

Finance and Resources Committee 15 March 2012

Finance Department Work Plan 2012 - 2013

Executive summary and recommendations

**Introduction**

The attached document is the Finance Department's proposed work plan for 2012-2013. It details the department's main areas of work and priorities for the financial year from April 2012 to March 2013.

**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 2012- 2013.

**Financial implications**

The financial implications in the attached work plan are based on the assumptions which are already part of the HPC budget 2012- 2013.

**Appendices**

Appendix One – Finance department work plan 2012 – 2013

**Date of paper**

1 March 2012

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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, 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 2012-March 2013 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 2012-2013**

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, HPC employees and suppliers.

### **Resources**

The 2012-2013 Finance department budget and work plan involve utilising a team of 11 full time Finance employees, an increase of two over 2011/2012. The current 9 roles are: Director of Finance, Financial Controller, Assistant Accountant, Financial Accountant, Finance Officer, Finance Administrator, Purchase Ledger Officer, Transaction Manager and Transaction Officer. The budget includes the planned recruitment of a Management Accountant in 2012 and a person to cover for the Transaction Officer and the Purchase Ledger Officer when the social workers come on stream.

Regarding financial resources, the work plan assumes a Finance department operating cost budget for 2012-2013 of £719k.

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 HPC 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 HPC suppliers.

## **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 (FRM), 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 HPC'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.

### **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, calculating tax & NI deductions, making salary payments by BACS and issuing payslips. There are 190 budgeted FTE permanent employees and currently 68 pension scheme members. Council and Committee members payroll processing is also performed once a month and is processed separately from the employee payroll.

#### **4. Supplier payment process**

Pay runs for suppliers, partners and Council and Committee members are performed every two weeks by the Finance department, with employee expense claims processed on a weekly basis. One off supplier payments are made as required.

#### **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 and 9 months accounts are completed, to identify variations from budget and forecast 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.

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 direct debit receipts is done with reports downloaded from BACS. The Finance department reconciles the streamline report of credit card receipts to bank statements and the Sage cashbook on a daily basis and arranges the daily banking of cheques received.

Rejections arise when 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 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 3 month or 6 month terms to maximise interest returns.

## **2. Pension scheme administration**

HPC 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 68 members in the Friends Provident scheme. Steps are being taken 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. HPC will need to act on legal advice about closing the Flexiplan scheme, as appropriate. A liability in the Flexiplan scheme has been identified with contributions required by HPC in 2012/13 of £55,950. This is pending the judge's decision after a court case heard from 31 January to 5 February 2012.

## **3. Procurement guidance**

Procurement of goods and services from suppliers is carried out by HPC 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 2012-2013, the Finance department will continue to prepare and present briefing papers to HPC 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, the Five Year Plan, 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 HPC projects during 2012-2013. A Sage enhancement will substantially improve 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 2012-2013**

### **System Enhancements**

#### **Sage Accounting system improvements**

Sage Business Intelligence will be installed to allow management reports to be produced from Sage and to improve reporting.

#### **Bank Statements**

Downloading electronic files from Lloyds Bank to import directly into the cash book in Sage will enable us to reconcile the bank to the cash book electronically. This will provide a more efficient process and save staff time.

**Lotus Notes purchase ledger**

We will investigate the automation of recording new supplier's details entered in the Lotus Notes suppliers database in the Sage accounting package.

**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.

**SAGE Payroll improvements**

Work will be carried out in FY 2012-13 into the possible update of SAGE payroll system and its integration into new HR systems.

**Paperless Direct debits**

Investigation work will be carried out in FY 2012-13 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.

**Social Workers on-boarding to the HPC register**

Work will continue to take place in the Finance department for the on-boarding of social workers onto our register.

**Name Change Project**

Work will continue to be done in the Finance department for the HPC name change in 2012.

**Year Two projects and system enhancements (2013–2014)**

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 2013 Project**

Work needed to identify if a fee rise for registrants 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 would include attaching a scanned copy of the

supplier's invoice and real time commitment reports to help better management of budgets.

**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 (2014-2015)**

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

- Implementation of fully automated linked purchase order to supplier databases for high volume items e.g. stationery.
- 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.