

BEST VALUE REVIEW
FINANCIAL MANAGEMENT & CONTROL

July 2001

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1. INTRODUCTION

The Best Value Programme

- 1.1 The Best Value Review of Financial Management and Control was included in the Year 1 programme of Best Value Reviews, with completion scheduled for June 2001.
- 1.2 The review and its timing signal the importance this Council places on Sound Financial Management. This is especially the case when the Council, like many others, finds its limited resources stretched to meet a range of new government initiatives and local demands.
- General Fund net revenue budget of £7.7m
 - Housing Revenue Account spending of £14.9m

The Financial Crisis

- 1.3 South Derbyshire District Council has experienced considerable change over the last 18 months. Much of this change was in response to the serious financial problems that the Council faced at the end of 1999.
- 1.4 The resulting financial crisis has been the subject of a separate investigation carried out by the District Auditor and reported to all members. This Best Value Review does not therefore analyse the reasons for this crisis.

Other Factors

- 1.5 It would be wrong to view this review as simply a response to the Financial Crisis. Having stabilised the Council's financial position it is now important to move on to meet other challenges that the Council faces both now and in the future.
- 1.6 Stabilising the Council's financial position does not mean a return to what the Council did in the past. It does mean creating a firm foundation for the Council to address the challenges it faces both now and in the future.
- 1.7 South Derbyshire District Council is now working in a new environment, when there is a far greater focus on the work and performance of local councils.
- 1.8 Local Councils are expected to demonstrate that they provide the type of services that the residents want to the standard that the Council has promised to deliver. At the same time Councils are finding that their resources are ever more stretched as they try to balance the increasing needs and demands of local residents and central government against relatively static overall financial resources.

1.9 This means that the Council must:-

- (i) Link Financial Plans closely to the Council corporate plans and divisional service plans. This will help to translate the needs of local people into a financial and service reality.
- (ii) Make the best use of the limited resources available to it by producing realistic financial plans that match the resources available in the future against potential demands upon them.
- (iii) Ensure that all members and managers have a good awareness of financial issues.

The First Cross-Cutting Review

- 1.10 Sound Financial Management and Control relies on the input of staff across the Council.
- 1.11 Clearly there are a number of systems and procedures that can be implemented centrally within the Finance and IT department to monitor and report on the Council's finances.
- 1.12 Nevertheless, effective financial management still relies on the day to day ability of budget holders to manage and monitor the resources allocated to them.
- 1.13 For this reasons, Financial Management & Control is the first cross-cutting review that has been undertaken within South Derbyshire. This means that the review does not simply look at the provision of a discrete service but more the processes and procedures in place across the Council to deliver sound financial management.
- 1.14 The concept of cross-cutting issues does not fit easily with the original guidance on Best Value set out in circular 10/99, which was used as the basis for the Council's own Best Value Guidance. This review has therefore been conducted by focussing on the 4 C's of Best Value – Challenge, Comparison, Consultation and Competition.

The Scope of the Review

- 1.15 The Terms of Reference for the Review are set out in Annex A. Essentially these focus on how the Council:-
 - **Plans** in financial terms
 - **Prioritises** council spending against Corporate and Community Plans
 - **Manages** council finances within the resources available
 - **Reports** on its financial position
 - **Consults and communicates** with the public on how it aligns spending to meet their needs.

- 1.16 As the review progressed it was evident that all of the above factors relied on a clear framework of corporate and service plans.
- 1.17 The Council cannot deliver effective financial plans without a clear statement of its corporate and service priorities.
- 1.18 In view of this, the review was expanded to look at:-
- **Developing a framework for service planning** – that could provide the background information needed to produce effective financial plans
 - **Aligning service and financial planning** – to ensure that financial plans were guided by service plans and to an extent vice versa.

2. BASELINE ASSESSMENT

Initial Assessment

- 2.1 The Review commenced by assessing the current position against the key areas identified within the Terms of Reference set out at Annex A.
- 2.2 Essentially the aim was to identify good practice against each key area within the Terms of Reference and also assess where improvement could be made. This took into account a paper produced by the Council's Chief Finance Officer "Towards Sound Financial Management".
- 2.3 The baseline assessment is set out at Annex B. The Best Value Review team considered this in detail. It reflects their comments.

Consultation on the Baseline Assessment

- 2.4 It has already been stated that service managers play a key role in delivering effective financial management and control. It was therefore considered important to consult with these managers on the baseline assessment to gain their commitment and seek their views.
- 2.5 This exercise was carried out alongside finance training for non-financial managers and produced some extremely useful feedback which both confirmed many of the areas highlighted within the original assessment and expanded on them.
- 2.6 The results of this consultation are set out within Annex C. This has been shared with all of the managers attending the courses for further comment/observation.

DA review of Service and Financial Planning

- 2.7 The District Auditor undertook a study of Council Service and Financial Planning procedures in 1999, which found that:-
- "Overall, there is a good corporate planning base that, with further enhancement and development, should enable the Council to embrace fully the principles of Best Value".*
- 2.8 This review resulted in a number of recommendations for improvement in the areas of Service and Financial Planning.
- 2.9 This Best Value Review has considered these recommendations and assessed whether they have been implemented. The results of this assessment are set out in Annex D, which indicated that the majority of the proposals were implemented.
- 2.10 Since that time the Best Value and concepts of Service and Financial Planning have moved on so that simply implementing District Audit recommendations made some 2 years ago does not necessarily mean that there is no other work left to do.

Conclusions from Baseline Assessment

- 2.11 The Baseline Review showed that there were indeed some good examples of how the Council was able to deliver sound financial management. Nevertheless it also helped to focus on a number of areas where a demonstrable step forward could be made which would enhance financial management and control.

Raising Financial Awareness

- ❑ **Improving Financial Understanding (Training)** – managers openly accepted that they needed more training and support on managing their budgets. There was a feeling that a wide range of different mechanisms were used to manage budgets across the Council.
- ❑ **Improving Financial Management Information** – sound financial management relies on clear and easy to understand financial information. The widespread view is that this is not delivered by the current financial information system, which is now nearly 15 years old. There is particular concern that the system cannot produce good monitoring information because it lacks both an effective commitments accounting module and profiled budgets. In many ways this is linked closely to the issue outlined above.
- ❑ **Providing timely financial information** – last year the Council did not meet the statutory deadline for closure and approval of its accounts by members, although they were still approved in advance of the previous year. This represented significant achievement and commitment on behalf of finance staff dealing with the outcome of the financial crisis. Nevertheless this is clearly a situation that cannot continue not just because of the statutory deadline but because the out-turn budget information is extremely important for setting the Council's financial strategy for the forthcoming financial year.
- ❑ **Effective Monitoring Procedures** – both of the above factors mean that budget monitoring is extremely difficult at a corporate level and does not involve service managers to a sufficient degree. This can lead to either significant under or over spending.

Service & Financial Planning

- ❑ **Lack of a Corporate Planning Framework** – although the Council has aims and objectives developed with public consultation it does not have a clear statement of how it intends to develop and move forward in the future i.e. a corporate plan. This means that financial planning is undertaken in a vacuum without this clear framework. This is made worse by the lack of divisional service plans.

- **Consultation on Financial Plans** – the modernisation agenda places greater emphasis on consulting on Council financial plans. Although the Council has carried out statutory consultation with Businesses it needs to look at ways of involving local residents within this process.

2.12 In essence both of these strands pick up a key facet of the report on the Council's financial crisis – business risk.

2.13 Without the above processes and procedures the risk of considerable financial variances is greater along with their financial consequence.

3. SERVICE & FINANCIAL PLANNING

Links Between Service and Financial Plans

- 3.1 One of the key facets identified was the need to implement an effective service and financial planning regime.
- 3.2 Effectively this means that Service and Financial Plans should be linked and informed by one another.
- **Financial Plans** should take into account future service pressures and initiatives as set out within service plans.
 - **Service Plans** need to work within the context of the Council finances so that they are realistic and do not assume access to substantial additional resources if these are not available.
- 3.3 In addition a Council's Corporate Plan provides the framework for prioritising spending between services.

Identifying Good Practice

- 3.4 The review sets out to identify good practice in Service and Financial Planning. This used work undertaken by the District Auditor as part a national study on Service and Financial Planning (Annex D).
- 3.5 The District Auditor and Derbyshire Districts were also contacted to identify authorities with good Service and Financial Planning arrangements
- 3.6 This research did indicate that few authorities considered themselves to have good arrangements for aligning Service and Financial Planning. To an extent this was reassuring.
- 3.7 Contact was made with one authority recommended by the District Auditor, Telford and Wrekin, who are considered to have good arrangements for service and financial planning. The results of this comparison are set out at Annex E.

Telford and Wrekin

- 3.8 Telford and Wrekin, a unitary authority, placed their main emphasis on service planning. All Divisions are required to produce service plans.
- 3.9 Essentially Divisions are required to plan on the basis that they must accommodate any extra spending pressures from within their existing resources. The only exception is for inflation and demographic changes (education and social services only).

- 3.10 The other consequence is that Service Plans are not used as bidding documents for Divisional Managers to seek extra funds. There was concern that Financial Plans could become completely unrealistic if they reflected all of the “desirable” areas of additional spending which managers sought to implement.

The Current Situation at South Derbyshire

- 3.11 There was general concern within the Best Value Review Team that most planning is finance led. The major plan for the Council is its budget.
- 3.12 The budget itself is not informed by service plans or indeed a corporate plan. These documents do not exist at present.
- 3.13 Essentially this means that the Council continues to deliver similar services to the previous year provided sufficient resources are available. There is little challenge within the process or indeed attempt to realign resources to meet the changing needs of local people and priorities of members and the government.
- 3.14 At the same time, the process followed by South Derbyshire is similar to that followed by many other local authorities as evidenced by the research outlined above.
- 3.15 Both the consultation and discussion within the review team suggested that there was an underlying assumption amongst some managers that new spending pressures would be met from central funds rather than by reorganising divisional budgets.
- 3.16 This is not ideal. Just as the Council itself needs to refocus and reprioritise its spending, this exercise needs to be carried out at a divisional level as well. It should be recognised that this will require a considerable culture change amongst managers who will be expected to play a greater role in the future direction of the service that they deliver.
- 3.17 The absence of service plans does not encourage this process. At the same time service planning can also discourage the process if plans simply become a bidding document for extra resources. Again there is some evidence that this was the case at South Derbyshire. Previous plans placed little emphasis on redirecting divisional resources.

The Way Forward

- 3.18 In essence the message is that the Council needs to:-
- (i) Introduce a new system of service planning
 - (ii) Review the finance and service planning process
 - (iii) Look at ways to improve staff training and change management culture.

A new system of Service Planning

- 3.19 Service plans from a range of other local authorities were considered before developing a template for a service plan for South Derbyshire.
- 3.20 Lessons learnt from the previous service planning process and indeed elsewhere are that service plans can become little more than bidding documents.
- 3.21 This can create unrealistic expectations, especially when Council's like our own are faced with the continual need to reduce spending. In this way service plans produced on the basis of expanding resources are inherently flawed.
- 3.22 In these circumstances service plans need to provide a tool for service managers to logically consider the opportunities and challenges facing the service that they deliver and propose how they will address these issues.
- 3.23 This places far greater emphasis on managers to manager within the resources that they are allocated. They will need both training in the creation of service plans and support from their head of service.
- 3.24 A template of this Service Plan is set out at Annex F. This includes information on the Policy and Best Value Unit to show how the template can work in practice.
- 3.25 The plan has also been used for the Reprioritising and Refocusing exercise to provide information on the work of each Council Department – a copy of the information produced for the Finance and IT department is set out at Annex G.
- 3.26 To an extent the service plan provides a baseline assessment of the position for each service. Once the first year's set of plans have been produced, the plan for the second year can be expanded to include a section setting out how the Division has performed against the stated task, aims and objectives included within the first year's plan.
- 3.27 The review concluded that there would be benefits if each Division retained the common base format, although individual divisions could add to this with the information they chose to place in appendices.
- 3.28 A common format also has the benefit that it makes it easier to consider issues across divisions.

Service and Financial Planning

- 3.29 The service plan includes a section on Best Value. As more reviews are completed each plan will be expected to identify the outcome of Best Value Reviews within their areas the resource consequences. This will then inform the financial planning process.

- 3.30 The review also took the opportunity to review the Service and Financial Planning process. In any event, there was a requirement to consider this, in view of the new modernised structure that the Council implements in July along with new scrutiny arrangements. The Current process followed for 2001/2 is set out in Annex H together with a flow chart showing the key financial processes involved in budget setting.
- 3.31 A revised timetable is set out at Annex I. It aligns service and financial planning and provides for one to inform the other. It does not envisage that all of the desirable spending “wish lists” set out within service plans will be built into financial plans.
- 3.32 The key aspects of the timetable are as follows:-

Financial Planning	Service Planning
<ul style="list-style-type: none"> □ Budget Out-turn report to members in July with Financial Projection/Strategy amended accordingly □ Prepare base estimates earlier in year (October) □ Develop role of scrutiny committee to comment on budgets □ Area meetings to be used as forum for consultation on Council budget proposals. 	<ul style="list-style-type: none"> □ Divisional managers report on Performance of Divisions (June) □ Consultation with residents etc on Council plans (June – July) □ All divisions to produce service plans by November □ Align service planning to Best Value Performance Planning Process – agree BVPP at same time as budget.

- 3.33 The new timetable places service and finance planning side by side. It does not make them one single process. Care will be taken to ensure that financial plans do not become unrealistic by reflecting every desirable area of new spending.
- 3.34 The aim is to adopt the new timetable with immediate effect so that it governs the preparation of the Council budget for 2002/3. Key benefits stemming from this process are as follows:-
- Financial Plans will respond more closely to service needs
 - Greater emphasis on consultation with service users to identify their needs and inform them of council spending plans
 - Greater emphasis on managers to use service plans as an effective tool for budget/service management.
 - Greater involvement of service users, council tax-payers and members within the budget setting process.

Refocusing and Reprioritising Exercise

- 3.35 The Council already has experience of implementing substantial budget reductions to achieve a more sustainable financial position in the long-term.
- 3.36 Armed with this experience there is also a realisation that the Council will need to move around its existing resources as it needs to respond to new spending pressures.
- 3.37 During the period of this review, the Council therefore committed itself to undertake an exercise to reprioritise and refocus council spending.
- 3.38 This exercise has already commenced and is due to report its findings in time for any changes to be implemented within the 2002/3 budget.
- 3.39 It should also be remembered that the Best Value process provides a rigorous test of whether a service is delivering value for money. This supersedes earlier recommendations to carry out zero based budgets.

Changing Culture

- 3.40 Good financial management and control requires partnerships and teamwork between finance staff and budget holders.
- 3.41 Section 4 looks at how financial awareness can be raised. It should be emphasised that many of the actions proposed will encourage and cement closer working between these key partners.

4. RAISING FINANCIAL AWARENESS

- 4.1 Achieving sound financial management relies heavily on the co-operation of a wide range of different people across the organisation.
- 4.2 We must accept that we are no longer in the position where it is possible to rely solely on the Finance Department to achieve effective financial management and control – if indeed this was ever the case.
- 4.3 Members and Budget Managers have a key role to play in this process alongside the Council's Finance Department.
- 4.4 This section considers how the right culture and environment can be put in place to promote sound financial management.

Improving Understanding

- 4.5 It has already been stated that the understanding of many members and managers of the Council's financial procedures and position is at best patchy.
- 4.6 This was borne out by the consultation carried out within this exercise.
- 4.7 Already a number of steps have been taken to raise the awareness of members/managers of the Council's financial position.
 - **Training Courses for Managers** – Finance for Non-Financial Managers explained to Managers the Financial issues and challenges facing the Council and how this might affect them as they plan their service provision.
 - **Briefing for Members on the Council Budget** – a briefing for all members was arranged at the start of the budget process to give them information on the action taken to address the financial crisis and its implications for future spending decisions.
 - **Best Value Review of Financial Management and Control** – has provided a focus for individual members and indeed staff to gain a more in depth understanding of key financial management concepts.
- 4.8 Within the review it was evident that while the training carried out to date was welcome – there was clearly a need to ensure that this was developed further to help managers
 - gain a clearer understanding of the way the Council accounts for the cost of providing their service as they prepare for Best Value.
 - understand how they can influence the way resources are allocated to their service to help them to respond to new initiatives.

- 4.9 With this in mind, further training sessions will be scheduled to reinforce the finance training already provided and to meet the needs outlined above.
- 4.10 At the same time opportunities will be taken to brief members on the Council's financial position via member seminars and also the Finance Briefing mentioned below.
- 4.11 The budget book has also been revised to provide additional information on the Council's financial strategy and budget projections. In addition the Statement of Accounts will also be reviewed in future to take into account new thinking on presenting this information (e.g. Audit Commission think piece – a new framework of financial reporting and accountability in local government).

Financial Management Information

- 4.12 Good quality financial information lies at the heart of Sound Financial Management. The Council's existing Financial Information System is some 15 year old.
- 4.13 While at the time of its creation, the system provided relatively good quality information it has not kept pace with many of the information needs expected of a financial information system. These include:-
- **Commitment Accounting** – this enables budget holders to register that their budget is committed as soon as an order is placed rather than waiting for the payment to be made
 - **Profiled budgets** – this takes into account that some budgets will be spent all at once e.g. a subscription to an organisation while others will be spread evenly over the year e.g. wages and salaries
- 4.14 In addition there are new requirements for Financial Information systems for:-
- **Best Value** – to reanalyse council budgets according to key council initiatives as set out in Best Value Performance and Corporate Plans.
 - **E – Government** – to enable the council to undertake more electronic transactions.
- 4.15 The Council has the added problem of relying on an in-house system, which is a business risk as it relies on the highly specialised skills and knowledge of existing staff.
- 4.16 A study examining the process for implementing a new Financial Information System has already been carried out. The results of that study and associated program for its replacement are set out at Annex J.
- 4.17 In addition Council Officers have explored with another authority the potential to procure a new financial information system jointly. This has been part of an exercise looking at the joint provision of revenues systems across Derbyshire Authorities.

- 4.18 The Capital Programme also includes budget provision for the replacement of the Council's Financial Information System.

Providing Timely Financial Information

- 4.19 Over the last two years, the Council has experienced difficulty in closing its accounts within the statutory deadlines.
- 4.20 It is important to emphasise that this does not represent in any way a lack of commitment or indeed expertise on behalf of staff involved with the closure of accounts,
- 4.21 In reality the reverse is the case. During these two years the Council faced a number of exceptional circumstances including the serious illness of its former Director of Resources and the financial crisis mentioned above.
- 4.22 Nevertheless, now that the Council has addressed these exceptional circumstances it is essential that there is a plan of action for ensuring more timely information is available as the council closes its accounts.
- 4.23 The Accountancy Manager has drawn up a programme for closing the council's accounts, which has been informed by a timetable used successfully elsewhere and indeed by recommendations made within the District Auditors report on closing accounts.
- 4.24 The programme set out at Annex K provides for the statement of accounts to be produced by the end of August and available for approval by members in September, within the statutory deadline.
- 4.25 Just as important, for planning purposes, the programme will also enable a report on the out-turn position to be made to members in July. The out-turn position has not previously been reported to members prior to the statement of accounts but can provide valuable information as the council reviews financial projections and financial strategy for the forthcoming financial year.
- 4.26 The report on the budget out-turn is part of the Finance and Service Planning cycle outlined above in paragraph 3.30. This will help members and senior officers to revise spending plans and financial strategy in the light of the out-turn position.
- 4.27 Officers will review performance against the close down timetable for this year to establish where it is possible to bring forward the timetable within existing resources. This will also consider the timing of future external audit of the accounts with the aim that this should be underway prior to formal approval of the accounts by members.

Effective Monitoring Procedures

- 4.28 Within the framework of the Best Value Review, officers have looked at improving current budget monitoring arrangements.
- 4.29 Effective budget monitoring has been affected by the availability of good quality financial information from the current computer system (see paras 4.12.to 4.18).
- 4.30 The timetable for implementing a new system created the need to look at introducing interim arrangements to improve the existing information for budget holders.
- 4.31 Clearly the shortcomings of the existing system mean that financial reports still contain a number of flaws. Nevertheless, officers have looked at ways of using the existing information to:-
- Focus the attention of budget holders on the spending that they control on a regular basis – this takes into account that much of the budget is already committed in the form of contracts to provide services or indeed staff contracts which cannot be varied in the short term.
 - Provide more accessible information to budget holders.
- 4.32 As the system develops, more aspects of the budget will be monitored. The programme for achieving this is set out within the paper at Annex L. This explains in detail the approach that will be taken to budget monitoring.
- 4.33 Budget monitoring will not just stop at the provision of financial information. Just as important will be monthly monitoring meetings. These will be scheduled for the third week in each month between each Divisional Manager and the Service Accountant (s) responsible for their service.
- 4.34 The meetings will focus on assessing major variances within budgets at an early stage – both under and over spending so that timely action can be taken during the year to address either of these situations.
- 4.35 The information generated within these meetings will also be useful to develop budget profiles for use within the implementation of the new Financial Information System.
- 4.36 The Baseline assessment identified the need amongst managers for more advice and support in managing their budgets. This process will be a significant step forward in forging closer links between divisional managers and their accountancy advisors. It will also focus on the responsibility of Divisional Managers to control the budgets for which they are accountable.

- 4.37 The results of this monthly monitoring will then be fed into a monthly finance briefing, which will provide a range of information on all Council finance activities. This will be available to all members and staff and will help to remain up to date with information on the Council's financial position.

Performance Indicators

- 4.38 The review has also looked at identifying performance indicators that may be used to measure the effectiveness of financial management and control at South Derbyshire both over time and with other authorities. These are set out at Annex M.

5. ADDRESSING BEST VALUE PRINCIPLES

- 5.1 This review is the first cross-cutting review undertaken within the Council. This presents certain problems when applying the Best Value process and corporate guidance.
- 5.2 There is a need to consider how the lessons learned from conducting this review will be used to inform the corporate best value guidance before other cross-cutting reviews are undertaken.

Best Value Review Team

- 5.3 The review has been undertaken by a steering group lead by the Council's Chief Finance Officer. It has involved a cross section of members, managers, staff and a union representative as follows:-
- ☐ Councillor John Wilkins – Chair of Policy & Resources
 - ☐ Councillor Barry Whyman – Deputy Leader of the Council
 - ☐ Councillor John Harrison – Conservative Group nominee.
 - ☐ Steve Powell – Building Control Manager
 - ☐ Malcolm Chell – Technical Administration Manager, DSO
 - ☐ Barrie Jones – Unison Representative
 - ☐ Terry Neaves, Chief Finance Officer (Lead Officer)
 - ☐ Andrew Hart – Finance Services Manager
 - ☐ Sally Knight – Policy & Best Value Manager
 - ☐ John Porter – Policy and Best Value Officer
- 5.4 In total some 9 meetings of the group have been held and thanks are due to all those attending for their support and positive contribution to the process.

Best Value Principles

- 5.5 The review has tried to focus the 4 key Best Value Principles
- ☐ **Consult**
 - ☐ **Compare**
 - ☐ **Challenge**
 - ☐ **Compete**
- 5.6 Annex N identifies how the Council has sought to address these key principles within the Best Value Review.
- 5.7 It is also important that this review is seen in the context of the overall Best Value Programme. The programme provides for a major review of Financial Services in year 2. This will pick up further competition issues stemming from this review.

6. SUMMARY & CONCLUSIONS

- 6.1 When undertaking any best value review, it is always easy to concentrate on the negative and forget to look at the many positive aspects of service delivery.
- 6.2 The Baseline Assessment identified a number of areas of good practice within this area. One significant aspect within this is the accuracy of the Council's financial accounts.
- 6.3 The Council Accounts produced following the financial crisis were audited by the District Auditor within the agreed timetable. The District Auditor issued an unqualified opinion on those accounts.
- 6.4 This is to the credit of the Accountancy Manager and her staff who continue to ensure that the Council's accounts present an accurate picture of the Council's financial position.
- 6.5 The review did however highlight the need to involve all staff and members across the Council in finance matters so that their picture of the Council's finances is just as clear as that of the Council's Finance staff.
- 6.6 The Council's Finance Managers do not just include its finance staff but budget holders responsible for managing budgets on a day to day basis.
- 6.7 Best Value focuses on the need for a step change. In the case of this review the step change will be to get member and non-finance managers more involved within the Council's finances. The Council already has experience of what can happen when these links break down.
- 6.8 Chapter 3 focuses on the processes needed to involve and inform members and the public within the budget setting process. The Council's forward planning must not be entirely finance-led. Effective finance plans need to be informed by service plans and vice versa.
- 6.9 For this reason it is essential that the Council introduces a more robust system of Service and Financial Planning to improve the understanding of service pressures and how they impact on Financial Plans.
- 6.10 Chapter 4 focuses on the internal processes and procedures that need to be put in place to give managers the tools they need to manage their budgets effectively.
- 6.11 This task should not be under-estimated. Managers complain about the lack of support they receive in managing their budgets. This reviews sets out in detail how this will be addressed.

- 6.12 At the same time managers will be expected to take far greater responsibility for managing their budgets and the services that they deliver from those budgets. This will require a considerable cultural change as managers can no longer assume that extra spending pressures will be a problem that is resolved centrally rather than through them refocusing and reprioritising their own resources.
- 6.13 The review provides a clear way forward to address these key issues and the step change that is needed to provide even more effective financial management at South Derbyshire.

7. RECOMMENDATIONS

Service & Financial Planning - General

- 7.1 Implement a revised timetable for Service and Financial Planning for setting the 2001/2 budget (paragraph

Service Planning

- 7.2 Produce an outline corporate plan for the Council to guide the service planning process and stimulate the debate on future priorities for the Council.
- 7.3 Require all Divisional Managers to produce Divisional Service Plans following a corporate pro-forma in advance of budget decisions i.e. November 2001-06-25

Financial Planning

- 7.4 Undertake an exercise looking at all Council spending to determine ways of achieving a sustainable council budget i.e. reprioritising and refocusing exercise
- 7.5 Introduce Financial Strategy/Projection report to members in July to begin the budget process early.
- 7.6 Produce timetable for closing accounts within the Statutory Timescale – already produced.
- 7.7 Review and revise guidance for considering revenue and capital bids for approval by Finance and Management in the autumn.
- 7.8 Expand consultation on the Council budget to involve local residents via area meetings across the District.

Finance Training

- 7.9 Arrange member's seminar to inform them on key finance issues and programme this to take place at least annually.
- 7.10 Provide initial finance for non-finance managers' course – completed in March
- 7.11 Provided updated finance for non-finance managers' course to address issues outlined within paragraph 4.8.
- 7.12 Ensure that Finance Training for managers is updated and provided on a regular basis.

Financial Information

- 7.13 Replace the existing Council Financial Information System.

Budget Monitoring

- 7.14 Implement revised budget monitoring information
- 7.15 Commence weekly monitoring meetings involving Divisional Managers from July.

Financial Regulations

- 7.16 Review and update Financial Regulations in the light of the new modernised structure.

7.17 Format of Accounts

Review Statement of Accounts to reflect latest thinking.

Performance Indicators

- 7.18 Introduce Performance Indicators to provide a guide to effectiveness of financial management and control system (Annex N).

8. ACTION PLAN

TASK	OFFICE	DATE
Service & Financial Planning – General Implement revised Timetable for Service and Financial Planning to include the following key actions:- ➤ Timetable – agree Service and Financial Planning Timetable as outlined within Best Value Review	CFO	July 2001
Service Planning ➤ Corporate Plan – produce outline corporate plan to guide service planning process ➤ Divisional Service Plans – produce Divisional Plans based on service plan pro-forma within Best Value review	PBVM Divisional Managers	Sept 2001 Nov 2001
Financial Planning ➤ Budget Strategy/Out-turn report – revising and updating financial forecast/budget strategy ➤ Programme for closure of accounts – prepare detailed programme setting out key tasks/dates for closure of accounts. ➤ Statement of Accounts – prepared and agreed within statutory timescale ➤ Capital & Revenue Bids – Review and Revise guidance for assessing bids ➤ Scrutiny/Area Meetings – take opportunity to use area meetings as a consultation forum for budget setting/scrutiny.	CFO FSM CFO/FSM CFO CFO	July 2001 Mar 2001 Sept 2001 Sept 2001 Jan 2002

TASK	OFFICE	DATE
Provide Finance Training <ul style="list-style-type: none"> ➤ Managers (module 1) – raise managers awareness of Council finances and influences on council resources – Finance for Non-Financial Managers ➤ Managers (module 2) – provide managers with more specific information on finance processes and budget management. ➤ Members (module 1) – deliver member seminar to update them on Council financial position and encourage understanding of current and future financial projections. 	CFO/FSM	April 2001
	CFO/FSM	Sept 2001
	CFO/FSM	Oct 2001
Replacement Financial Information System <ul style="list-style-type: none"> ➤ Commence Discussions with potential partners ➤ Establish Evaluation Team ➤ Define Project ➤ Criteria – define criteria for selecting system/provider ➤ Produce Outline Specification ➤ Seek expressions of interest – from key suppliers ➤ Evaluation proposals – including site visits ➤ Select supplier ➤ Commence implementation ➤ User Training ➤ Live Date 	FSM	June 2001 June 2001 Sept 2001 Dec 2001 Feb 2001 Mar 2002 May 2002 June 2002 June 2002 Dec 2002 Mar 2003
Budget Monitoring <ul style="list-style-type: none"> ➤ Finance Briefing – reinstate monthly finance briefing with improved budget monitoring information. ➤ Monitoring Information – develop improved financial monitoring arrangements by extracting information from current financial information system ➤ Monthly Monitoring Meetings – arrange monthly monitoring meetings with budget holders to monitor financial position across budget heads. 	CFO	Aug 2001
	FSM	June 2001
	FSM	July 2001

TASK	OFFICE	DATE
Financial Regulations ➤ Review existing financial regulations in the light of the new modernised structure	Audit Manager	Oct 2001
Statement of Accounts ➤ Identify good practice for published accounts ➤ Consider emerging Audit Commission guidance ➤ Implement changes	FSM FSM FSM	Dec 2001 Mar 2002 Aug 2002
Performance Indicators ➤ Make arrangements to collect information (Annex N) ➤ Publish performance indicators	FSM FSM	Mar 2002

Key

CFO Chief Finance Officer
PBVM Policy & Best Value Manager
FSM Finance Services Manager

SCHEDULE OF ANNEXES

Annex A	Terms of Reference
Annex B	Baseline Assessment
Annex C	Consultation Feedback
Annex D	Service and Financial Planning – Implementation of District Audit Study at South Derbyshire
Annex E	National Study Recommendations – South Derbyshire’s response
Annex F	Service Planning Template
Annex G	Applying Service and Financial Planning to a Department (Finance & IT)
Annex H	Existing Financial Planning Timetable
Annex I	Proposed Financial Planning Timetable
Annex J	Implementing a replacement Financial Information System
Annex K	Programme for Closing Council Accounts
Annex L	Regular Financial Monitoring
Annex M	Performance Indicators
Annex N	Applying the 4 C’s to the Best Value Review of Financial Management & Control.