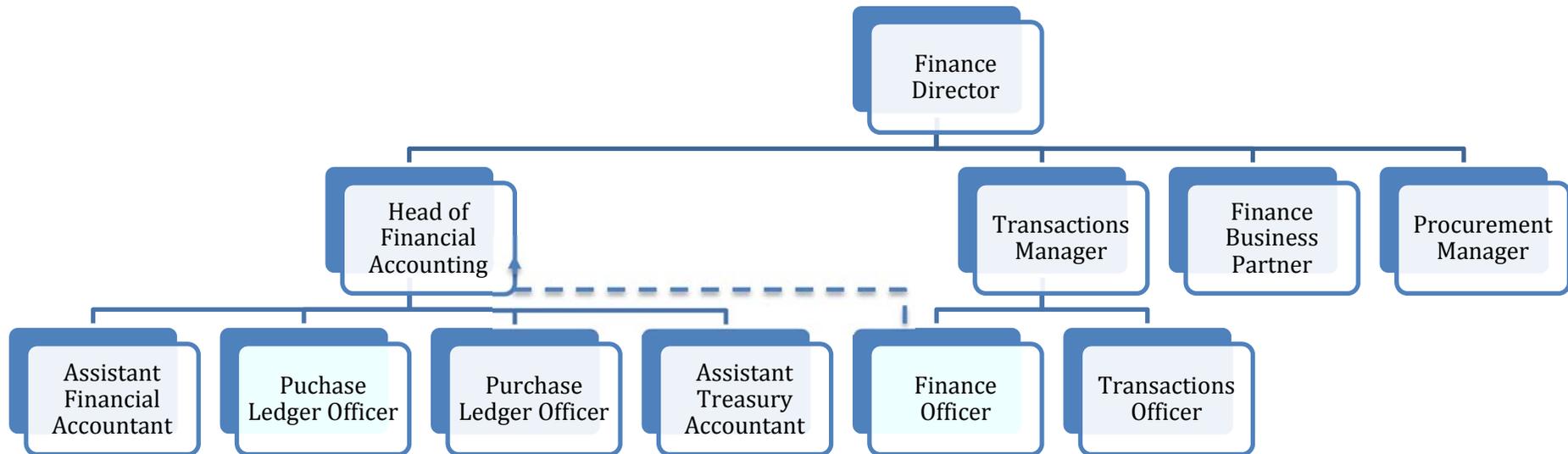
The Annual Report and Accounts is produced by Finance with support from Communications and Secretariat. Planning for the year end starts in the autumn, and the National Audit Office's audit takes place in several stages from November

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<sup>3</sup> Santander, Barclays, NatWest and Lloyds. NatWest is owned by Royal Bank of Scotland

through to May. The Audit Committee and Council will approve the 2014-15 Annual Report and Accounts at their mid June and end of June 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.

## 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 2015	Likelihood before mitig'n Jan 2015	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2015	RISK score after Mitigation Jul 2014
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 2015	Likelihood before mitig'n Jan 2015	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2015	RISK score after Mitigation Jul 2014
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 above £1k threshold. 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	Signed disclosure forms indicating tax category status for all Council and Committee members. 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 2015	Likelihood before mitig'n Jan 2015	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2015	RISK score after Mitigation Jul 2014
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 through Dun & Bradstreet reports	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
15.23	PSA full cost recovery model places significant financial pressure on HCPC after August 1st 2015	Chief Executive & Finance Director	4	5	20	Consider increase in fees	Legislative and operational adjustments		High	High

Ref #	Description	Risk owner (primary person responsible for assessing and managing the ongoing risk)	Impact before mitig'n Jan 2015	Likelihood before mitig'n Jan 2015	Risk Score = Impact x Likelihood	Mitigation I	Mitigation II	Mitigation III	RISK score after Mitigation Jan 2015	RISK score after Mitigation Jul 2014
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
15.25	Failure to adhere to OJEU Procurement and Tendering requirements leads to legal challenge and costs	Finance Director & Procurement Mgr	4	3	12	Robust OJEU specific processes agreed by legal advisors	Legal oversight of OJEU related material created by HCPC	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

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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

Yellow highlighting in the descriptions or mitigations columns indicates that the description/mitigation has changed since the last update of the risk register.