

Finance and Resources Committee – 17 March 2011

Finance Department Work Plan 2011 - 2012

Executive summary and recommendations

Introduction

The attached document is the Finance Department's proposed work plan for 2011-2012. It details the department's main areas of work and priorities for the financial year April 2011 to March 2012.

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 HPC budget 2011- 2012.

Financial implications

The financial implications in the attached work plan are based on the assumptions which are already part of the HPC budget 2011- 2012.

Appendices

Appendix One – Finance department work plan 2011 – 2012

Date of paper

5 March 2011

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Introduction

The Finance department

The Finance department's main responsibilities are:

- To monitor the financial well-being of the HPC 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 HPC 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 HPC 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 HPC's bankers, internal auditors, external auditors, financial software providers, HMRC, building valuers, investment fund managers 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 2011-March 2012 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 is difficult to predict.

Priorities 2011-2012

A key priority for the Finance department is effective day-to-day management of the main operational processes. Key goals are; policy compliance, service consistency, accuracy, process efficiency and timely completion of the process (to deadlines).

A second key priority is effective management of the supporting activities. These activities typically include utilising external expertise to provide timely advice and diversify risk. Examples include; Ensuring compliance to IFRS and FReM, managing money market and investment funds, closing old pension schemes, updating the Fees Order legislation for fee changes and developing procurement documentation.

A third key priority is the effective delivery of projects. Finance department employees are involved in managing finance projects, completing project tasks and providing support (typically in the design and testing aspects) for some projects run by other departments. All finance projects involve assistance from at least two other departments i.e. the IT department and Operations Office (project management assistance). Some projects involve using external parties. For example, software development and/or providing legal expertise.

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

Resources

The 2011-2012 Finance department budget and work plan involve utilising a team of eight full time Finance employees. The current eight roles are: Director of Finance, Financial Controller, Assistant Accountant, Financial Accountant, Finance Officer, Purchase Ledger Officer, Transaction Manager and Transaction Officer.

As part of a review of the working arrangements within the Finance department there is a planned re-organisation within the department.

Regarding financial resources, the work plan assumes a Finance department operating cost budget for 2011-2012 of approximately £644k. 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 & Business Continuity Planning

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

Financial accuracy

For example, risks associated with financial reporting, ensuring tax legislation compliance and obtaining an unqualified audit opinion on the financial statements (year end statutory reporting and annual report process).

Cost control

For example, risks associated with large capital project cost over runs or an unexpected rise in operating expenses.

Asset value protection

For example, risks associated with the value of bank deposits and investment funds.

Financial liquidity

For example, risks associated with insufficient cash available to meet commitments.

Financial solvency

For example, risks associated with implementing fee rises (Fee rise project) and collecting fee income from registrants.

Financial service provision

For example, risks associated with financial distress of HPC suppliers (impacting HPC processes and projects) and inability to pay creditors.

The disaster recovery site at Uxbridge has been set up to provide alternative physical premises. Periodically a business continuity exercise is carried out which tests each department's ability to ensure service provision. Other mitigations are also in place including; financial procedure documentation, person cover, daily data backups, offsite record archiving, storing financial stationery and equipment at the Uxbridge site.

See also Appendix Two for how Finance processes relate to the risks outlined in the Risk Register.

Main Operational Processes

There are six main processes which generate the bulk of the Finance department's work throughout the year. The processes are; the year end statutory reporting & annual report process, the monthly reporting process, the payroll/pensions process, the supplier payment process, the forecasting & budgeting process and the transaction management process. The following paragraphs provide further detail on these processes.

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 management commentary, audit reports, statement of internal control, financial statements, accounting policies and notes to the accounts are included in the Annual Report.

The Annual Report is produced jointly by the Communications department, Secretariat and Finance departments, with input from a number of contributors. After the Annual Report has been audited by HPC's external auditors, the National Audit Office¹, 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 and made generally accessible.

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 submitted to the EMT in the monthly management meeting and, as meeting occur, the Finance & Resources Committee to note progress against budget. The management accounts report departmental and project spending (opex and capex) against budget to highlight year to date income and spending, balance sheet, cash flow statement and significant deviations from budget. At stages throughout the year, re-forecasts are undertaken to establish any changes to the year end position compared to the original budget.

3. Payroll and pensions administration process

Employee payroll and pension contribution payments are processed on a monthly basis by the Finance and HR departments. Finance processing includes updating the Payroll system for new starters, leavers, overtime and salary changes, issuing payslips, making tax & NI deductions & payments and making salary payments using the banking facility. There are 149 budgeted FTE permanent employees and currently 61 pension scheme members. Category one² Council and Committee members payroll

¹ The latest HPC s60 Order enables the Controller & Auditor General (C&AG) to act as HPC's statutory auditor and the certification & oversight roles outlined under the 2001 HPC Order.

² Council and Committee members who declare themselves to be HPC office holders and are not self-employed.

processing is also performed once a month and is processed separately from the employee payroll.

4. Supplier payment process

Supplier pay runs for approved suppliers are performed every two weeks by the Finance department, with employee expense claims processed on a weekly basis. There are four types of supplier payments; trade supplier payments, employee expense claims, category two³ Council & Committee member payments and partner payments. One off supplier payments are actioned on an ongoing basis.

5. Forecasting and budgeting process

Each year, the Finance department works with all other departments to compile forecasts and the annual budget.

A regular review is made of the 5 year financial forecast which links to the Strategic Intent document in quantifying key assumptions, financial projections of income & cost by department, the capital expenditure plan and cash flow projections. It includes headcount projections by department, registrant & applicant volumes by profession including new professions. It also includes registrant and applicant volumes by type (International, UK Graduate Registrants etc).

A benefit in updating the Five Year Plan is in identifying changes in cost structure as background for future fee-setting.

The income model within the Five Year Plan identifies accrued income by profession and fee type. A key component of the Income Model is registrant and applicant volume-forecasting.

The six and nine month forecasts are prepared after the 6 and 9 months accounts are completed, to forecast the year end income and expenditure result.

Finally, the Annual Budget process. It involves all departmental budget holders, and input from the Operations Office in compiling the project plan. Compilation of the budget by the Finance department runs over the period November to March and involves several review steps. The final steps are to gain approval from Council in prior to the start of the new financial year.

³ Council and Committee Members who declare themselves to be principally employed by another employer and are not self-employed.

6. Transaction management process

A key aspect of the Netregulate Register is maintaining the accuracy of the Sales and Debtor's Ledgers within Netregulate. Each month, the Finance dept extracts and summarises the detail from Netregulate for financial reporting purposes.

At renewal, fee charges are automatically put on Registrant records, with the Registrations and Finance departments jointly collecting the income (direct debit, cheque and credit card payment). Updating the billing records in Netregulate for DD collections is done using payment reports downloaded from BACS. The Finance department reconciles the streamline report (credit card receipts) to bank statement details & the SAGE cashbook on a daily basis and arranges the daily banking of cheques received.

Rejections arise when the HPC 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 respond, a final letter sent out (with a further 2 weeks grace period) and the registrant then lapsed as a final resort.

Refunds⁴ of fee overpayments and collection of outstanding debtor balances (failed direct debit arrangements) is an ongoing process performed by the Finance department.

⁴ Refunds arise from voluntary removal from the register, registrants being lapsed but having a credit on their account, or registrants making an overpayment.

Supporting activities

There are five main supporting activities that contribute to the Finance department's workload during the year. The closing down the legacy pension schemes are expected to be completed in 2011-2012. The other activities will be ongoing beyond the 2011-2012 financial year. The supporting activities are as follows:

1. IFRS reporting

In accordance with H.M Treasury FReM reporting requirements, the HPC has moved to full reporting under International Financial Reporting Standards (IFRS) for the year ending 31 March 2010 onwards. The main changes from the previous method is twofold. Firstly, adjustments to some financial numbers and secondly, relabeling of some items in the financial statements, with modified notes to the accounts.

2. Cash and investments management

The HPC has money market investments with an approximate value of £5M. This is essentially registrant income received in advance (deferred income balances) and are placed with several mainstream UK financial institutions. Further investment funds with a market value of approximately £2.0M are managed by Rensburg Sheppards, professional funds managers in a diversified investment portfolio. Sufficient funds are also held with three high street banks on deposit to meet short term working capital needs e.g. payment runs.

3. Legacy pension scheme administration

The HPC has two legacy pension schemes, the CPSM scheme which closed in 1995 and 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 61 members in the Friends Provident scheme. The CPSM scheme is expected to be closed down completely in the financial year. Steps are also in progress to close down the Flexiplan scheme. The work plan implications for the Finance department largely involve monitoring progress of the professional trustee for winding up the Flexiplan. The HPC will need to seek & act on pension scheme legal advice regarding closing the Flexiplan scheme, as appropriate. A liability in the Flexiplan scheme has been identified with contributions required by HPC for up to 10 years. This is pending the outcome of a test legal case.

4. Procurement guidance

To date, procurement of goods and services from suppliers has been performed by HPC budget holders and project leads. Procurement includes tendering and managing the supplier relationship e.g. agreeing trading terms and conditions, updating prices, doing service level agreement reviews etc. The work plan implications for the Finance department are in approving/declining new preferred supplier applications to be set up in the

Lotus Notes database⁵, running credit checks on new suppliers, reporting on annual spend by supplier, providing procurement guidance notes to new users, updating the tendering policy & procurement procedures.

5. Committee work

In 2011-2012, the Finance department will continue to prepare and present briefing papers to various Committees on a variety of financial issues. The Committees receiving the greatest number of papers from the department include the Finance & Resources Committee and Audit Committee. The Remuneration Committee, Education & Training Committee and Council also receive briefing papers (papers requiring a decision, or papers to note). Key papers typically include; the remuneration rise paper, the annual budget, 6 and 9 month reforecasts, the Annual Report & yearly financial statements, the Five Year Plan, audit findings reports, expense and allowance fee changes and fee rise papers.

⁵ An HPC database holding centralised supplier records including; supplier contact details, price lists, supplier contract details and data protection agreements, as appropriate.

Projects

The Finance department has a key role to play in implementing several HPC projects during 2011-2012. Further SAGE enhancements will streamline the monthly reporting process. 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 2011-2012

System Enhancements

Purchase Requisition System (PRS)

Introduce updated version of PRS across the organisation which is expected to offer additional functionality over the present version. These improvements include: ability for budget holders to see an electronic version of the supplier's invoice and real time commitment reports to help manage budgets better.

SAGE Accounting system improvements

Revised version of SAGE

At the same time as introducing a revised PRS product, the latest release of SAGE will also be installed. As these two products work together it seems opportune to make the installation at the same time to ensure continued compatibility.

Bank Statements

Line details on Lloyds bank statements are manually keyed into the cash book in Sage. There is functionality in Sage to import this directly in the cash book provided that the correct electronic file is available from the bank. Working with our service provider we need to establish if this can be automated as this will provide a more efficient process.

Link between Lotus Notes and Sage purchase ledger

Automate the current process where new supplier's details entered in the Lotus Notes database are automatically recorded in Sage accounting package.

Electronic Expenses Project investigation work

Investigation work will be carried out in FY 2011-12 into the possible use of expense claims being made electronically. The intention would be for claimant to be able to file their expenses on-line without the need to submit paper copies. The intended scope of this project would be for employees, council/ committee members and possibly partners, subject to review.

SAGE Payroll improvements

Work will be carried out in FY 2011-12 into the possible update of SAGE payroll system. The same version has been in place for a number of years as a stand alone product. While it is not intended to change this approach, there may be a new version which will suit the organisations needs better.

Paperless Direct debits

Investigation work will be carried out in FY 2011-12 into the possible use of paperless direct debits by registrants. The intention would be for Registrant to be able to 'self-service' their direct debits. This would allow registrants to set-up a new direct debit or change an existing direct debit. This would significantly reduce the volume of paperwork at HPC.

Social Workers on-boarding to the HPC register

Preparation work will take place in the Finance Department for the expected on-boarding of social workers onto our register.

Name Change Project

Preparation work will be done in the finance department for the expected name change for HPC.

Year Two projects and system enhancements (2012–2013)

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 department's projects.

Note that further work needs to be done to investigate and evaluate the most appropriate project designs closer to the time, taking into account vendor software improvements made in the interim that would benefit HPC.

Netregulate billing transactions

Redesign details of how fee charges and payments are applied to registrant accounts, so becomes easier for Netregulate users to interpret the transaction history.

Fee Rise 2013 Project

Work needed to identify if a fee rise for registrant is needed in 2013.

System enhancements

PRS enhancement

Introduce updated version of PRS across the organisation which is expected to offer additional functionality over the present version. These improvements include: ability for budget holders to see an electronic version of the supplier's invoice and real time commitment reports to help manage budgets better.

Email access/Communications Log enhancement

Email directly from Netregulate and store a communications log. This will allow information on registrant account statuses to be held in one central place and enable faster emailing directly from Netregulate.

Netregulate rejections enhancement

Change the date notation in Netregulate to the date the direct debit, cheque or credit card transaction is rejected, not the date when the payment or charge was applied.

Netregulate multiple batches enhancement

Modify Netregulate to allow multiple batches (from multiple registrant advisors) to be matched to a single pay in slip, to streamline cashbook reporting.

Electronic Expenses

Following the investigation work undertaken in FY 2011-12 an electronic expenses product may be introduced subject to resource availability.

Paperless Direct debits

Following the investigation work undertaken in FY 2011-12 into the possible use of paperless direct debits by registrants, it would be anticipated that, subject to resource availability, this project would be implemented in FY2012-13.

Year Three projects (2013-2014)

The following list of projects are proposed for year three, subject to budget approval. In addition, members of the finance team may be involved in aspects of project design and testing for other department's projects.

- Implementation of fully automated linked purchase order to supplier databases for high volume items e.g. stationery.
- Implement an automated costing system (activity costing) linked to the SAGE financial system.
- Integrating Sage to non financial records to assist in better resource planning.

Equality and Diversity Impact Assessment Statement

Aspects of the work highlighted above will have an impact on equality and diversity at the HPC. To elaborate,

- During the consultation phase of the Fees Project 2011, we will consider the equality and diversity implications of the HPC's existing fees and any proposed new fees, drawing on the existing data we hold.