

Finance and Resources Committee Meeting – 19 March 2013

Finance Department Work Plan 2013 - 2014

Executive summary and recommendations

Introduction

The attached document is the Finance Department's proposed work plan for 2013-2014. It details the department's main areas of work and priorities for the financial year from April 2013 to March 2014.

Decision

The Committee 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 2013- 2014.

Financial implications

The financial implications in the attached work plan are based on the assumptions which are already part of the HCPC budget 2013- 2014.

Appendices

Appendix One – Finance department work plan 2013 – 2014

Date of paper

8 March 2013

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Introduction

The Finance department

The Finance department's main responsibilities are:

- To monitor the financial well-being of the HCPC and advise the Council and Committees of the need for adjustments to the business plan and strategy in a timely manner,
- To produce the statutory financial statements and the financial sections of the HCPC Annual Report,
- To produce the monthly management accounts,
- To provide financial forecasting and analysis to support the Council and Committees in developing strategy and policy,
- To maintain good internal financial control and risk management including compliance with the HCPC Financial Regulations,
- To manage the payroll/pensions process and arrange supplier payments,
- To collect fee income and ensure the NetRegulate Registration System records are accurately updated for financial transactions,
- 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 including; tenders, supplier analysis, supplier credit ratings, supplier spend and supplier record management (Lotus Notes supplier database).
- To deliver Finance projects to enable process improvement and enhance risk management.

This document

This document aims to set out the work priorities for the financial year April 2013-March 2014 and provide a basis against which the work of the Finance department can be planned and measured.

The work plan outlines details of the operational work and planned projects, given the resources, service standards and process deadlines. The Finance department aims to be both proactive and reactive in its work. The reactive element arises as a result of changes in the external environment which impact the department directly or indirectly in the form of support to other departments. For example, changes in government legislation and changes to the onboarding timetable for new professions, the timing of which may be difficult to predict.

Priorities 2013-2014

1. Effective day-to-day management of the main operational processes. Key goals are: policy compliance, service consistency, accuracy and timely completion of processes.
2. Effective management of the supporting activities. These activities include utilising external expertise to provide timely advice and diversify risk, for example ensuring compliance with IFRS and FReM and closing old pension schemes.
3. The effective delivery of projects. Finance department employees are involved in managing finance projects, completing project tasks and providing testing support for some projects run by other departments. All finance projects involve assistance from other departments and some projects involve using external support, for example, software development and legal expertise.

From a stakeholder perspective, key stakeholders for the department include; Registrants (Fee rises and NetRegulate financial transaction queries), the Council and its Committees - particularly the Finance & Resources Committee and Audit Committee, the Executive Management Team, budget holders, HCPC employees, partners and suppliers.

Resources

The 2013-2014 Finance department budget and work plan involve utilising a team of 11 full time Finance employees, an increase of one over 2012/2013. The current 10 roles are: Director of Finance, Head of Financial Accounting, Management Accountant, Assistant Financial Accountant, Finance Officer, Assistant Treasury Accountant, Finance Administrator, Purchase Ledger Officer, Transaction Manager and Transaction Officer. The budget includes the planned recruitment of a Procurement Manager.

Regarding financial resources, the work plan assumes a Finance department operating cost budget for 2013-2014 of £712k.

External resources are used to provide person cover (for annual and sick leave) on key processes. Aspects of some Finance projects and Finance supporting activities are performed by external suppliers, as outlined above.

Risk Management

The Finance department manages a range of ongoing HCPC risks using various risk mitigations. The risks can be grouped under six 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** - risks associated with large capital project cost over runs or an unexpected rise in operating expenses.
3. **Asset value protection** - risks associated with the value of fixed assets and bank deposits.
4. **Financial liquidity** - risks associated with insufficient cash available to meet commitments.

5. **Financial solvency** - risks associated with implementing fee rises and collecting fee income from registrants.
6. **Financial service provision** - risks associated with the financial failure of HCPC suppliers.

The Finance risks in the HCPC Risk Register are attached to this workplan as an appendix.

Business Continuity Planning

The disaster recovery site at Uxbridge has been set up to provide alternative premises if offices are unusable. Other mitigations in place include; daily data backups, offsite record archiving and the storage of financial stationery and equipment at the Uxbridge site.

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. Year end statutory reporting and annual report process

Production of year end financial statements is performed during the period April to July inclusive, in accordance with International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FReM), published by H.M. Treasury.

The Annual Report is produced jointly by the Communications department, Secretariat and Finance departments. After the Annual Report has been audited by HCPC's external auditors, the National Audit Office, it is submitted for approval to the Finance & Resources Committee, Audit Committee and Council and then tabled in Parliament. Once approved by Parliament, the Annual Report is published.

2. 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 Finance & Resources Committee 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 changes to the year end position compared to the original budget. On a monthly basis accruals, prepayments, fixed assets, income and deferred income are reconciled.

3. 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, overtime and salary changes is provided by the HR department and Action File calculates tax & NI deductions, makes salary payments by BACS and issues payslips. There are 200 forecast FTE permanent employees and currently 75

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

4. 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.

5. Forecasting and budgeting 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.

Forecasts are prepared after the 6 months accounts are completed, to identify variations from budget and reforecast the year end result.

6. Transaction management process

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

The Transaction team administers the direct debit process, deals with banking of cheque and credit card receipts and monitors the debtor balances.

Rejections arise when HCPC receives notice from the registrant's bank that their direct debit mandate arrangement has been rejected. Unpaid registrations are followed up with reminder to pay letters, using mail merge and form letters sent out to registrants within ten days of receiving the bank notification. Three weeks grace is then given to registrants to respond, a final letter sent out, with a further 2 weeks grace period and the registrant is then lapsed as a final resort.

Refunds of fee overpayments and collection of debtor balances outstanding because of failed direct debits is an ongoing task of the Finance department.

Supporting activities

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

1. Cash management

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

2. Pension scheme administration

HCPC has one remaining legacy pension scheme, the Capita Flexiplan scheme. Active employee contributors elected to migrate from the Capita Flexiplan scheme in May 2007 to the current Friends Provident scheme. Currently there are 75 members in the Friends Provident scheme. Steps are being taken to close down the Flexiplan scheme. The work plan implications for the Finance department only involve monitoring progress of the professional trustee for winding up the Flexiplan. HCPC will act on legal advice about closing the Flexiplan scheme, as appropriate. A liability in the Flexiplan scheme has been identified with contributions required by HCPC in 2012/13 of £55,950. This is pending the judge's decision after a court case heard over 3 days from 9 October 2012 and the publication of the Actuarial Valuation as at 31 March 2012. This is expected to alter the payments required.

3. Procurement guidance

Procurement of goods and services from suppliers is carried out by 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.

5. Committee work

In 2013-2014, the Finance department will continue to prepare and present briefing papers to HCPC Committees on financial issues. Most interaction is with the Finance & Resources Committee and Audit Committee, but briefing papers are provided to the Remuneration Committee, Education & Training Committee and Council. Papers include the remuneration increase paper, the annual budget, reforecasts, the Annual Report & Financial Statements, audit findings reports, expense and allowance fee changes and fee rise papers.

Projects

The Finance department has a key role to play in implementing several HCPC projects during 2013-2014. In addition, Finance people resources may be involved in aspects of project design and testing for other department's projects.

Finance Projects and System Enhancements in 2013-2014

Finance Projects

Finance System Upgrade

We need to review current finance processes and make recommendations for new processes and systems to ensure that the

system responds to the growth of HCPC. This review will include consideration of the existing PRS system and potential enhancements.

Review of Direct Debit Processes

The main objective of this project is the review of the administration of direct debit instructions. The project will also carry out investigation work into the use of paperless direct debits by registrants. The intention would be for registrants to set-up a new direct debit or change an existing direct debit electronically.

Change of payment services provider (debit and credit cards)

We need to transfer card payment services to Lloyds to reduce our bank charges. Currently card payments have to go through Nat West. This is included in the NetRegulate Changes Project 2013/2014.

System Enhancements

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.

Year Two projects and system enhancements in 2014–2015

The following are some projects and system enhancements proposed for year two, subject to budget approval. In addition, members of the finance team may be involved in aspects of project design and testing for other departments' projects.

NetRegulate billing transactions

Redesign details of how fee charges and payments are applied to registrant accounts, so that it will be easier for NetRegulate users to interpret the transaction history.

Fee Rise 2014 Project

Work needed to identify if a fee rise for registrants is needed in 2014.

System enhancements

Email access/Communications Log enhancement

Email directly from NetRegulate and store a communications log. This will allow information on the status of registrant accounts to be held in one central place and enable faster emailing directly from NetRegulate.

NetRegulate multiple batches enhancement

Modify NetRegulate to allow multiple batches to be matched to a single pay in slip, to streamline cashbook reporting.

Year Three projects in 2015-2016

The following projects are proposed for year three, subject to budget approval.

- Implementation of an automated costing system linked to the Sage accounting system.
- Integration of Sage to non financial records to assist in better resource planning.