

Audit Committee, 21 November 2017

Review of procurement policy and financial regulations

Executive summary and recommendations

## **Introduction**

HCPC's procurement policy was approved by Audit Committee in September 2015 and by Council in December 2015. It is due for review at least every three years.

At the Audit Committee's meeting on 5 September 2017, a revised procurement policy was proposed, including increases in the thresholds for signing contracts, as set out in table 1. Currently, individual directors can sign contracts with an estimated lifetime value of up to £50k, the Chief Executive can sign contracts up to £100k, and over £100k, the Chief Executive signs with the approval of the Chair.

In discussion, the Committee agreed that the thresholds for approval of contracts should be different depending on whether the contract was anticipated and specified within the annual budget, or whether the contract is for a new supply of goods or services that was not anticipated within the budget. It was agreed that the Executive would return to the Committee with a revised policy incorporating this distinction.

The current thresholds require the Chief Executive and the Chair to be involved in relatively low value contracts. The proposed changes would increase the threshold for individual directors to £100k. For contracts that have been anticipated and specified within the annual budget, we propose to increase the threshold for the Chief Executive to £250k<sup>1</sup>, while contracts with an estimated lifetime value over £250k would be signed by the Chief Executive with the approval of the Chair. For contracts that were not anticipated and specified within the budget, the Chief Executive's approval threshold would remain at £100k.

To ensure clarity over which contracts were anticipated within the budget, the budget schedules will now include a list of the contracts with an expected lifetime value greater than £100k that are expected to be entered during the year. The financial regulations include a proposed change to that effect.

## **Decision**

The Committee is asked to review the procurement policy and the financial regulations and agree to recommend the proposed changes to Council.

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<sup>1</sup> A 4 year £250k contract is an average of £63k a year or only 0.2% of our annual operating costs

**Resource implications**

None

**Financial implications**

None directly

**Appendices**

Appendix 1 Current procurement policy, with proposed changes tracked (only paragraphs 5.3, 5.4 and tables 1 and 2)

Appendix 2 Current financial regulations, with proposed changes tracked (only regulation 11)

**Date of paper**

7 November 2017

# Appendix 1: Procurement policy

Approved by Council [\[6/7 December 2017\]](#)~~2 December 2015~~

## 1. Introduction

- 1.1. The Procurement Policy is approved by the Council and is consistent with the Financial Regulations and the Scheme of Delegation.
- 1.2. The policy applies to the purchase of all goods, services and works by or on behalf of the HCPC.
- 1.3. The policy applies to all those involved in procurement activities for or on behalf of the HCPC (referred to as Persons), which may include Council and Committee members, Partners or other suppliers as well as HCPC employees.
- 1.4. The policy sets out the standards which Persons must adhere to in relation to procurement activities. Procedures setting out the application of the policy are included within the Procurement Manual on the Finance Department intranet site.
- 1.5. The policy aims to ensure that all procurement activities conducted by the HCPC:
  - achieve good value for money;
  - are conducted in a fair, objective and transparent manner;
  - are compliant with relevant law and regulation;
  - effectively manage commercial risk; and
  - meet the short and long-term objectives of the business.

## 2. Responsibilities

### Budget holders

- 2.1. Budget holders must familiarise themselves with the policy and the related procedures. Where budget holders have delegated responsibility for procurement activities to members of their teams or other Persons, the budget holder must ensure all Persons involved in the procurement are also familiar with the policy and the procedures.
- 2.2. Budget holders are responsible for ensuring that all procurement funded from their budgets complies with the policy and achieves good value for money.

### Relationship owner

- 2.3. The relationship owner is normally the main HCPC contact with the supplier. The relationship owner can be the budget holder or the role can be delegated by the budget holder. The role of the relationship owner is to manage the supplier's performance. In particular, in accordance with HCPC's Information Security Management System manual, the relationship manager is responsible for the ensuring that the supplier has appropriate data security controls in place and

that the supplier's responsibilities in relation to data security are documented within the contract<sup>2</sup>.

### **Tender panel members**

2.4. Members of a tender panel are responsible for familiarising themselves with the policy and the related procedures, and evaluating bids in accordance with the policy. Guidance on the composition of the tender panel is included in the Procurement Manual.

### **Purchase Order authoriser or contract signatory**

2.5. The act of authorising a Purchase Order in the HCPC purchasing system or signing a paper contract binds HCPC to the contract. The person who authorises the PO or signs the contract is responsible for obtaining prior assurance that this policy and the associated procedures have been followed. If the PO authoriser/contract signatory has not been involved in the procurement he/she should ask for briefing before signing in enough detail (relative to the value of the procurement) to understand the purpose of the procurement and the rationale for the selection of the supplier.

### **The Procurement function within the Finance Department**

2.6. Procurement is responsible for advising Council, the Executive Management Team and budget holders on the policy, and for supporting HCPC's procurement activities.

## **3. Compliance with the policy**

3.1. Our procurement is subject to audit by both our internal and external auditors. The Procurement function within Finance will also periodically check compliance with the policy. The policy will be covered within the induction process for budget holders. Breaches of the policy may be regarded as misconduct or gross misconduct.

## **4. Legislation**

4.1. As a public body, the HCPC is subject to the Public Contracts Regulations 2015 (the Regulations) as updated or amended from time to time. Procurements with a total value greater than the thresholds which apply to the Regulations must be carried out in compliance with the Regulations and applicable case law.

4.2. The 2015 Regulations incorporate UK-specific requirements designed to improve the access of small businesses to public sector contracts, known as the "Young Reforms". Other legislation also applies; see section 9 below.

## **5. Value thresholds**

5.1. Under the Regulations and this policy, requirements vary according to the value of the contract. The thresholds in this policy are stated including VAT, because HCPC is not VAT-registered so cannot recover any VAT. The thresholds in the

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<sup>2</sup> See HCPC ISMS Document A15

Regulations are stated excluding VAT, but the approximate VAT-inclusive value is shown in table 2.

5.2. The value of a contract must be measured as the aggregate amount HCPC expects to pay the supplier over the lifetime of the contract. Contracts must not be artificially disaggregated or shortened in order to avoid the application of the Regulations or this policy. If there is any doubt in respect of the value of the contract, Procurement must be consulted.

5.3. The level of authority required to sign the contract varies according to whether the contract was anticipated and specified within the annual budget, or whether the contract is for a new supply of goods or services that was not anticipated within the budget. Each year's budget will include a list of contracts that are expected to be tendered or retendered during the coming year. Contracts that were included on this list can be signed at a lower level of authority than contracts which were not anticipated within the budget.

5.2-5.4. The role of the person signing the contract is to ensure that our procurement policy has been complied with. Unless there is evidence that the policy has not been complied with, the contract signatory should accept the choice of supplier.

**Table 1 Procurement routes and value thresholds**

Total estimated contract value including VAT	Method of selection	Internal authorisation level – who can approve the selection of the supplier	Contract listed within budget?	Method of acceptance – who can sign the contract?
£0 - £1,000	Budget holder's discretion	Budget holder or Director	<a href="#">N/A</a>	Approved purchase order (PO)
£1,001 - £10,000	Competition with evidence of comparison of at least two suppliers, or use of a framework agreement	Budget holder or Director		Approved PO
£10,001 - £25,000	Competition with minimum of three written quotations, or use of a framework agreement	Director		Contract signed by Director
£25,001 <sup>3</sup> - <del>£100,000</del>	Use of a framework agreement, or formal written tender	Tender panel and Director		Contract signed by Director
<del>£50,001 – £100,000</del>	<del>Use of a framework agreement, or formal written tender</del>	<del>Tender panel and Chief Executive</del>		<del>Contract signed by Chief Executive</del>
£100,001 but less than relevant EU threshold	Use of a framework agreement, or formal written tender	Tender panel and Chief Executive	<a href="#">Yes</a>	<del>Contract signed by Chief Executive with the approval of the Chair of Council</del> <a href="#">Contract value up to £250k: contract signed by the Chief Executive</a> <del>Contract signed by Chief Executive with the approval of the Chair of Council</del>

<sup>3</sup> Note that the 2015 Regulations introduce new requirements that apply when a procurement opportunity with a value above £25k is advertised. If a budget holder intends to advertise a procurement opportunity through any channel, he/she must first check with Procurement

Total estimated contract value including VAT	Method of selection	Internal authorisation level – who can approve the selection of the supplier	<u>Contract listed within budget?</u>	<u>Method of acceptance – who can sign the contract?</u>
				<u>Contract value over £250k: contract signed by Chief Executive with the approval of the Chair of Council</u>
Above relevant EU threshold	Use of an EU compliant framework agreement unless, exceptionally, no appropriate framework exists in which case a regulated tender is required following advertisement in the OJEU pursuant to the Regulations (unless specifically exempted).	Budget holder must involve Procurement at the outset and throughout the process.  Legal advice required if a framework agreement is not used  Tender Panel makes final selection.	<u>Yes</u>	<u>Contract value up to £250k: contract signed by the Chief Executive</u> <u>Contract value over £250k: contract signed by Chief Executive with the approval of the Chair of Council</u>
			<u>No</u>	<u>Contract signed by Chief Executive with the approval of the Chair of Council</u>

5.3.5.5. EU thresholds are modified from time to time by the European Commission. The current thresholds are available from <http://www.ojec.com/thresholds.aspx>. HCPC is an “Other public sector contracting authority”.

**Table 2 EU threshold values as at ~~December 2017~~ January 2016<sup>4</sup>**

Type of Contract	Threshold excluding VAT	Approx equivalent incl VAT
Services & Supply (includes supply, lease, rental or hire purchase of goods, excluding employment contracts)	£164,176	£197,000
Works (building & engineering, including capital works)	£4,104,394	£4,925,000

5.4.5.6. Procedures including flowcharts and templates are included within the Procurement Manual on the Finance Department intranet site.

5.5.5.7. In the case of any uncertainty the application of this policy or which procurement route should be followed, advice should be sought from Procurement.

## 6. Framework agreements

6.1. Framework agreements are contracts that have been let in compliance with the Public Contracts Regulations and EU procurement rules. The UK government’s procurement service, Crown Commercial Services (formerly the Government Procurement Service), has established a wide range of framework agreements covering almost all the goods and services bought by the public sector.

6.2. Typically, a framework agreement consists of a menu of goods or services or pre-agreed specifications and prices, provided via a standard set of terms and conditions. There may be a number of different suppliers providing the goods and services, but sometimes there is only one supplier.

6.3. HCPC policy is to use framework agreements for all procurements above the relevant EU threshold values. Use of framework agreements is also strongly encouraged for procurements below the thresholds. The reasons for using framework agreements are

- We benefit from prices that have been negotiated using the buying power of all central government. We are unlikely to be able to negotiate better prices acting alone
- Terms and conditions have similarly been negotiated using central government buying power and are therefore favourable to the customer, eg reasonable notice periods, reasonable supplier warranties, full data protection and FOI commitments by the supplier, appropriate intellectual property rights. It is therefore normally not necessary to engage our own legal advice on framework contracts

<sup>4</sup>Threshold values updated with effect from 1 January 2016



- We can have confidence that suppliers will have the capacity and the systems and processes to deliver good quality services consistently
- The framework procurement process is much quicker than conducting our own tender process and, because we do not need to take our own legal advice, it is much cheaper
- The framework procurement process is compliant with public sector procurement legislation, and is recognized as good practice in terms of value for money, and is therefore low risk.

6.4. Procedures within the Procurement Manual on the Finance Department intranet site set out the steps to be followed to enter a contract using a framework agreement.

## **7. Value for money**

7.1. Value for money is the optimum combination of whole life costs and quality, on appropriate contractual terms and with appropriate allocation of risk, to meet the HCPC's business needs and requirements.

7.2. HCPC's procurement must achieve good value for money. This is partly about getting the right price, but it is more important to buy the right product. See also section 11 below.

7.3. The extent of competition required depends on the value of the procurement, as set out in Table 1. For procurement of goods or services costing less than £1,000, the potential cost saving achieved from a competitive procurement process is unlikely to be significant and may be outweighed by the extra staff time involved in arranging a competitive process, so competition is not required below the £1,000 threshold.

7.4. To ensure value for money, contracts need to be retendered at appropriate intervals. For goods and services, contract terms should normally not exceed 4 years, but contracts may have an option to extend the term by one year.

7.5. Prices under framework agreements (see section 6 above) are normally fixed but they meet our requirement for competition because the framework prices have been established through a competitive process.

## **8. Fairness, objectivity and transparency**

### **Ethics**

8.1. All Persons involved in procurement activities are expected to behave ethically at all times. All Persons shall be open, honest, fair and impartial in their dealings with suppliers. In particular Persons must familiarise themselves with and comply with the Anti-Bribery, Gifts and Hospitality Policy and the requirements of the Bribery Act 2010.

8.2. Anyone involved in a procurement who has current or past business or close personal relationships with, or close friends or relatives employed by, potential bidders for HCPC contracts must disclose their interest to Procurement at the

outset and may be excluded from the procurement process completely or restricted to a limited role.

### **Freedom of Information**

8.3. The HCPC is subject to the Freedom of Information Act 2000. This means that anyone who makes a valid request for information held by the HCPC will be entitled to receive it - unless all or part of that information can and should justifiably be withheld under the exemptions contained within the Act. All tenderers should be made aware at the beginning of the process that this is the case.

8.4. Suppliers may seek to prevent HCPC from disclosing information relating to their goods or services or pricing under the exemptions in the Act for confidential or commercially prejudicial information (sections 41 and 43 of the Act). In those cases, advice should be sought from the Information Governance Manager.

### **Equality and Inclusion**

8.5. The HCPC conducts business in accordance with the Equality Act 2010, which requires the HCPC to ensure that it does not discriminate on the grounds of age, disability, gender reassignment, marriage & civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

8.6. The HCPC will require suppliers, where appropriate, to be aligned with HCPC's corporate objectives for equality and inclusion as outlined in HCPC's Equality & Diversity Policy.

8.7. The HCPC will require suppliers and third party contractors, where appropriate, to adhere to any specific obligations or commitments as outlined in the HCPC's [Welsh Language Scheme](#).

### **Regularity and propriety**

8.8. Regularity and propriety are standards for the management of public money, which HCPC as a public body must meet. Regularity is defined as: compliant with the relevant legislation (including EU legislation), delegated authorities and following the guidance in *Managing Public Money* published by HM Treasury. Propriety is defined as: meeting high standards of public conduct, including robust governance and the relevant parliamentary expectations, especially transparency<sup>5</sup>.

8.9. Regularity is therefore a largely objective standard which will normally be met by application of this policy and the associated procedures.

8.10. Propriety is a subjective measure. Although HCPC does not normally receive funds voted by parliament, we are accountable to parliament and must manage our finances to the same standards as other public bodies. To assess whether a given procurement meets the propriety standard, budget holders should ask themselves "could I confidently and openly explain this to registrants, the media and parliament as a good use of registrants' money?" On the other hand, if budget holders find themselves thinking more negatively, eg how they

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<sup>5</sup> Definitions taken from *Managing Public Money* <https://www.gov.uk/government/publications/managing-public-money>

could *justify* or *defend* the expenditure as a valid use of registrants' money, then it indicates that the procurement may not meet the propriety test.

## 9. Compliance with law and regulation

### Public Contracts Regulations

9.1. As noted above, the HCPC is subject to the Public Contracts Regulations 2015 (the Regulations) as updated or amended from time to time. The 2015 Regulations transpose the 2014 EU Public Contracts Directive into English law. Procurements with a total value greater than the thresholds which apply to the Regulations must be carried out in compliance with the Regulations and applicable case law.

9.2. The Regulations also incorporate UK-specific requirements designed to improve the access of small businesses to public sector contracts, known as the "Young Reforms". The main impact of the Young Reforms on the HCPC is where we advertise a contract with an expected value greater than £25,000. The steps to follow in that case are addressed in procurement procedures.

9.3. HCPC can have reasonable assurance of compliance through the use of an appropriate framework agreement.

### Data Protection Act

9.4. In the course of its business, HCPC processes or holds personal data about registrants, employees and others. Under the Data Protection Act, HCPC is the Data Controller in relation to this personal data, and must ensure that it is held and processed in accordance with the eight principles in the Act, which are that personal data must be:

- used fairly and lawfully;
- used for limited, specifically stated purposes;
- used in a way that is adequate, relevant and not excessive;
- accurate;
- kept for no longer than is absolutely necessary;
- handled according to people's data protection rights;
- kept safe and secure; and
- not transferred outside the European Economic Area without adequate protection.

9.5. HCPC's responsibilities under the Act apply equally to services we perform in house and those we outsource to suppliers. HCPC requires suppliers to have information security policies and procedures appropriate to the nature of the HCPC information the suppliers handle. Procurement procedures set out the process for determining the standard of information security we require from the supplier of a given service, and the method of determining whether bidders and existing suppliers meet that standard. Where it is determined following the procedures that a supplier is a Data Processor on behalf of HCPC, then the supplier's responsibilities will be documented within the contract<sup>6</sup>.

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<sup>6</sup> See also HCPC Information Security Management System manual document A15

## **Freedom of Information Act**

9.6. See paragraph 8.3 above

## **Bribery Act**

9.7. See paragraphs 8.1 and 8.2 above.

## **10. Managing commercial risk**

### **Terms and conditions**

- 10.1. Framework agreement terms and conditions have been negotiated using central government buying power and are favourable to the customer. Some tailoring of the standard terms is normally required; consult Procurement for advice.
- 10.2. HCPC's standard terms and conditions should normally be used in contracts for ongoing services that are not placed via framework agreements. Invitations to tender should include our terms and conditions so as to pre-empt any discussion over terms and conditions at the contract award stage.
- 10.3. Our standard terms and conditions ensure a reasonable transfer of risk to the supplier, for example through the clauses on price changes, termination, intellectual property, and supplier's liability.
- 10.4. Procurement procedures set out the steps to follow if a supplier seeks to impose their own terms and conditions.

### **Legal advice**

- 10.5. It may be appropriate to seek legal advice on a procurement issue, but only if the risk on which the advice is taken has a greater potential cost than the cost of the advice itself. Disagreements with suppliers over terms and conditions should be seen in the context of the contract value and the worst case impact of the disputed terms.
- 10.6. Budget holders should note that the correct use of Framework Agreements substantially reduces the legal risk, and so legal advice will normally not be required on any procurement via a Framework Agreement.

### **Business continuity**

- 10.7. The financial failure or lack of capacity of a key supplier could have a significant impact on the delivery of HCPC's functions, and therefore HCPC requires suppliers to have financial and economic standing, and technical capacity and ability appropriate to the nature of the service they will provide to HCPC. Procurement procedures set out the process for determining the level of financial health and capacity we require from the supplier of a given service, and for evaluating the financial health and capacity of bidders for that service. Procurement will also periodically re-evaluate the financial health and capacity of existing suppliers of key services in order to identify business continuity risks.

## **11. Meeting the objectives of the business**

### **Planning and specification**

- 11.1. Retendering of existing contracts is planned on the basis of the expiry dates recorded in the suppliers database. Procurement and Relationship Owners are jointly responsible for identifying expiry dates and planning the retender process.
- 11.2. Tendering for new goods and services is planned primarily on the basis of the major projects portfolio, which will capture most new procurement by value. Project managers are responsible for discussing requirements and routes to market with Procurement.
- 11.3. Budget holders who intend to purchase new goods or services are responsible for advising Procurement in advance so that Procurement can support the tender process from the outset.
- 11.4. To achieve value for money it is essential to buy the right product. The specification is therefore a key part of any invitation to tender, and it must be accurately and completely incorporated into the contract.

### **Managing contracts**

- 11.5. The Relationship Owner is responsible for managing the supplier's performance under the contract, and ensuring that the supplier delivers to the agreed specification, so that HCPC achieves value for money.
- 11.6. Contracts that are above £50,000 in value and/or have been assessed as high risk in terms of our requirements for information security or supplier financial health should be subject to a documented review at least annually.

### **Recording**

- 11.7. All contracts made by or on behalf of the HCPC must be documented in writing. For contracts below £10,000 in value that do not involve the supplier in handling HCPC information, an HCPC purchase order (PO) will normally be sufficient documentation. By sending the PO to the supplier, we offer to purchase the goods or services under the terms and conditions referenced on the PO. By delivering the goods or services, the supplier accepts our offer.
- 11.8. Contracts above £10,000 should be signed by both parties to ensure clarity over the terms and conditions. If the supplier will handle HCPC information, a signed contract including appropriate obligations on the supplier is required regardless of the value: see paragraph 9.5.
- 11.9. All contracts above £10,000 must be recorded in the suppliers database. Contracts above £25,000 are disclosed proactively under our Freedom of Information publication scheme.
- 11.10. The process to set up a new supplier (which is essential before a new supplier can be paid) includes confirmations that the contract has been recorded, that the appropriate selection process was followed, and that the data security and business continuity requirements have been met.

- 11.11. Contracts will be retained on the suppliers database in accordance with the HCPC's Document Retention Policy. Procurement will retain copies of all tender documents and relevant correspondence for procurements over the relevant EU threshold.
- 11.12. Budget holders are responsible for retaining documents for procurements under the EU threshold. Documents retained must include the invitation to tender, all tenders submitted, the evaluation of bids and correspondence with successful and unsuccessful bidders. Documents must be retained until the end of the financial year following the award of the contract.

## **12. Exceptions**

- 12.1. If a budget holder considers that an exception to this policy needs to be made in relation to a procurement with a value greater than £10,000, he/she must consult Procurement before any commitment is made to a supplier.
- 12.2. An exception form must be completed by the budget holder and approved by Procurement to document the reason for the exception.
- 12.3. Legal advice will be required on any proposed exception to policy in relation to a procurement above the relevant EU threshold.

## **13. Further information**

- 13.1. Advice on any aspect of this policy can be obtained from Procurement and the Director of Finance. Further guidance is available on the Finance Department section of the HCPC intranet.

## Appendix 2: Financial regulations

### **Introduction**

1. These Regulations set out the principles governing the financial and accounting practices of the Health and Care Professions Council (**HCPC**). Their purpose is to ensure that the HCPC's finances are managed with probity, accuracy, economy, efficiency and effectiveness.
2. The Regulations have effect as if they were incorporated in the Council's Standing Orders and should be read in conjunction with the Council's Scheme of Delegation.
3. The Regulations are not intended to provide detailed procedural advice and the Chief Executive or Director of Finance should be consulted in respect of any matter which is not covered by the Regulations and which may have a material effect upon the HCPC's finances.
4. Where appropriate, the Regulations will be supplemented by detailed Financial Operating Procedures.

### **Roles and responsibilities**

#### ***The Council***

5. The Council has the ultimate responsibility for the financial viability of the HCPC and for making arrangements for the proper administration of its finances. The Council exercises financial supervision and control by approving the annual budget and the five year plan and defining and approving essential features of the financial control framework, including policies on reserves, investment and procurement.
6. Under the Health and Social Work Professions Order 2001, the Council is specifically responsible for:
  - 6.1 setting fees;
  - 6.2 keeping accounts;
  - 6.3 preparing and publishing the annual accounts; and
  - 6.4 appointing auditors.

#### ***Audit Committee***

7. To assist it in the discharge of its financial responsibilities, the Council has established an Audit Committee, which oversees the HCPC's audit and other risk management arrangements.

### ***Chief Executive***

8. The Chief Executive has overall executive responsibility to the Council and as such is responsible for:
  - 8.1 the organisation and management of the HCPC's functions and leadership and management of all employees;
  - 8.2 ensuring that budgets and resources are managed within the estimates approved by the Council; and
  - 8.3 the HCPC's financial operations, including the system of internal control.
9. The Chief Executive has been appointed as Accounting Officer by the Privy Council and, as such, is responsible for ensuring that the HCPC performs its statutory functions within the available financial resources and for complying with the Council's obligations under Article 46 of the Health and Social Work Professions Order 2001.

### ***Director of Finance***

10. The Director of Finance is responsible for the administration of the financial affairs of the HCPC, in particular, by:
  - 10.1 implementing the Council's financial policies;
  - 10.2 maintaining effective system of internal financial control, including ensuring that detailed procedures incorporate the principles of separation of duties and appropriate internal checks, keeping the Financial Regulations under review and reporting to the Chief Executive on any matters that may require revision;
  - 10.3 ensuring that records are maintained which explain the HCPC's transactions and disclose, with reasonable accuracy, the financial position of the HCPC at any time;
  - 10.4 providing financial advice to the Council, its committees and employees;
  - 10.5 preparing such accounts and reports as the HCPC may require for the purpose of carrying out its statutory functions;
  - 10.6 ensuring that good financial practice is adopted by HCPC, in accordance with accepted professional standards and taking account of advice received from the internal and external auditors; and
  - 10.7 preparing Financial Operating Procedures to supplement these Regulations.



## **Budgets and Financial Planning**

### ***Financial Planning***

11. The Chief Executive will each year produce a draft annual budget for submission to the Council including:
  - 11.1 a statement of the HCPC's priorities and objectives for the year;
  - 11.2 the planned use of resources to reflect those priorities and achieve those objectives;
  - 11.3 the financial implications of the planned use of resources; ~~and~~
  - 11.4 contracts with an expected total value greater than £100,000 which are planned to be tendered or retendered during the year; and
  - 11.54 performance targets established by the Council.

### ***Annual Budget***

12. Resources are allocated annually by the Council. Directors and Managers are responsible for the efficient and effective use of the resources allocated to them.
13. The Chief Executive is responsible for preparing an annual budget and capital programme each year for approval by the Council.
14. The Chief Executive must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to Directors and Managers as soon as possible following their approval by the Council.
15. The Chief Executive is responsible for the day to day management and control of the annual budget and capital programme and may:
  - 15.1 authorise spending on items not exceeding £50,000 each;
  - 15.2 with the approval of the Chair of the Council (except in any case where the Council has resolved otherwise), authorise spending on items which exceed that limit; and;
  - 15.3 authorise all payroll transactions.

### ***Budgetary Control***

16. The control of expenditure within an agreed budget is the responsibility of the Director or Manager who holds that budget (**Budget Holder**) who must ensure that effective day to day monitoring is undertaken. A Budget Holder may delegate authority to use resources within their budget, but may not delegate responsibility for the management of that budget. Each Budget Holder is responsible for expenditure within their budget and will be assisted in this duty by management information provided by the Director of Finance.
17. Budget Holders must report significant deviations from agreed levels of expenditure to the Chief Executive or Director of Finance as soon as they become apparent and ensure that any necessary action is taken promptly.

## **Accounts**

18. HCPC's annual accounts shall be prepared under the direction of the Director of Finance and comply with any relevant statutory requirements and accepted accounting practice.
19. The annual accounts shall be presented to the Audit Committee and subsequently to the Council for approval.

## **Financial Systems and Procedures**

20. The Director of Finance must establish procedures for the secure receipt and payment of all HCPC monies.
21. The HCPC's accounting systems should provide for the allocation of expenditure incurred and income received in a manner which facilitates the preparation of statutory and other accounts, with all items of income and expenditure being allocated to relevant cost centres whenever possible.
22. The Director of Finance will be responsible for the day to day operation and control of the systems and procedures required to:
  - 22.1 order goods and services;
  - 22.2 pay creditors, allowances and expenses;
  - 22.3 collect and bank all income due to the HCPC;
  - 22.4 provide, safeguard and subsequently dispose of HCPC assets; and
  - 22.5 account for taxes and make necessary payments to the appropriate authorities.
23. The Finance Director, working in conjunction with the Human Resources Director, shall be responsible for the day to day operation and control of the systems and procedures required to pay salaries, wages and pensions.

## **Banking**

24. The Council is responsible for the appointment of the HCPC's Bankers.
25. All bank accounts which contain HCPC funds (**HCPC Accounts**) shall be operated in the name of the Health and Care Professions Council and in no circumstances shall HCPC funds be held in an account operated in the name of an individual or with other than HCPC's appointed bankers.
26. The consent of the Council is required before any person opens or maintains any account which contains monies which do not form part of HCPC funds and the title of which includes any reference to the Health and Care Professions Council.

27. All cheques and other documents authorising payment from HCPC Accounts must be signed by two of the following authorised signatories:
  - 27.1 the Chair of the Council;
  - 27.2 the Chief Executive;
  - 27.3 the Director of Finance; and
  - 27.4 any other person who is appointed as an authorised signatory by the Chair on the recommendation of the Chief Executive.
28. A person may be appointed under Regulation 27.4 as a signatory for all or specified HCPC Accounts and any such appointment may be revoked by the Chair at any time.
29. Transfers of funds between HCPC Accounts may be undertaken by electronic banking methods without authorising signatures. The Chief Executive shall designate the persons authorised to perform such transactions.
30. Every HCPC Account shall be reconciled at least once every month.
31. The Director of Finance is authorised to invest surplus funds in a manner which:
  - 31.1 manages cash resources effectively and provides security of HCPC's capital; and
  - 31.2 accords with any investment policy adopted by the Council.

### **Borrowing arrangements**

32. The approval of the Council is required before the HCPC enters into any borrowing arrangements.

### **Income**

33. The Director of Finance shall establish procedures for the secure collection, custody, control and deposit of all monies due to the HCPC, enabling the HCPC to receive all income to which it is entitled and ensuring that all monies due are collected promptly, including the proper and timely collection of debts.
34. All monies received on behalf of the HCPC shall be banked without delay in one of the HCPC Accounts.
35. All agreements, invoices, receipts and other documents relating to income receivable by the HCPC shall be in the name of the HCPC.
36. The custody of all cash holdings must comply with any requirements of the HCPC's insurers.
37. No deductions may be made from, or personal or other cheques cashed out of, any cash collected or received on behalf of the HCPC.

### **Debts**

38. The Chief Executive shall have all necessary powers to recover debts, including the taking of legal action.
39. The Chief Executive is authorised to write off debts which, after appropriate steps have been taken, are considered to be irrecoverable but no individual debt of more than £5,000 or any debt arising from theft or fraud shall be written off without the approval of the Council.

## **Expenditure**

40. Invoices will only be paid for amounts authorised by an appropriate Budget Holder.
41. Payments shall only be made on invoices where the goods or services have been satisfactorily received. However, in circumstances where advance payment (partial or full) is required as a condition of contract and the HCPC is satisfied that it will ultimately receive the goods and services, then such payments may be made.
42. No credit card account shall be established or operated in the name or on behalf of the Council without the prior express consent of the Council.

## **Payment of travel, subsistence and other allowances**

43. All payments for travel, subsistence or other allowances will be made in line with the expenses policy agreed from time to time by the Council.
44. Claims for payment (including bookings made with any travel company approved by the HCPC) shall be authorised in the following manner:
  - 44.1 claims by employees shall be authorised, as appropriate, by their line manager or another appropriate reviewer within the department;
  - 44.2 claims by Directors or the Chief Executive up to the domestic limit (UK travel, subsistence and allowances not exceeding £500) may be self-authorised but will be subject to an annual audit process conducted by the Business Process Improvement department to ensure compliance with applicable policies;
  - 44.3 claims by Directors which exceed the domestic limit or involve travel outside of the UK shall be authorised by the Chief Executive or two other members of the Executive Management Team;
  - 44.4 claims by the Chief Executive which exceed the domestic limit or involve travel outside of the UK shall be authorised by the Chair of the Council and the Director of Finance;
  - 44.5 claims by Council members shall be authorised, as appropriate, by the Secretary to the Council, Secretary to the Committees or a relevant Budget Holder;
  - 44.6 claims by HCPC partners shall be authorised by the relevant Budget Holder; and
  - 44.7 claims by the Chair of the Council shall be authorised by the Chief Executive and the Director of Finance.

## **Contracts and procurement**

45. The HCPC is the legal party for all contracts entered into for the purchase of goods and services, for the provision of works and for the purchase of assets, including land and buildings.
46. Contracts and the process through which they are procured must be open and transparent with the successful contractor being chosen on the basis of a fair and competitive process which accords with any procurement policy adopted by the Council.

## **Asset Management**

47. The purchase, lease, rent or disposal of land and buildings by HCPC can only be undertaken with the approval of the Council.
48. The Director of Finance shall be responsible for:
  - 48.1 maintaining a register of all HCPC assets; and
  - 48.2 the safe keeping of deeds, leases, agreements, financial instruments, loan agreements, share certificates and other securities.
49. The Chief Executive shall be responsible for ensuring that appropriate security arrangements exist to cover all HCPC buildings, stores, furniture, equipment, cash, information and records.

## **Risk Management**

50. The Audit Committee is responsible for the oversight of the HCPC's risk register.
51. Insurance arrangements are a key element of risk management and the Chief Executive shall be responsible for arranging appropriate insurance in line with any agreed policy.

## **Audit Arrangements**

52. The Council is responsible for the appointment of the internal and external auditors, acting on the recommendation of the Audit Committee. The same person or firm shall not be appointed to both positions.
53. The main purpose of the internal audit is to provide the Council with independent and objective assurances on the adequacy of the HCPC's financial control, operating control and risk management systems.
54. The external auditor's responsibilities include reporting an opinion on whether the HCPC's accounts give a true and fair view. As part of that responsibility the external auditor obtains an understanding of the system of internal control to the extent that it is relevant to the audit, including the control environment, the risk assessment process, and information technology relevant to financial reporting.

## **Authority of Internal and External Auditors**

55. In order to perform their functions, the internal and external auditors have authority to:
  - 55.1 enter, at a reasonable time, any HCPC premises or land;
  - 55.2 have access to records, documents and correspondence relating to any transaction of the HCPC;
  - 55.3 review any relevant activity of the HCPC;
  - 55.4 require and receive such explanations as are necessary concerning any matter under examination; and
  - 55.5 require any HCPC Council member, employee or contractor to produce any asset under his or her control for which the HCPC is responsible.

## **Comptroller and Auditor General**

56. Article 46 of the Health and Social Work Professions Order 2001 provides that the HCPC's accounts shall be subject to examination by the Comptroller and Auditor General.

57. For the purposes of such examination, the Comptroller and Auditor General may inspect the HCPC's accounts and any records relating to them. Notwithstanding that power and the powers available under the National Audit Act 1983, the Comptroller and Auditor General shall have the same authority under Regulation 55 as the internal and external auditors.

### **Subsidiary companies**

58. The HCPC shall not establish any subsidiary company (or appoint or remove a director of any such subsidiary company) without the approval of the Council.

### **Review of Financial Regulations**

59. The Financial Regulations will be reviewed at least every third year in order to ensure that they continue to reflect the circumstances of the HCPC and financial best practice.

6/7 December 2017~~4 December 2014~~