

**Health Professions Council
Finance & Resources Committee Meeting – 21st March 2007**

FINANCE AND FACILITIES MANAGEMENT WORKPLANS- PUBLIC PAPER

Executive Summary and Recommendations

1. Introduction

2. Decision

The Committee is requested to note and approve the document.

3. Background information

An action point (R3) from the recent Governance and Risk Management audit by PKF, HPC's internal auditors, was for the Finance Dept to prepare a work plan of its activities for the forthcoming financial year. This work plan links to the latest version of the budget for 2007/08 also.

4. Resource implications

Deployment of Finance and Facilities Management employees to achieve the work plan.

5. Financial implications

Refer Annual Budget.

6. Background papers

Nil

7. Appendices

Finance and Facilities Management Work Plan for the year 2007-2008

8. Date of paper

7th March 2007

Finance and Facilities Management Work Plans for the year 2007-2008

Contents

Introduction.....	2
The Finance and Facilities Management departments.....	2
This document.....	2
Priorities 2007 – 2008.....	3
Resources.....	3
HPC Strategy : Improve.....	4
Introduction.....	4
Aim.....	4
Projects for 2007 – 2008.....	4
Other Initiatives.....	6
2008 - 2009.....	8

Introduction

The Finance & Facilities Management departments

In February 2006, the Director of Finance assumed responsibility for the Finance and Office Services departments. The Office Services dept was renamed the Facilities Management dept to better reflect the range of services provided.

The Finance department's main responsibilities are:

- To monitor the financial well-being of HPC and advise the Council and Committees of the need for adjustments to the Business Plan and/or Strategy in a timely manner,
- To generate the statutory financial statements, monthly management accounts and the financial sections of the HPC Annual Report,
- 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,
- To collect income and make payments,
- To ensure LISA records are accurate for financial transactions,
- To liaise with external suppliers; bankers, auditors, financial software companies, HMRC, insurance brokers, travel agencies, investment funds managers and pension managers.

The Facilities Management department's main responsibilities are:

- To provide Office Services to internal clients; catering, reception, building maintenance, stationery and post room;
- To provide Facilities Management services relating to office and function space planning & development, including building refurbishment, health & safety compliance and business continuity.

This document

This work plan is underpinned by the Council strategy, and details how the department will grow, embed itself in HPC and in the wider financial reporting and facilities compliance arena, and assist the Council in preparing for any changes ahead in the regulation of healthcare professionals.

The nature of the issues that the Finance and Facilities Management departments deal with are such that work undertaken will comprise both planned projects and also work which arises as a result of changes to the external environment, such as changes in legislation, changes to the professions, and other developments that are often unpredictable. In allocating resources, this ability to respond to the external environment is an important factor.

Priorities 2007 - 2008

The priorities identified in the HPC strategy (HPC – The Next Three Years, published in March 2006) are to *Improve* and to *Influence* and *Promote*.

The main opportunities for the Finance and Facilities Management departments are in *Improvement* i.e. improve HPC's ability to manage increasing demand for its services by assisting in the redesign of the organisation. Opportunities arise in progressing process automation projects such as Mid Cycle Lapsing, Computerised Purchase Ordering and in improving internal controls e.g. the Lisa Access Rights project. Cross-training of dept employees will reduce person-cover risk. Continuing to build close working relationships with other departments and suppliers will streamline some processes and aid timely reporting.

Improving the timeliness, transparency and accuracy of financial reporting and forecasting will aid decision-making about managing the increasing demand for HPC's services.

Implementing the project to refurbish 22-26 Stannary St will enable additional demand for HPC onsite accommodation to be met.

Resources

The 07/08 Finance dept budget and work plan assume a team of seven Finance employees including the Director of Finance. The work plan assumes an Operating budget of £485,000 and Capital budget (projects) of £54,000. At February 2007, there is a team of six permanent employees with regular use of any temp staff and overtime claims to ensure growing workloads can be handled.

The 07/08 Facilities Management dept budget and work plan assume a team of six employees including the Facilities Manager. The work plan assumes an Operating budget of £1,023,000 and Capital budget (22/26 Stannary St project, CCTV¹ and 22/26 Stannary Street office furniture) of £1,698,000.

When both departments are taken together, the capital and operating spend account for 22% of HPC's overall capital and operating budget. The employees account for 12% of HPC's total permanent employee number.

¹ Closed circuit television monitoring of the external entrance to Park House.

HPC Strategy: Improve

Introduction

The HPC operates within a changing environment, as a result of many factors which include changes to legislation, to professions, and to best practice. Changes in the operating environment also impact the number and levels of risk that are faced by the organisation.

Environmental change creates opportunities to better deploy resources, become more flexible, more innovative and improve service quality. Some changes can be best effected via “leap-forward” projects, while others involve continuous incremental improvement.

In order to improve, there needs to be a sound understanding of the current position, the skills and competencies of existing resources, the organisational priorities and some cohesive planning on how to improve. Financial and non-financial indicators are useful tools in monitoring progress and planning. Improvements to financial policies, procedures and the Risk Register are similarly useful in assisting risk and change management.

It follows that any improvements that can be made to the accuracy, timeliness and transparency of the reporting will likely assist decision makers in making operational improvements, to better meet HPC’s objectives.

Aim

The Council aims to review its standards, guidance and policies, to consult with stakeholders, to gain feedback, and to make improvements to ensure that these continue to reflect the Council’s purpose and principles.

The following part of the work plan details the projects that will be resourced over the coming financial year towards meeting this aim.

Projects for 2007 - 2008

1. 22-26 Stannary Street Building Project

The 22-26 Stannary St premises were purchased in May 2005 and adjoin 20 Stannary Street premises currently owned and occupied by HPC.

After detailed planning in conjunction with an architect and quantity surveyor, £1.6M will be spent refurbishing the 22-26 Stannary St premises. The project is planned to be implemented during the period May to November 2007 inclusive. Once completed, the Registrations dept will move to the first floor of 22-26 Stannary St. The ground floor will be used to conduct Fitness To Practise hearings and hold Council or Committee meetings, as required. The remaining Park House and 20

Stannary Street premises will then be “restacked” to house other employees in an optimal manner.

This project links to Risk 15.3 “Capital Project Cost Over-runs” in the Risk Register which is rated medium significance and probability.

2. Fee Change Project

HPC is entirely reliant on funding from Registrant fees to meet its objectives. HPC’s fees have remained unchanged since July 2003, while Registrant volumes, FTP cases and cost inflation have steadily risen. HPC is limited in the types of fees it is permitted to charge for, to cover services provided.

Following stakeholder consultation from November 2006 to February 2007, we are in the process of increasing the fees, with effect from June 2007. This is a high profile and complex project, involving most departments of HPC, two key suppliers and the Department of Health, as well as Fee consultation feedback from stakeholders. The project completion date is June 2007. The intention is to revisit fee levels every two years after that date and propose suitable adjustments, after considering stakeholder feedback, forecast changes in the HPC cost structure, forecast changes in Registrant volumes and changes in HPC’s objectives over time.

Other than ongoing employee time, all other fee project costs were incurred in the year ending 31st March 2007.

This project links to Risk 8.2 “Fee change processes not operational by June 2007” in the Risk Register which is rated high significance and medium probability.

3. Change in LISA Access Rights Project

This project is designed to tighten up the internal financial controls relating to who is authorised to action Refund, Reverse and Reject transactions² in LISA.

At present there are five LISA “roles”, namely Registration Officer, Registration Manager, Financial Officer, Legal Officer and Clerical Support. There are existing employees and part leavers (temps and permanent employees) operating in a wide variety of departments who were issued with access rights that were wider than they should be using and this project would modify LISA access rights to correct that problem in future. The benefit of the project is in improving internal controls and reducing subsequent rework by the Finance department. This access rights issue was identified by PKF in January in their internal audit of the Finance dept.

The approved project budget for 07/08 is £35,000. This mostly relates to LISA software modifications to be performed by an external company. The likely completion date is November 2007.

² “Refund” transactions relate to refunding a Registrant fee overpayment or refund of an unnecessary payment. “Reverse” transactions are to reverse the fee charges put on a Registrant’s account. “Reject” transactions are to correct a misposting of a Registrant payment put to the wrong Registrant account, or cover a Bank rejection of a direct debit transaction.

This project links to Risks 5.3, 10.8 and 11.8 in the Risk Register which are rated high, medium, low significance and low, low, low probability respectively.

4. Replacement of Finance System/Computerised Purchase Ordering

HPC has been using a DOS-based financial reporting system SAGE Line 100 since April 2002. SAGE Line 100 is essentially a small company system with limited functionality. Replacing the existing Finance System with an MS Windows-based system capable of providing additional functionality e.g. more automated month-end reporting, faster updates and more flexible ad hoc queries, is desirable and arguably long-overdue.

HPC has also been using manual, pre-numbered purchase order books, and reliant on manual sign-off by signatories to procure many of its supplies. With steadily rising transaction volumes and an increase in the number of purchase order/invoice signatories to 27, there is a need to redesign the procurement process to take advantage of time-saving opportunities through increased automation and increased system integration. An ISO quality audit performed on the Finance department in late 2006 also highlighted opportunities for improvement in computerising the purchase order process.

A replacement or upgrade to the existing SAGE system may need to “parallel run” with the prevailing system for the two to three months of its implementation, to ensure accurate and timely reporting is achieved. The evaluation work will likely take place in the period July to October 2007, in order for the replacement/upgraded system to go live before the start of the subsequent financial year.

Careful consideration will need to be given to the Finance System’s ongoing interfaces with LISA (preserving internal control, timeliness and accuracy). Note that the SAGE Payroll system is completely stand-alone, so not impacted by the SAGE Line 100 replacement/upgrade.

Careful thought will need to be given on how to best redesign existing processes. The 07/08 project budget is £19,000.

This project links to Risk 15.10 “Unauthorised payments to organisations” in the Risk Register which is rated low significance and low probability.

Other Initiatives

1. Enhanced Project Reporting

In late 2006, the Finance and Resources Committee approved the adoption of enhanced project reporting to commence from April 2007. This initiative is designed to integrate financial reporting with project status reporting and improve the transparency of actual project spending against budget (opex and capex) at HPC. The project cost is zero. The implementation date is 1st April 2007.

This project links to Risks 15.2 and 15.3 in the Risk Register which are rated medium, medium significance and low, medium probability respectively.

2. Pension scheme implementation

Following correspondence received from HPC's existing pension provider in late 2006, a review was undertaken of the best approach going forward for the provision of an HPC pension scheme to eligible employees. There are a number of considerations including; pension needs, likely pension performance, pension administration costs, legal obligations and legacy pension costs that may be incurred, depending on HPC's chosen course of action.

These will be worked through by the Council and the Executive in 2007, in consultation with external experts (legal and actuarial advisors) who are able to provide the appropriate guidance. On current estimates, the new scheme is expected to be operating from 1st May 2007. The implementation cost is approx £20k.

This project links to Risks 16.2 and 16.3 in the Risk Register which are rated medium, low significance and medium, medium probability respectively.

3. Five Year Plan, Income Model update and Annual Budget

Equally as valuable as reporting progress to date in the monthly management accounts is to provide a forecasting service of the financial implications of HPC's activities.

The Finance dept produced an updated Five Year Plan in August of 2005 and 2006 and are planning to update this again in about August 2007. To date, the Five Year Plan has been produced "top down" but as part of continuous improvement, the Finance Dept plans to generate the next version "bottom up" by dept.

The Five Year Plan lists the financial projections of income and cost, key assumptions, Capital Expenditure plan and Cash Flow projections. It also includes headcount projections by department, Registrant volumes by profession including new professions, and Registrant volumes by type (International, UK Graduate Registrants etc).

The Five Year Plan links the overall HPC strategy (big and over the long term) with the Annual Budget relating to the work plans of each dept over the forthcoming financial year. A key benefit of producing an updated Five Year Plan is as a background document in preparing a fee rise (price-setting).

A key input into both the Annual Budget and Five Year Plan is the Registrant Income Model. This model identifies accrued income in the forthcoming financial year by profession, by fee type, by fee level (before and after any fee rise occurring in the financial year). A key input into the Registrant Income Model itself is materially accurate Registrant volume-forecasting. This volume forecasting responsibility has been assumed by the Policy and Standards dept in 2007.

The Annual Budget will be created and will go through a series of review iterations during the period October 2007 to March 2008. The final step is to gain approval from Council in their March 2008 meeting, pre-dating the start of the Budget year.

This project links to Risks 15.1, 15.2 and 15.9 in the Risk Register which are rated low, medium, low significance and medium, low, low probability respectively.

4. Improved Person Cover via greater cross-training and documentation

To date, because of the small complement of employees working in the Finance and Facilities Management depts and challenging workloads handled, there has been a limited degree of person-cover in the respective depts. This included having no inhouse backup resource trained to perform core functions as running the employee payroll function or manning the reception desk.

Recent and ongoing agreed changes in each person's responsibilities have reduced the risk that core activities will not be continued seamlessly, should the primary person be absent. Creating & updating role documentation, and automating further parts of some processes also act to reduce the risk. This work will continue in 2007. The completion date for this is 31st March 2008.

This initiative links to Risks 11.1, 11.4 and 11.6 in the Risk Register which are rated medium, low, low significance and low, medium, medium probability respectively.

5. Improved Health and Safety (H&S) legislative compliance

In April 2006, a paper was presented to the Finance and Resources Committee to note, outlining the broad Health and Safety Issues facing HPC. Seven facilities-related H&S issues were identified and six people-related H&S issues were identified, impacting visitors, employees, contractors, Council members and Partners.

A firm of H&S consultants, Lawrence Webster Forrest (LWF) was then appointed to oversee the development of a comprehensive set of H&S policies for HPC and to advise on their implementation in the budget year commencing April 2007. The ongoing LWF service also includes them advising HPC of legislative changes requiring compliance in this area, including disability access to premises.

Health and Safety issues were also identified in four parts of the Risk Register, namely;

- H&S of Council members,
- H&S of Partners,
- H&S of Employees,
- Employee/Partner physical assault by Hearing attendees

The risk mitigations are a continuing action in 2007 for the respective Risk owners and ensuring adequate insurance cover is an ongoing action for the Director of Finance.

This initiative links to Risks 4.9, 6.3, 11.5 and 13.6 in the Risk Register which are rated low, low, low, high significance and low, low, low, medium probability respectively.

6. Close the CPSM Pension Scheme

Action any outstanding steps to close the old CPSM employee pension scheme that are within our power to action. At the time of writing, we are waiting on final scheme valuation information from the pension administrator, Capita Hartshead before this can be achieved.

7. Funding for New Professions

Obtain Department of Health funding for taking on the regulation of any new health professions. For example to cover the costs relating to clearing any legacy Fitness to Practise cases for those professions.

8. Deregister the company 22/26 Stannary Street Limited for VAT purposes.

AT the time of purchase of Purbrook and Eyres Ltd, the company purchased was registered for VAT purposes. The company name was changed shortly thereafter to 22/26 Stannary Street Limited. The action to deregister the company has been outsourced to HPC's tax advisors, Baker Tilly, but the company cannot be VAT deregistered until at least £250,000 net of VAT input tax has accumulated. This will likely occur once the 22-26 Stannary Street project is mostly completed. Likely implementation date December 2007. Cost approx £3k.

2008 – 2009

Implement the new Finance System

To go live from 1st April 2008. See section Four under “Projects for 2007-2008” for details.

Fee Change Project

Conduct fee costing and pricing analysis in anticipation of a fee rise to go live in June 2009. The project time end to end may be as much as 10 months. The costing analysis will likely be outsourced.

Automated refunds project

Automate the current process for generating Registrant refunds.

Mezzanine Refurbishment

To “glass in” the Mezzanine area of 20 Stannary St, to provide employee confidential meeting room space.

22/26 Stannary Street - Phase Two Project

Build further accommodation for HPC employees on top of the existing building. At the time of writing, this is pending planning approval.