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Report to:	<b>CORPORATE SCRUTINY</b>	AGENDA ITEM:	<b>5</b>
Date of Meeting:	<b>16<sup>TH</sup> June 2003</b>	CATEGORY:	
Report from:	<b>CHIEF FINANCE OFFICER</b>	Open	
Members' Contact Point	<b>TERRY NEAVES (Ext 5800)</b>	Doc:	
Subject:	<b>Best Value Review Finance Services</b>	Ref: TN	
Ward(s) Affected	<b>All</b>	Terms of Reference: FM 08	

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**1. Recommendations**

- 1.1 That this scrutiny committee considers the Best Value Review of Finance Services and any comments it wishes to make prior to submission to the next Finance & Management Committee in July.

**2. Purpose of Report**

- 2.1 To seek the views of this committee on the Best Value Review of Finance Services

**3. Detail**

**Best Value**

- 3.1 All Councils have a duty to review all their services over a five year period in accordance with the principles of Best Value.
- 3.2 The Council has drawn up a programme of Best Value Reviews that achieves this purpose.
- 3.3 Over time the Council has developed a framework which helps to set an approach to undertaking these reviews.
- 3.4 Essentially the framework sets out to ensure that there is a rigorous assessment of the service which concludes with a clear improvement plan, setting out how the service can develop over the next 2-3 years.

## **Finance Services Review**

- 3.5 The reviews within this report covers Financial Services which has been split into two parts i.e.

### **Finance Services (Annex A)**

- Accountancy & Exchequer services
- Treasury Management Services
- Internal Audit

### **Revenue Services (Annex B)**

- Council Tax and Business Rates (Revenue) Collection
- Administration of Housing Benefits

- 3.6 Appendix A to this report provides the Executive Summary, which brings together the outcome of these reviews.

## **4. Financial Implications**

- 4.1 None stemming directly from this review, although the recommendations aim to improve further the way finance services support the financial management of the council.

**BEST VALUE REVIEW – FINANCE SERVICES**

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**EXECUTIVE SUMMARY****1. INTRODUCTION**

- 1.1 In 2001, the Council undertook a best value review of financial management & control, which looked at financial and service planning across the council.
- 1.2 This second review, forms part of the 2002/3 programme of best value reviews and focuses on the financial services provided by the council on a day to day basis. Accordingly the review covers:-
- Financial Services including internal audit
  - Revenue Services.
- 1.3 For the purpose of the review it was decided to undertake two separate studies but to draw together any cross-cutting issues within this executive summary.
- 1.4 This is helped by the fact that the reviews have been carried out at the same time.
- 1.5. This summary aims to set out the key messages stemming from the reviews of finance and revenue services set out in Annex A and Annex B.

**2. HOW ARE WE PERFORMING**

- 2.1 The reviews of finance and revenue services commenced with a detailed baseline that set out to establish how well the services were performing currently.
- 2.2 This painted an initial picture of good and improving service delivery across both finance and revenue services.
- Improving (upper quartile) revenue collection rates
  - Top performing benefit processing (well above the upper quartile)
  - Improving closure of accounts well within statutory timescales
  - Good performance in making creditor payments.
- 2.3 Nevertheless the reviews were conscious not to be complacent and looked to challenge the way services were being delivered to make them even better.
- 2.4 A number of key issues were highlighted at this stage.

In terms of **financial services** this indicated:-

- Some areas of poor internal customer satisfaction linked to changing customer needs
- A need to respond to changing government requirements e.g. e-government and the new accounts and audit regulations

## BEST VALUE REVIEW – FINANCE SERVICES

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- Higher than average costs of providing finance services
- A need to adopt a more rigorous approach to the collection of sundry debts.
- A recognition that the overall cost of the service provided was above average compared to neighbouring councils.

In terms of **revenues and benefits** services the review indicated:-

- A lack of customer feedback on the quality of the services provided
- A need to address new government initiatives e.g. verification framework and performance standards
- Opportunities to work more closely with finance services in the collection of debt

### 3. WHAT DO OUR CUSTOMERS THINK ?

- 3.1 Finance & Revenues Services probably have more customers than any other service provided by the Council. For example every household received a council tax bill, while every business is subject to business rates.
- 3.2 A number of focus groups were arranged to seek customer views on the services that we provide. This included:-
- Council Tax-Payers (revenues)
  - External landlords and public bodies (benefits)
  - Internal customers (financial services)
- 3.3 The most difficult group to reach was benefit recipients. This is addressed within the recommendations stemming from the review.
- 3.4 In terms of **finance services**, the feedback was mixed. It is clear that the needs of internal customers are changing and that they are seeking more financial advice to help them manage their budgets effectively. They also want more advice when planning new developments.
- 3.5 In terms of **revenue services**, the feedback was good with the majority of those attending focus groups recognising the quality of the service provided. However we do need to do more to get views from benefit claimants.
- 3.6 Consultation is not just viewed as an exercise to be done for this best value review. Finance Services staff now meet their clients at regular monthly monitoring meetings. The format and content of these meetings will be varied to meet the changing needs of our customers.
- 3.7 As part of the recommendations for revenue services, the Council will look at alternative ways to reach and gain feedback from benefit claimants.

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### **4. COULD ANY-ONE ELSE DO IT BETTER**

- 4.1 These reviews tried to gauge the level of interest amongst external providers to deliver these services.
- 4.2 In the case of financial services, we were guided by a market testing exercise undertaken by a neighbouring authority similar in size to South Derbyshire. This indicated:-
- Little interest within the private sector to bid for finance services due to the relative small size of the contracts involved
  - Some interest for revenue and benefit services, which are viewed as more mechanistic and easier to specify and deliver
  - A willingness to proceed only if the Council has a total commitment to externalise these services as a means of improving quality without necessarily reducing cost.
- 4.3 In terms of revenue services we contacted a number of potential private sector providers to gauge their interest in delivering these services. The key messages:-
- The private sector was interested in partnership where they may provide advisors to work with council staff to improve services.
  - The private sector may be interested in specific aspects of revenue and benefits provision i.e. IT systems.
- 4.4 As well as private sector bodies, the review also set out to assess the potential for partnership working with other neighbouring councils. This included approaches to all Derbyshire Councils as well as neighbouring councils. This identified considerable interest in partnership working as a means of improving further service performance.
- 4.5 On this basis the review concluded that partnership working was the most viable way in which we could work with either private or public bodies to improve the services that we provided. The review recommendations therefore include a range of partnership working proposals with:-
- the private sector and four other councils to deliver a replacement revenues and benefits system
  - Derbyshire Dales District Council to implement a new financial management system
  - Derby City Council to gain access to specialist advice on VAT matters.

### **5. CAN WE DO THINGS DIFFERENTLY**

- 5.1 All finance Services depend heavily on computer systems. The review recognised that our existing systems had served us very well over the last decade.

## **BEST VALUE REVIEW – FINANCE SERVICES**

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- 5.2 They have been both reliable and accurate. This is a tribute to those staff, who have developed and maintained these core systems.
- 5.3 However, the review recognises that the demands on our services are changing:-
- E-government means that we need to make sure that wherever possible we can deal with electronic/internet transactions
  - New legislative changes for benefits also mean that there is an increasing burden to rewrite key council systems to cope with these changes.
- 5.4 The reviews also recognised the potential risk of retaining in-house systems and the level of reliance placed on key members of staff, who may be the only ones to know in detail about these systems. This presents a key risk if those staff were no longer working for the authority.
- 5.5 In this way the review heralds the replacement of these core systems with new package solutions. It also recognises that this brings both a challenge and opportunity to the council.
- 5.6 The new systems will undoubtedly mean that we need to look more closely at the way we work and how we do things. For example:-
- The revenues and benefits system provides the potential to work more closely with other councils to share expertise in certain areas as well as sharing peak and troughs in workload
  - The finance system provides the opportunity to streamline some of our financial procedure and reduce the level of administration involved.
- 5.7 Another area where the review will look to adopt a different approach is by encouraging closer working between revenues and finance services on the collection of debt.

## **6. CONCLUSION**

- 6.1 The recommendations stemming from this review set out in Annex A and Annex B provide a sound basis for developing finance services across the Council.
- 6.2 Over recent years much has been done to develop these services and there is clear evidence of this within this review.
- 6.3 This would not have been achieved without the commitment of the staff working within revenues and finance services. In particular they have been open to trying new ways of working.
- 6.4 Overall the review concludes that there is an important role for the current finance and revenues teams to play in the future of the Council. To do this effectively these teams will need to continue to be open to embrace the changes recommended within this review. This will enable these teams to continue to move forward and maintain their position amongst the top performing providers of finance services.

# SOUTH DERBYSHIRE DISTRICT COUNCIL

## BEST VALUE REVIEW OF FINANCE SERVICES

REPORT & ACTION PLAN (MAY 2003)

# DRAFT

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# **FINANCE SERVICES BEST VALUE REVIEW**

## **INTRODUCTION**

1. In accordance with the Government's requirements for delivering Best Value services in local authorities, South Derbyshire has undertaken to review all of its services over a 5-year period. The main aim of this is to draw up action plans in order to develop services and place the authority overall, in the top 25% of local authority performers.
2. The Council has recognised the importance of Finance Services (FS) in meeting this target, and determined that this should be the subject of a second year review. The review was undertaken between January 2002 and March 2003, amid a significant amount of change within FS. In particular, changes to staff, systems, the physical environment, and on-going developments within the authority and local government in general.
3. This review of FS followed on from the Best Value Review of Financial Management and Control, which was completed in July 2001 as part of the Council's Year 1 work programme. This review was a cross cutting strategic review, which stemmed from what was known as "the financial crisis" at the Council during 1999/2000. It was also in response to new demands and challenges facing the Council, not least from the Government's Modernisation Agenda.
4. The strategic review looked at the processes and procedures that needed to be in place within the Council to deliver sound financial management. The main items that formed the Action Plan from that review were:
  - ✓ aligning financial and service planning,
  - ✓ introducing a medium term financial strategy,
  - ✓ developing consultation and scrutiny arrangements in budget setting,
  - ✓ raising the financial awareness for Members and Officers,
  - ✓ replacing the current financial management (IT) system,
  - ✓ developing budget monitoring,
  - ✓ updating financial regulations,
  - ✓ developing the format of the Council's Statement of Accounts, and
  - ✓ introducing performance indicators to measure the effectiveness of financial management.
5. Many of the items listed above require an on-going commitment of FS. Infact, in many instances, FS has become a major component in helping to implement the Action Plan stemming from the strategic review. This review was designed to follow on as a natural step from the strategic review of the Council's financial management arrangements, to focus on how FS are delivered within the Council.

## **FINANCE SERVICES BEST VALUE REVIEW**

### **SCOPE and OBJECTIVES OF THE REVIEW**

1. This review considered how FS are actually delivered at the Council, by testing them against the broad principles of Best Value. This was not just in the light of the action plan stemming from the strategic review of finance, but also against the background of:
  - the Council's key strategic objectives, as set out in its Corporate Plan, and
  - other drivers of FS, such as the E-Government Agenda, Corporate Governance and the needs of service users.

#### **The Services**

2. The review included the following activities that are designated as FS at the Council, namely:
  - processing of creditor payments,
  - processing and collecting sundry income,
  - payroll,
  - internal audit
  - accountancy services,
  - technical advice,
  - insurance,
  - banking services, and
  - treasury management.
3. In total, these activities cost around £3/4m, which are approximately 8% of the Council's net revenue expenditure.
4. It should also be noted that FS formed part of a wider review of the delivery of Finance at the Council, which also included the Revenues and Benefits function. Some cross cutting issues were identified concerning overall service provision, joint working and debt collection. These issues were jointly considered in this review.

#### **Key Objectives**

"To review the delivery of Finance Services, and specifically to ask"

- **How do they compare with those provided at other Councils (Benchmarking) and the reasons for the differences?**
- **Can other providers deliver these services in a more cost-effective way, or can the Council learn from them ways to develop working practices.**

## **FINANCE SERVICES BEST VALUE REVIEW**

- ❑ **Do any opportunities exist for partnership working or sharing of expertise?**
- ❑ **Can better use be made of new technology to deliver the services?**
- ❑ **How can the needs of service users for financial advice and support be met from within a small team?**
- ❑ **How do the services help to manage and generate additional resources for the Council?**

### **Methodology**

5. The Council's Finance and Management Committee approved these objectives, along with the scope of the review, in January 2002. The review was broadly approached in accordance with corporate methodology used by the Council, as follows:
  - ❑ Define and gain approval for the review's scope and objectives.
  - ❑ Establish the present position (baseline assessment).
  - ❑ Identify and analyse the key issues against the review's objectives.
  - ❑ Draw up a development plan to address the key issues.
  - ❑ Apply the principles of Challenge, Consult, Compare and Compete within the review.
6. The review was lead by the Council's Finance Services Manager. He was greatly assisted by FS staff from various levels and a review team which consisted of the following:
  - Chair of the Council's Finance and Management Committee
  - Chair of the Council's Corporate Scrutiny Committee
  - Leader of the Opposition Group
  - Building Control Manager
  - DSO Administration and Technical Manager
  - Chief Finance Officer from a neighbouring authority
  - Branch Secretary of the Local Union
7. The support of the Council's Corporate Best Value Officers Group was also used. Monitoring of the review was provided via update reports to the above group, and to the Council's Corporate Scrutiny Committee, on a regular basis throughout the review.

## **FINANCE SERVICES BEST VALUE REVIEW**

### **THE BASELINE ASSESSMENT**

1. The object of this part of the review process was to set out a clearer picture of FS to determine the
  - status and operating arrangements of the current service,
  - its strengths and weaknesses, and
  - its opportunities and challenges.
2. This was designed ultimately to identify the key issues to progress in order to meet the key objectives set out in the scope of the review. It was undertaken during the spring of 2002 and provided a "snapshot" regarding the current status of FS.
3. This baseline was achieved by examining the following issues:
  - Profile of the Council in relation to FS
  - The legal framework that the FS operates within
  - The organisational and management structure
  - Current resources employed
  - Service costs
  - Service standards
  - Corporate policies and procedures
  - The relationship to other Council Services
  - Relationship to wider issues
  - Best Value Performance Indicators
  - Comparisons to other authorities via benchmarking data
  - Identifying alternative service providers
  - Staff consultation (via a focus group)
  - Identifying and consulting stakeholders (via a focus group)
- 4. Profile of South Derbyshire (in relation to FS)**
  - a) The Council's annual turnover is in the region of £30m, for which FS across the board, have a central and supporting role in managing and controlling. In addition, the Council employs approximately 300 people, which necessitates a payroll function for the Authority.
  - b) The modernised democratic process implemented during 2001, changed the responsibilities for, and reporting of, financial and management information. Although financial responsibility is generally delegated, and powers invested in the Chief Finance Officer under Section 151, the Council still has relatively strong control of financial issues through its Finance and Management Committee.
  - c) FS contribute to several of the Council's critical success factors as set out in its Corporate Plan. These surround issues such as:

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- Financial planning and strategy,
  - Developing sound financial management and procedures,
  - Developing financial reporting,
  - Corporate Governance,
  - Procurement
  - Risk Management,
  - E-Government, and
  - Staff communication, training and development.
- d) In addition, FS are also responsible for securing improvements in the payment of invoices, an area where the Government has set national targets (BVPI 8).
- e) Although 2 years ago, the Council had gone through what was termed a "financial crisis" it has continued to receive an unqualified opinion on its Accounts. In addition, the current financial position is fairly healthy and has stabilised over the medium (3-year projection) term. This was recognised by the District Auditor in their annual management letter and by a reduction in their core audit fee for 2002/2003.

### **5. The Legal Framework**

- a) To a certain extent, FS provide a management support function to all Council activities. However, they are largely undertaken within the remit of the Chief Finance Officer's Statutory Section 151 responsibilities – "making arrangements for the proper administration of financial affairs."
- b) Therefore FS also provide a fundamental stewardship function to ensure that the Council complies with
- Local Government Finance Acts
  - Other Financial Regulations
  - The Account and Audit Regulations
  - Codes of Best Practice
- c) Although FS do have a statutory base, and therefore, a general requirement exists for the functions, this does not determine how they are delivered and resourced at the Council.

### **6. Organisational Structure and Resources**

- a) FS is part of the Finance and IT Department (headed by the Council's Chief Finance Officer) and the staffing structure is set out in **Appendix 1**.
- b) The Council's Finance Services Manager heads most of FS, although internal audit operates as a separate unit reporting directly to the Chief

## **FINANCE SERVICES BEST VALUE REVIEW**

Finance Officer. Much of the work undertaken within FS relies on specialist staff. In view of the small size of individual teams, it is usually only 1 person who has the detailed and specialist knowledge available.

- c) This can create problems when that expertise is lost permanently through staff turnover or indeed temporarily due to absence or sickness. However, this is overcome to some extent by rotating duties and by providing internal "teach ins" to provide cover support. The Service, as a support function, is also reliant on being able to work with staff across all Council Departments.
- d) At this point in time, vacancies were minimal (1 out of 16) and staff turnover was very low with most staff having had substantial local government experience, having served at the Authority for a number of years. Generally, staff are well educated and trained to meet the needs of their current posts and all have a Personal Development Record (PDR) in place.
- e) Besides the usual technical training issues required for staff to keep up to date, management development training was seen as the main issue here. However, this was starting to be addressed through the PDR process for 2002/2003.
- f) Sickness absence was at this point, above average for the Authority, although 2 employees on long-term sickness absence had compounded this over the previous 12 months. To help combat this, FS adopted the Council's absence monitoring arrangements.
- g) Equipment used by FS is predominantly I.T. related and the service is heavily reliant upon working with the main corporate accounting and financial systems. These systems are currently in-house, but are being replaced by a new "off the shelf" integrated Finance Management System.

### **7. Service Costs**

- a) The cost of resourcing FS is approximately £3/4m, including all overheads and central management costs. This expenditure is all recharged to internal service users and central cost centres based on a Service Level Recharge.

### **8. Service Standards**

- a) These are documented in the Departmental Service Plan. Effectively, this is the Business Plan for FS and is reviewed every 6 months. It sets out the following:

## **FINANCE SERVICES BEST VALUE REVIEW**

- a description of the services provided,
  - it's purpose,
  - a work plan,
  - key targets, and
  - future challenges
- b) FS are largely responsible for recommending and monitoring the financial rules and regulations that effectively govern the Council. These are mainly contained within the Council's financial regulations and procedural rules.
- c) Planning and proper procedures are seen as key attributes in delivering FS. This is due to having to work within strict and regular deadlines throughout the year. Almost without exception, the major targets for payroll and payment runs, closing accounts and annual budget production, etc. are met.
- d) Many of these deadlines are imposed externally; e.g. the production of the annual statement of accounts, annual Budget and Government returns. Others are required internally to meet best practice and local conditions, e.g. annual audit programme and payroll production.
- e) As regards the annual statement of accounts, the Government is proposing to bring forward the deadline from 30<sup>th</sup> September each year, to 30<sup>th</sup> June on a phased basis. Over the last 2 years, FS have recognised the importance of earlier closedowns and have been improving performance in this area.
- f) For 2000/01, the accounts/statement were approved on 31<sup>st</sup> August 2001 and for 2001/02 on 15<sup>th</sup> August 2002. This is ahead of the Government target. The target for FS for 2002/03 is 31<sup>st</sup> July 2003.

### **9. Corporate Policies and Procedures**

- a) FS are also responsible for co-ordination/producing the Council's
- Financial Strategy,
  - Capital Strategy,
  - Treasury Management Policy Statement and Strategy,
  - Risk Management Policy Statement,
  - Anti-fraud and Corruption Strategy, and
  - Financial Regulations.
- b) Furthermore, FS are responsible for ensuring that the Authority complies with rules and regulations regarding
- VAT and other taxation issues,
  - Insurance,

## FINANCE SERVICES BEST VALUE REVIEW

- Banking and Treasury Management, and
- Authorisation and other financial limits.

### 10. Relationship to other Council Services

- a) The work of FS impinges upon almost every service area in the Council. At present, finance related work within the Council is very much centralised within FS.
- b) This includes for example, the day to day processing of creditor and debtor invoices. The main exception is budget monitoring, although this is driven and undertaken very much by centralised accountancy staff.

### 11. Relationship to Wider Issues

- a) The main national issues relevant to FS surround E-Government and Corporate Governance. In particular, the implementation of a new Financial Management System is one of the cornerstones contained in the Council's IEG Statement.

### 12. Best Value Performance Indicators

- a) As highlighted in Section 4(d) above, FS are responsible for securing improvements in the payment of invoices, an area where the Government has set national targets. This relates to BVPI 8, i.e. the proportion of undisputed invoices paid within 30 days.
- b) The Government has set a target for all authorities of 100% by 31<sup>st</sup> March 2003. Although FS are responsible for improving performance in this area, it is reliant upon the co-operation of all other Departments to process invoices to the payment stage, as quickly as possible.
- c) The performance for South Derbyshire is shown below:

	1999/00	2000/01	2001/02	2002/03 (Target)
	%	%	%	%
Government Target	95.00	95.00	97.50	100.00
<b>South Derbys.</b>	<b>79.00</b>	<b>84.00</b>	<b>94.00</b>	<b>97.50</b>
Top 25% of English Districts	91.50	94.00	95.00	N/A
Average of other Derbys Councils	N/A	84.00	88.50	N/A

- d) The steady improvement in performance is due to FS, in conjunction with other Departments, highlighting problem areas and taking action



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to ensure invoices are processed more quickly. This is achieved through quarterly reports produced by FS analysing the payment date of invoices for each Department.

- e) By 2001/2002, the authority's overall performance was very much comparable with the top 25% of English authorities. However, it is likely that actual performance in 2002/03 will fall short of the target of 97.5%.
- f) Further action will be required to ensure that as far as possible, the Authority can achieve the 100% target for future years. It is hoped that developments arising out of the new financial systems will help in this direction, for example, greater electronic processing.

### **13. Comparison to other Local Authorities**

- a) Nationally, there are no other specific targets for FS. However, over the last 2 years, work has been undertaken with other Derbyshire authorities (through the Financial Officers Association) to develop performance indicators as an aid to benchmarking FS. The Authority's performance compared to other authorities for 2000/2001 is summarised in **Appendix 2**.
- b) On paper, the areas of creditor payments, collection of sundry income and payroll processing in particular, give cause for concern. These areas compare poorly for cost and processing transactions per employee. In addition, the cost of internal audit is £210 per day compared to an average of £190, and the percentage of the annual audit plan completed in the year is 68% compared to an average in Derbyshire of 82%.
- c) Furthermore, the average rate of interest on all external borrowings is above average. As regards insurance, although the total cost is very good, the average cost of claims handling, on paper, is the highest of all other authorities.
- d) Initial enquiries suggested that some of the gap between South Derbyshire and other authorities may be due to some costs charged to these services at South Derbyshire, e.g. backfunded pension costs and departmental staff time, not being charged at other authorities. This could be distorting a meaningful comparison.
- e) However, it was clear that this might not account for all of the differences. Therefore, besides analysing costs in more detail compared to other authorities, a possible review of working practices would be required to help analyse the differences in processing transactions in particular.

### **14. Alternative Service Providers**

- a) Initial contact was made with neighbouring authorities to determine if there was scope, in principle, of pursuing joint working arrangements. In principle, it was felt beneficial to pursue this for certain services. In particular, the scope for more joint working and the sharing of expertise and knowledge for payroll, contract and computer audit, VAT and technical accounting matters was considered to be a way forward. In addition, it was felt beneficial for the staff of each authority to meet and discuss current structures and working methods to aid the learning and development process.
- b) Furthermore, discussions with neighbouring authorities (based on research they had undertaken) established that external providers could be interested in providing financial services at smaller authorities such as South Derbyshire. Initial indications were that Revenues and Benefits are predominantly the favoured services, but other financial management services could lend themselves to external provision.

### **15. Staff & Service User Consultation**

- a) These were undertaken via 2 focus groups that were independently facilitated. Discussion and debate centred on the strengths/weakness, opportunities/challenges and potential improvements for FS. There were several common themes that arose out of the 2 groups, and these are summarised below:
  - ✓ Services provided are robust and traditional and provide the stewardship functions very well.
  - ✓ A desire and need for FS to be more proactive and flexible, and contribute more to "running the business."
  - ✓ A greater understanding and awareness required concerning the role of FS throughout the organisation.
  - ✓ Reviewing/updating working practices and processes, especially in the light of a new financial management system.
  - ✓ Clearer and more flexible financial rules and regulations with appropriate training for service users.
  - ✓ Developing multi-skilling in FS.
  - ✓ The limitations imposed with current I.T was seen as a major obstacle in delivering better services.

## **FINANCE SERVICES BEST VALUE REVIEW**

### **SUMMARY OF KEY ISSUES IDENTIFIED**

1. Upon considering the baseline assessment and set against the review's scope and objectives, the Review Team highlighted several key issues which were subsequently categorised, as follows:

<b>Key Issue</b>	<b>Comments</b>
Developing IT to deliver FS	<ul style="list-style-type: none"><li>▪ Current systems considered a weakness</li><li>▪ Issues around real time integration, flexibility and user friendliness</li></ul>
Reviewing performance & comparative analysis	<ul style="list-style-type: none"><li>▪ Improving BVPI 8 performance</li><li>▪ Review costs of services</li><li>▪ Setting and monitoring performance criteria</li><li>▪ Liaise with other Councils re: business processing</li></ul>
Debt Collection	<ul style="list-style-type: none"><li>▪ Cross cutting issue</li><li>▪ Need to analyse current model</li><li>▪ Improving collection rate</li></ul>
Reducing Council's Interest Rate on External Debt	<ul style="list-style-type: none"><li>▪ Opportunities for debt rescheduling?</li><li>▪ What should medium term strategy be for borrowing?</li></ul>
Meeting User Requirements	<ul style="list-style-type: none"><li>▪ Use of multi-skilling</li><li>▪ One stop approach</li><li>▪ Consistency required</li><li>▪ Further consultation needed</li><li>▪ Raising awareness</li></ul>
Developing Financial Procedures and Documentation	<ul style="list-style-type: none"><li>▪ Look at business re-engineering</li><li>▪ Possibility of corporate group in co-ordinating role</li></ul>
Joint Working & Externalisation	<ul style="list-style-type: none"><li>▪ Build on links with neighbouring authorities</li><li>▪ Gauging interest of private sector</li><li>▪ Examine non-core functions</li></ul>

2. Subsequently, further work was undertaken to start addressing these key issues, and detail is provided in the following sections.

## **FINANCE SERVICES BEST VALUE REVIEW**

### **ESTABLISHING THE NEED FOR FINANCE SERVICES**

#### **Legal Framework and Statutory Base**

1. The baseline assessment confirms that a need exists for a FS function at the Authority (as exists in local authorities generally). There is a statutory base for the services under "Section 151" and to undertake a stewardship role to ensure that the Council complies with local government financial legislation, account/audit regulations and codes of practice, etc. They also have a major role in co-ordinating and producing the Council's key financial policy statements and strategies, which are in the main, statutory.

#### **Contribution to the Council's Critical Success Factors**

2. In addition, the Baseline also highlighted that FS contribute to several of the Council's critical success factors. Specifically, these are as follows:
  - Arrangements for good Corporate Governance (A1)
  - Develop arrangements for sound Financial Management (D3)
  - Develop a strategic approach to Procurement (D4)
  - Implement the programme of Best Value Reviews (E1)
  - Develop a strategy for identifying & managing business risks (E2)
  - Establish trading accounts where appropriate (E5)
  - Revise Financial Regulations & Standing Orders (E6)
  - Develop and implement codes of conduct for Members & Employees (H2)
  - Close Accounts within statutory deadline & secure unqualified opinion (I3)
  - Maintain a sustainable financial strategy (I6)
3. Amongst other things, the contribution of FS towards these critical success factors is demonstrated below.
  - Production of fraud and corruption report
  - Training provided on financial regulations
  - Monthly financial monitoring meetings implemented
  - Procurement and implementation of new IT financial systems
  - Supporting role in developing the Council's procurement strategy
  - Co-ordination of a new corporate risk management group
  - Development of a business risk policy statement and strategy
  - Revision of principles in accounting for central support costs
  - Earlier closedown of the Council's accounts
  - Management of and guidance on the Council's 3-year financial strategy
4. In addition, one of the top 4 priorities for the Council that has been identified via consultation with the public is "managing the business." Most of the critical success factors above can be associated with this. For example, ensuring that the Council conducts its business within the statutory financial framework, that it has a medium term financial

## **FINANCE SERVICES BEST VALUE REVIEW**

plan and monitors its finances on a regular basis. In the main, specialist (financial) skills are required to enable this.

5. This all establishes the need for an FS function to be delivered at the Council. However, this is only the start; how those services are delivered, the quality and at what level needed to be reviewed.
6. The key issues helped to determine this by drawing out the need to look at current operations, to compare them more closely with other authorities, look at alternative service providers and consult further with internal users.

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### **DEVELOPING I.T. to DELIVER FINANCE SERVICES**

1. One of the major weaknesses and barriers to improvement in delivering services identified by both staff and services users (from the Baseline), is the current financial systems. These currently consist of separate in-house general ledger, creditor payment and debtor systems. In addition, the Council also operates budget and time recording systems. The systems have existed for over 10 years and have been developed piece-meal over this period.
2. These systems are considered robust and provide the basic traditional accountancy and payment functions, etc. However, given recent advances in IT, doubts exist whether the current systems are the most effective tool in the delivery of FS.
3. This was evident when demonstrations were arranged with suppliers to provide an understanding of what the external market could offer. From these demonstrations and subsequent discussions with other local authorities, it was evident that the existing systems are not up to date in terms of current techniques available. In comparison, the in-house systems overall, seem to have the following weaknesses:
  - they do not embrace Windows or Web technology
  - there is no real time integration (each module stands alone)
  - the facility to pay by direct debit does not exist
  - BACS payments to Council suppliers cannot be made
  - order processing and commitment accounting do not exist
  - data modelling and reporting is limited
  - the format and range of management information is limited
4. The Council also considers that it is severely constrained in what it can achieve in-house due to limited resources. In addition, due to the size of the Authority, it is unlikely that resources and expertise can be realistically developed internally for the future.
5. Therefore, the Council made a decision to buy in a supported "off the shelf" package and to work in partnership with an external supplier to develop financial systems at the Authority. During 2002, a project scope was approved, with the aim of purchasing a system that overcame the above weaknesses.
6. A system and supplier (partner) were procured in accordance with European purchasing regulations. Resources of £200,000 were set-aside to deliver this. Working in conjunction with the Partner, FS commenced implementation of a fully integrated Financial

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Management System (FMS) in February 2003, with a planned "live" date of April 2004.

- 7. The introduction of a new FMS is a major challenge for FS. It is considered to be a cornerstone in developing the delivery of FS at the Council. In addition, other knock-on benefits are anticipated, especially around business processing and improving information to meet user requirements. These are highlighted in later sections.**
8. Therefore, at this point, to meet the weaknesses identified with current systems, the main actions and targets stemming from the new FMS are recommended as follows.

### **New FMS – Main Aspirations**

<b>Action</b>	<b>Target Date</b>
50% of payments to suppliers electronically	30 <sup>th</sup> June 2004
75% of payments to suppliers electronically	31 <sup>st</sup> Dec 2004
95% of payments to suppliers electronically	1 <sup>st</sup> April 2005
Budgets profiled to meet service needs	1 <sup>st</sup> April 2004
Automatic costing of CEC and other overhead costs	1 <sup>st</sup> April 2004
Implementation of electronic ordering & commitment accounting	1 <sup>st</sup> April 2004
All major systems electronically linked to FMS	1 <sup>st</sup> April 2004
Direct Debit facility for collecting sundry income	1 <sup>st</sup> April 2004
Implementation of DIP for creditor/debtor invoices	1 <sup>st</sup> April 2004
Full E-procurement and Web access	1 <sup>st</sup> April 2005

### **NOTE**

Suppliers are those where invoices/statements are received for procuring goods and services. It does not include payments to individuals for refunds, housing benefits, etc.

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### **REVIEWING PERFORMANCE & COMPARATIVE ANALYSIS**

#### **BVPI 8 – Payment of Undisputed Invoices within 30 days**

1. As indicated in the Baseline, FS are responsible for securing improvements in the payment of invoices. Although FS are responsible for improving performance in this area, it is reliant upon the co-operation of all other Divisions to process invoices to the payment stage, as quickly as possible.
2. The Baseline highlighted that performance has been improving quite considerably over the last 3 financial years and is generally better than neighbouring authorities. However, it is still just outside the top 25% of English authorities and below the Government target.
3. FS have for the last 2 to 3 financial years, been providing quarterly performance/monitoring reports at a divisional level. However, the Review Group were concerned that these reports were circulated at senior manager level only, and staff responsible for dealing with invoices, were not receiving this information.
4. This has been rectified during the review, in that reports are now posted on the local Intranet, and all staff are informed of their availability. In addition, FS have developed the reports in that an analysis is provided of why invoices need to be returned to divisions (e.g. no authorisation, incorrect amounts, etc) which could effectively be delaying payments.
5. However, it is still considered that this BVPI needs to be given a higher profile in the Council on a more regular basis. It is anticipated that the new FMS will bring benefits to the process through more electronic payments, better monitoring of invoices, etc. In addition, the FMS should provide a better indication of performance, as the current indicator is only based on an agreed sample of invoices.
6. Furthermore, it is considered that based on experience learnt from another local authority, a cross-divisional focus group is convened. This should look to highlight problems, share experiences, etc. with a view to getting better co-ordination, and ultimately improve performance.
7. Putting all of these considerations together, the recommended actions and targets associated with BVPI 8 are as follows.



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### **Improving Performance of BVPI 8 – Main Aspirations**

<b>Action</b>	<b>Target Date</b>
Convene focus group	August 2003
Quarterly reports submitted to Chief Officers Team on divisional performance	Sept 2003
At least 97.5% of invoices paid within 30 days	April 2004
And Within top 25% of English authorities by	April 2005

### **Production of Annual Statement of Accounts**

8. The Baseline highlighted that the Government was intending to bring forward on a phased basis, the deadline for producing the annual statement of accounts. The proposals have recently been published as part of the updated Accounts and Audit Regulations (2003) and the deadlines are set out below.

- 2002/03 by 30/9/03
- 2003/04 by 31/8/04
- 2004/05 by 31/7/05
- 2005/06 by 30/6/06

9. The FS target already set out for 2002/03 is 31<sup>st</sup> July 2003. This is 2 years ahead of the Government's target. The intention is to continue to steadily bring this deadline forward ahead of the Government's target. Therefore, the recommended actions and targets associated with this area are as follows.

### **Production of the Statement of Accounts – Main Aspirations**

<b>Action</b>	<b>Target Date</b>
2002/03 accounts and statement produced by	31 <sup>st</sup> July 2003
2003/04 accounts and statement produced by	15 <sup>th</sup> July 2004
2004/05 accounts and statement produced by	30 <sup>th</sup> June 2005

### **Cost of Services**

10. It was clear from the Baseline that the unit costs of several components of FS compared poorly with other (Derbyshire) authorities, based on actual expenditure for 2000/2001. Initial discussions with other authorities failed to determine more clearly the reasons for this,

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except that at the time, this Council may have been carrying some additional corporate management costs not included in the figures of other authorities.

11. The Review Group were concerned whether comparisons were being made on a "like for like" basis, and suggested that further work was undertaken to get behind the figures. Therefore, the Council's Finance Services Manager, on behalf of the Derbyshire Finance Benchmarking Group, developed a template that attempted to break down unit costs and provide more up-to-date information.
12. This template was also circulated to other neighbouring district authorities in other Counties. Unfortunately, only 2 authorities out of 9 responded and completed the template. The detailed costs are analysed in **Appendix 3**, with unit costs summarised in **Appendix 4**. The main points that come out of the comparisons are as follows.
  - ❑ Overall, the cost of FS at the Council (SDDC) is over 15% higher than the next authority, with more staff, even though SDDC has the least gross expenditure, and the least number of employees of the 3 authorities.
  - ❑ However, this seems to be exacerbated by the relatively large proportion of overhead costs charged to FS at SDDC (i.e. central and departmental recharges) compared to the other 2 authorities.
  - ❑ This point is particularly the case for Accountancy, although direct costs (mainly the cost of employees) at SDDC is still the highest. In particular, the overall pay bill compared to Authority 1 is 15% higher for a very similar level of staffing.
  - ❑ The resource (FTE's) and costs associated with Sundry Debtors is way above the other 2 authorities, although fewer invoices are processed. However, the cost of the other two appears very low, compared to the original comparisons carried out in Derbyshire (average unit cost was £5.76 per invoice).
  - ❑ The processing of Creditor Payments is very much more comparable, and is at least not the worst, even at a direct cost level.
  - ❑ The resource and costs for Payroll are poor in comparison, but not as bad as Sundry Debtors are. Again, there are fewer transactions at SDDC.
  - ❑ Although the cost of Insurance Administration is the highest at SDDC, this is only a small activity and at all 3 authorities, is part of

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someone's overall duties. Therefore, this should not give too much cause for concern.

- The resource and costs of Internal Audit compare favourably, and are fairly consistent across all 3 authorities.

### **Overall Comments**

13. The initial comparisons undertaken for the Baseline obviously gave cause for concern. This latest exercise has perhaps confirmed that although FS at SDDC do appear to carry a level of overheads greater than the other authorities, overall staffing levels also appear to be higher. It may be fair to say that with any comparison, "a like for like basis" may be difficult due to local structures and the allocation of costs, etc. This also makes it more difficult to benchmark and set future targets.
14. Internal Audit and to some extent Creditor Payments appear to compare favourably. Sundry Debtors and Payroll in particular compare fairly poorly. However, there may be reasons for this. For example, it has not yet been ascertained whether any of the sundry debtor function is undertaken and costed within Revenue Services at other authorities.
15. In addition, the Payroll function at SDDC cannot easily benefit from economies of scale compared to other authorities. Other authority's in this and the Baseline comparison have more employees and thus process more payslips. Therefore, costs can be apportioned over a larger base compared to a smaller authority such as SDDC, who still need to employ sufficient resources to ensure cover and a separation of duties in this area.

### **Recent Developments**

16. However, during this review, opportunities have arisen via vacancies to alter and enhance some duties of individual staff on a trial basis. In particular, resources have been shifted away from Payroll and Sundry Debtor functions to cover shortfalls in Accountancy. It is hoped that this will also provide developmental opportunities for the staff involved, and lead to more "multi-skilling."
17. At present, the overall FS establishment is operating with 3 unfilled posts overall. This has reduced the number of FTE's on Payroll, Sundry Debtors and Accountancy to a position more in line with that of other authorities. The intention is to keep this under review, especially in light of the implementation of the new FMS, although this does create uncertainty for some staff involved.

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18. In bringing this together, the actions and targets associated with comparative analysis are shown below.

### **Performance & Comparative Analysis – Main Aspirations**

<b>Action</b>	<b>Target</b>
Analyse and determine differences in proportion of overhead costs compared to other authorities (prior to circulation of SLA)	Oct. 2003
Analyse and determine role and cost allocation of Sundry Debtors at other authorities (prior to circulation of SLA)	Oct. 2003
Initial review of overall workload and temporary arrangements currently in place	Aug. 2003

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### **DEBT COLLECTION**

1. As a cross cutting issue identified in the Review's scope, debt collection is considered to be a key element in the delivery of FS. At present, the responsibility for debt collection within the Council is split as follows:
  - Council Tax and Business Rates – Revenue Services Division
  - Housing Rents – Housing Services Division
  - Sundry Income – FS Division
  - Benefit Overpayments – FS Division
2. The main issue that arose out of the Baseline surrounded the feeling that the current set-up does not maximise expertise and resources over the Divisions. From a technical viewpoint and in line with current service structures, the split responsibility for debt collection is probably aligned correctly. However, further analysis highlighted concerns around better co-ordination and more joint working across the Divisions. For example,
  - ❑ better use of the recovery function in Revenues,
  - ❑ data protection issues mean that information on debtors and bankruptcies is not always shared,
  - ❑ dealing with housing benefit overpayments is split,
  - ❑ different tracing agencies are sometimes used, and
  - ❑ various amounts of administration work leading to legal proceedings are undertaken across the Divisions.

#### **Recent Developments**

3. Reducing the overall level of sundry debt outstanding for the Council is a key aim contained in the Service Plan of FS. A good deal of proactive work has been taking place throughout this review to meet this key aim. For example, some preparatory legal work has been taken on within FS to help speed up the process. In addition, the period between reminder notices has been reduced to twice monthly (from one per month).
4. This has helped to reduce overall debt outstanding from around £1,014,000 as at March 2002, to around £683,00 as at March 2003. In addition, the overall recovery rate on new debt has risen from 84% in 2001/02, to 88% in 2002/03.
5. Furthermore, a review of older debt has also been undertaken and write-offs increased where appropriate, for example, on debt subject to bankruptcy proceedings. This has generated income to the Council through bad debt relief much quicker than previously.

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6. It is considered that along with the introduction of a direct debit facility, addressing the points highlighted in paragraph 2 above, would help to achieve a continuing reduction in sundry debt outstanding and improve the overall collection rate.
7. In addition, an invitation has been received to investigate the possibility of using a private sector service to undertake a combined tracing/recovery service, and to collect multiple debts. This latter point has been a problem area for the Council.
8. Therefore, the main actions and targets are recommended as follows.

### **Debt Collection – Aspirations**

<b>Action</b>	<b>Target Date</b>
View services of Private Sector re: tracing/recovery activities	June 2003
Establish a cross Divisional forum	July 2003
Develop a policy for more joint working/use of private sector	Sept 2003
90% of new debt raised in year collected	April 2004
95% of new debt raised in year collected	April 2005

## **FINANCE SERVICES BEST VALUE REVIEW**

### **REDUCING THE COUNCIL'S INTEREST RATE ON EXTERNAL DEBT**

1. One of the key services delivered by FS is the treasury management function including day-to-day management of the Council's debt portfolio. The Council's debt is predominantly fixed, and mainly outstanding with the Public Works Loan Board (PWLB). There are around 20 loans outstanding, with maturity dates ranging over the next 30 years.
2. Comparative analysis used in the Baseline shows that the Council's rate is fairly average (7.2%). However, several loans taken out in the early 1980's when interest rates were relatively high (typically 11% to 14%) are distorting this figure. Furthermore, total interest payable on this debt is approximately £550,000 per year.
3. Therefore, the Review Group highlighted this as a key issue due to current economic conditions, i.e. a period of low interest rates, and should not the Council attempt to benefit from this? Initial discussions with Brokers and Treasury Management specialists indicated that debt rescheduling/restructuring is certainly a possibility.
4. Indicative information from the PWLB around premiums for early redemption of debt appeared to make any restructuring exercise unattractive. However, over the past 6 to 8 months the Council has benefited from substantial land sales which has generated capital receipts, a large proportion "set-aside" in accordance with Government regulations.
5. Therefore, at present, the Council does not have any temporary debt and has fairly significant sums invested on a temporary basis, although the interest currently being earned is relatively low. In addition, rates for borrowing have continued to fall.
6. Therefore, debt rescheduling is certainly now worth pursuing. As this report was being finalised, a full analysis of the Council's debt portfolio with estimated premiums for early redemption was provided by the PWLB.
7. However, there are wider issues. Firstly, the Council has not directly taken up its borrowing quota for 2002/03 due to capital receipts in hand – should it not do this? Secondly, the uncertainty around the future situation of the Council's housing stock (will it be sold?) makes any borrowing strategy more difficult. A decision is expected later in the year.

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8. Putting all of this together, it is difficult to set any solid actions or targets associated with this key issue, except to undertake a formal debt rescheduling exercise with a view to determining if there is a cost effective means of reducing the average interest rate.

### **Reducing the Interest Rate on Debt – Main Aspiration**

<b>Action</b>	<b>Target Date</b>
Undertake an initial rescheduling analysis and options appraisal	30 <sup>th</sup> Sept 2003



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### MEETING USER REQUIREMENTS

1. It was clear from the focus group conducted as part of the Baseline, that there was a desire for greater interaction between FS and internal users. Some general points arose out of the focus group concerning more consultation, consistency of advice, meeting needs and approachability.
2. Therefore, the Review Group conducted a further consultation exercise amongst service users. This was to obtain a greater understanding of what users need in terms of the nature and type of FS required to deliver their services effectively and efficiently, and to match these with what it is possible to provide.
3. The results of the consultation (via a survey) really backed up what had come out of the Baseline. The key points with relevant comments are summarised below.

User Needs	Comments & Proposals
1. Quicker updates on spending including commitments	<ul style="list-style-type: none"><li>• New FMS should help meet these needs as it will offer real time integration and commitment accounting via the Ordering module; CEC and other overhead costs to be costed on a more regular basis (<b>see FMS aspirations</b>) In addition, all staff will have access over the local Intranet.</li><li>• Training built into FMS project plan and will be ongoing. Will need to review and test satisfaction post implementation.</li></ul>
2. Simplified/more flexible procedures balanced against probity	<ul style="list-style-type: none"><li>▪ This is dealt with later in the Report under the heading “<b>Developing Procedures &amp; Documentation.</b>”</li></ul>
3. Training & awareness of Finance	<ul style="list-style-type: none"><li>• This is and has been available for sometime via the Corporate training programme “<b>finance for non-financial managers</b>” which is publicised. Very little take up over the last 2 years.</li><li>• Financial training is now also available at staff induction, and new employees can choose from a menu to suit their requirements.</li><li>• On a wider aspect, consultation on the Council's budget is now undertaken twice yearly at Area Meetings to raise awareness amongst Members and the local communities.</li><li>• Issue raised by the Council's Scrutiny Committee for better &amp; easier to understand information in annual budget reports and documents to be pursued.</li></ul>

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	<ul style="list-style-type: none"> <li>• New requirement to post financial information on the Web site</li> </ul>
4. More user friendly reports	<ul style="list-style-type: none"> <li>▪ Aspiration from new FMS that should provide greater flexibility to retrieve &amp; format reports – comments as in 1 and 3 above.</li> </ul>
5. Clear framework of service standards and what is received for the cost recharged (service level agreement?)	<ul style="list-style-type: none"> <li>▪ A service level "recharge" was compiled and circulated for the main components of FS for the 2003/04 budget round. This analysed costs and outlined services provided not previously reported. However, needs to be developed more into a SLA and provide for wider consultation.</li> </ul>
6. Review of documentation and how it is processed	<ul style="list-style-type: none"> <li>▪ This is dealt with later in the Report under the heading "Developing Procedures &amp; Documentation."</li> </ul>
7. Review of the current methodology for monthly monitoring of budgets	<ul style="list-style-type: none"> <li>• An issue for other Divisional Managers is that they need to speak to different accountants about different objective &amp; subjective budget heads. This is exacerbated in monthly monitoring as several meetings can take place in one monitoring round with different accountants. Review Group suggested aligning 1 Accountant to 1 Divisional Manager. This is difficult given the small accountancy team available. However, staff resources are currently being refocused and the "multi-skilling" that this is bringing, may now make this a possibility.</li> <li>• Also, accountancy debriefing sessions to share information and to see the overall picture, to be pursued.</li> </ul>

4. The main actions and targets recommended from the above, are set out below.

### Meeting User Requirements – Main Aspirations

Action	Target Date
Financial/Management reports & information from new FMS meet <ul style="list-style-type: none"> <li>▪ 75% of users needs</li> <li>▪ 95% of users needs</li> </ul>	Sept. 2004 April 2005
Members/Scrutiny Committee satisfied with format of budget information	January 2004
Financial information developed for Council's Web site	Sept 2003
Develop SLA and get agreement of <ul style="list-style-type: none"> <li>▪ 75% of users</li> <li>▪ 95% of users</li> </ul>	Dec. 2003 Dec. 2004
Align 1 Accountant to 1 Divisional Manager with regular debriefing sessions	July 2003

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### **DEVELOPING FINANCIAL PROCEDURES & DOCUMENTATION**

1. The areas for improvement highlighted in the Baseline centred around
  - flexibility,
  - less paper,
  - greater electronic use, and
  - less loops to go through.
2. The Review group suggested that in light of the FMS, FS should take the opportunity to look at processes and procedures, especially as the new FMS could require different ways of working compared to that used with current systems. This was encapsulated in the term "business re-engineering."
3. The Review Group also suggested that a corporate working group is used to review current processing and to help develop future processes to meet service needs. However, this would need to be balanced against overall probity and sound financial management.

#### **Recent/Developments in the Pipeline**

4. As part of the implementation plan for the new FMS, FS have started to work with the Partner in reviewing processes. This is likely to gather pace over the coming months, and the main tools included in the FMS are as follows:
  - ✓ Electronic ordering
  - ✓ Electronic authorisation of orders and invoices
  - ✓ On-line journaling
  - ✓ Prime documents kept and used electronically
  - ✓ Use of standard electronic templates for input
  - ✓ Use of Workflow/E-mail for documents and requests for input
5. In addition, as part of the implementation plan, dates will be set aside in the form of workshops to enable service users to contribute to any change in processing. This could be used initially as the corporate group suggested by this Review Team. They will also be involved in "end-user testing" before the system goes live.

#### **Financial Regulations and Procedural Rules**

6. Shortly after the Baseline was completed, these were developed and updated in accordance with the Council's new modernised democratic structure. Based on best practice issued by the Chartered Institute of Finance and Accountancy, they attempt to set out clearly procedures,

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provide for some flexibility, whilst maintaining a framework for sound financial management.

7. In particular, virement rules were made more flexible to enable services to manage resources better and give them more incentive for doing so. For example, the maximum amounts for viring additional income generated was increased, and the rule for viring between services relaxed.
8. However, given all of the above, what has not been tested, is whether service users have seen any benefits? To a point, this may be difficult until the FMS is implemented, although some of the targets applicable here, have previously been set out in the aspirations under the new FMS.
9. It is intended to use the FMS workshops to consult on specific issues users feel need to be considered, if only to confirm what is contained in the planned developments. This is similar to meeting user requirements overall, in that the main thrust must be to continue to test that their requirements are being met (whilst maintaining sound financial management). Therefore, the recommended actions and targets are set out below.

### **Financial Procedures & Documentation – Main Aspirations**

<b>Action</b>	<b>Target Date</b>
▪ Identification of forms which can be used more electronically	June 2003
▪ FMS workshops to consult on requirements	July 2003 Nov 2003
General procedures, documentation and processing meet ▪ 75% of users needs ▪ 95% of users needs	Sept. 2004 April 2005

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### **JOINT WORKING & EXTERNALISATION**

1. The key issue that arose from the Baseline was to build on the links established with neighbouring authorities. Internal Audit have for some time, been developing joint working arrangements around issues such as IT and Contract Audits. A formal Derbyshire County wide group meets on a regular basis to share information and develop working practices.
2. Initially, staff from FS met their counterparts from 1 authority in a ½ day session to exchange information and contact details. It should be noted that the main driver for this was South Derbyshire, and although there was initial enthusiasm, this has unfortunately tailed off.
3. In addition, as part of procuring its new FMS, the Council also contacted other neighbouring and Derbyshire authorities, to gauge interest in a joint procurement and sharing of IT software and hardware. Unfortunately, due to a combination of technical, resource and timing implications, this also proved to be unsuccessful.
4. However, although the procurement stage for the Council has been completed and a project implementation plan initiated the issue of sharing hardware/software and training/development costs with another site are still being pursued. This would enable the sharing of knowledge and "best practice" in using the system and in business processing. This is currently being pursued.
5. Furthermore, members of the Review Group attended an open day organised by another neighbouring authority. This was designed to gauge private sector interest in providing FS for District Councils.
6. Four private sector firms with a track record in local government were invited to hear presentations from the authority on their services, requirements and vision, etc. The authority had "packaged" their services to include all support functions (legal, admin, personnel and FS). After the presentations, each firm was invited for one to one meetings with the authority to respond to what they had seen and heard (members of the Review Group were not a party to these).
7. Subsequent discussions with the authority, who shared the conclusions, indicated that the firms were not particularly interested in the package of services. In essence, at District level, they were considered too small, and also too diverse. In any case, they also clearly indicated that they would need a political statement from the authority that the private sector was the preferred option.

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8. One of the roles of the Council's recently approved Procurement Strategy is to provide guidance to best value reviews on the identification of service delivery options and partners. According to the strategy, the starting point must always be whether the services are needed.
9. This was clearly established for FS earlier in the Review. The Strategy goes on to advise that where services are poor performing in terms of cost and quality, and continuing in its present form offers no realistic chance of improvement, then alternative external methods of service delivery should be pursued.
10. The cost of FS does not compare particularly favourably with other authorities in some of its functions, but the reasons for this are still not clear. In addition, it has clearly been demonstrated that the service is not poor performing. In particular, all statutory and other "have to do" deadlines are constantly met. Infact closure of the annual accounts is 2 years ahead of the Government's target. Furthermore, there have been considerable improvements in BVPI 8 and in debt collection.
11. Although internal service users are desiring more from FS, it is clear from the "aspirations" set out in this Review that FS is committed to doing this, and the investment by the Council of £200,000 in new IT systems backs this up.
12. Referring back to joint working with other authorities, one of the services where FS feel the need for more support as indicated in the baseline, is in the area of VAT and other taxation issues. Just recently, a meeting with Derby City Council to explore the possibility of buying-in their expertise and resources proved to be workable.
13. Initial discussions with Derby City indicated that not only could the current advisory role of FS be enhanced, but also savings could potentially accrue for the Council overall. Therefore, the main actions and targets recommended from joint working are summarised below.

### **Joint Working – Main Aspirations**

<b>Action</b>	<b>Target Date</b>
Draw up specification for VAT & Taxation Services	April 2003
Agree Scope and price with Derby City	May 2003
Bed in & review service delivery against specification	October 2003
Report savings and other benefits from joint arrangements	May 2004

## **FINANCE SERVICES BEST VALUE REVIEW**

### **CONCLUSION - THE VISION AND FUTURE FOR FINANCE SERVICES**

1. During the last 2 to 3 years, financial management both at a strategic and operational level, has begun to see changes at the Council. This has been in response to local conditions and the Government's wider Modernisation Agenda.
2. FS has already begun to play a key part by delivering the action plan of the Best Value Review into Financial Management and Control. The services have begun to adapt to this but the biggest delivery challenges perhaps lie ahead. These can be encapsulated in implementing and working with new financial systems, contributing to the Council's critical success factors, and meeting the needs of service users.
3. This review has set out the current status of FS and demonstrates how the services have begun to react to meet the challenges. The basis of the Services are robust and together with the aspirations recommended in this review, demonstrate that the key issues can be developed to meet these challenges.
4. Some of the targets may be optimistic, but clearer goals, especially in meeting the needs of service users, are a new and major concept in measuring the performance for FS. The targets stretch out over the next 2 to 3 years and will need to be monitored and reviewed throughout this period. The main vision for the future is to strive towards
  - ✓ More streamlined and integrated services,
  - ✓ More open on costs and services provided,
  - ✓ More flexibility in delivering services, and to
  - ✓ Develop financial systems and information.
5. This is not to say that to some extent, this is not happening now, but at the very least this should be demonstrated and improved upon wherever possible. However, this will always need to be balanced against sound financial management and overall probity of the Council, which is a crucial issue for FS.

### **Comprehensive Performance Assessment**

6. This will involve FS, as Finance will be a major theme in the Council's assessment, which is expected in January 2004. In addition to indicators of a more strategic/corporate nature, there are several indicators that will relate specifically to how FS are delivered. In particular

## **FINANCE SERVICES BEST VALUE REVIEW**

- Financial monitoring and reporting,
  - Role and services provided by Internal Audit,
  - Treasury Management, and
  - The production of annual financial statements.
7. Recent developments and the aspirations stemming from this review should provide a good basis in measuring up against these indicators. Particularly for FS, the Assessment should help to inform the actions set out in this review and provide a form of audit/check for the future direction of FS at the Council.



## **FINANCE SERVICES BEST VALUE REVIEW**

### **SUMMARY OF RECOMMENDED ACTION PLAN**

1. This brings together the various aspirations stemming from an analysis of the key issues. It is anticipated that this action plan will be monitored and reviewed on an on-going basis, and more formally through the Council's Corporate Scrutiny and Finance & Management Committees.

#### **FINANCIAL SYSTEMS**

<b>Action</b>	<b>Target Date</b>
50% of payments to suppliers electronically	30 <sup>th</sup> June 2004
75% of payments to suppliers electronically	31 <sup>st</sup> Dec 2004
95% of payments to suppliers electronically	1 <sup>st</sup> April 2005
Budgets profiled to meet service needs	1 <sup>st</sup> April 2004
Automatic costing of CEC and other overhead costs	1 <sup>st</sup> April 2004
Implementation of electronic ordering & commitment accounting	1 <sup>st</sup> April 2004
All major systems electronically linked to FMS	1 <sup>st</sup> April 2004
Direct Debit facility for collecting sundry income	1 <sup>st</sup> April 2004
Implementation of DIP for creditor/debtor invoices	1 <sup>st</sup> April 2004
Full E-procurement and Web access	1 <sup>st</sup> April 2005

#### **IMPROVING PERFORMANCE OF BVPI 8**

<b>Action</b>	<b>Target Date</b>
Convene focus group	August 2003
Quarterly reports submitted to Chief Officers Team on divisional performance	Sept 2003
At least 97.5% of invoices paid within 30 days	April 2004
And Within top 25% of English authorities by	April 2005

#### **PRODUCTION OF ANNUAL STATEMENT OF ACCOUNTS**

<b>Action</b>	<b>Target Date</b>
2002/03 accounts and statement produced by	31 <sup>st</sup> July 2003
2003/04 accounts and statement produced by	15 <sup>th</sup> July 2004
2004/05 accounts and statement produced by	30 <sup>th</sup> June 2005

## **FINANCE SERVICES BEST-VALUE REVIEW**

### **COMPARATIVE ANALYSIS**

<b>Action</b>	<b>Target Date</b>
Analyse and determine differences in proportion of overhead costs compared to other authorities (prior to circulation of SLA)	Oct. 2003
Analyse and determine role and cost allocation of Sundry Debtors at other authorities (prior to circulation of SLA)	Oct. 2003
Initial review of overall workload and temporary arrangements currently in place	Aug. 2003

### **DEBT COLLECTION**

<b>Action</b>	<b>Target Date</b>
View services of Private Sector re: tracing/recovery activities	June 2003
Establish a cross Divisional forum	July 2003
Develop a policy for more joint working/use of private sector	Sept 2003
90% of new debt raised in year collected	April 2004
95% of new debt raised in year collected	April 2005

### **REDUCING INTEREST RATE ON EXTERNAL DEBT**

<b>Action</b>	<b>Target Date</b>
Undertake an initial rescheduling analysis and options appraisal	30 <sup>th</sup> Sept 2003

### **MEETING USER REQUIREMENTS**

<b>Action</b>	<b>Target Date</b>
Financial/Management reports & information from new FMS meet <ul style="list-style-type: none"> <li>▪ 75% of users needs</li> <li>▪ 95% of users needs</li> </ul>	Sept. 2004 April 2005
Members/Scrutiny Committee satisfied with format of budget information	January 2004
Financial information developed for Council's Web site	Sept 2003
Develop SLA and get agreement of <ul style="list-style-type: none"> <li>▪ 75% of users</li> <li>▪ 95% of users</li> </ul>	Dec. 2003 Dec. 2004
Align 1 Accountant to 1 Divisional Manager	July 2003

## **FINANCE SERVICES BEST-VALUE REVIEW**

### **FINANCIAL PROCEDURES & DOCUMENTATION**

<b>Action</b>	<b>Target Date</b>
▪ Identification of forms that can be used more electronically	June 2003
▪ FMS workshops to consult on requirements	July 2003 Nov 2003
General procedures, documentation and processing meet ▪ 75% of users needs ▪ 95% of users needs	Sept. 2004 April 2005

### **JOINT WORKING**

<b>Action</b>	<b>Target Date</b>
Draw up specification for VAT & Taxation Services	April 2003
Agree Scope and price with Derby City	May 2003
Bed in & review service delivery against specification	October 2003
Report savings and other benefits from joint arrangements	May 2004

## 15. Findings and Key Issues

KEY ISSUE	EVIDENCE	BEST VALUE PRINCIPLE	REQUIRED OUTCOME
1 To provide a cost effective and efficient revenues and benefits service taking into account economies of scale	Best value indicators Requirement identified at Focus Groups	Compete and Compare	Reduce the costs of the service and improve the quality of the service
2 To provide customers with the ability to gather information and to communicate electronically concerning their affairs via the internet	Requirement of the Government's e-government strategy		Full use of the Council's web-site and the enhancement of the current forms that are available. Kiosks located at various locations in the area
3 To provide an effective service by having highly trained staff		Compete and Compare	The provision of high quality service able to withstand competition
4 To establish effective partnerships between authorities, including reciprocal working arrangements within the Consortium	Findings of the Best Value Group	Compete	The creation of effective working arrangements with our partners will provide the opportunity for inter-authority working and the sharing of workloads
5 To address rural social exclusion and improve benefit take-up			The introduction of kiosks in various locations in the district
6 To reduce the level of fraud through cross boundary working throughout the Consortium's area			Successful implementation of the Verification Framework and joint working arrangements
7 To outsource non-core activities		Compete	The reduction in unit costs and the removal of non-core duties from staff

## 18. Implementation Timetable

Work on the new Revenues and Benefits System (including the monitoring of progress)	April to October, 2003
Investigation of on-going joint working projects (for post implementation)	June, 2003
Investigation of on-going joint working projects with other neighbouring authorities	July 2003 onwards
Training for Benefit Staff	a) Legislation: June to September, 2003 b) New system: August to October, 2003
Training for Revenue Staff	New system: August to October, 2003
The introduction of the new Revenues and Benefits system	October, 2003
Introduce Kiosks	October, 2003 to January, 2004
Develop reciprocal working arrangements	October, 2003 to March, 2004
Introduce the Verification Framework	December, 2003 to March, 2004
Evaluate the new Revenues and Benefits system	April, 2004
The outsourcing of non-core activities	April to September, 2004
Further development of the web site and on-line facilities	April to September, 2004
Review and update the Implementation Plan	(1) April, 2004 (2) June, 2004 (3) September, 2004

## Notes