



Leicester  
City Council

**FINANCE, RESOURCES AND EQUAL OPPORTUNITIES 20 DECEMBER 2001**  
**SCRUTINY COMMITTEE**  
**CABINET** **14 JANUARY 2002**

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## **FINANCIAL MANAGEMENT BEST VALUE REVIEW**

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### **Report of the Chief Financial Officer**

#### **1. Purpose of the report**

- 1.1 This report summarises the main findings from the Financial Management Best Value Review and recommends a subsequent Improvement Plan for the service.

#### **2. Summary**

- 2.1 The Financial Management Best Value review included all the Authority's core budgeting, accounting and financial advice services. The review was carried out through the Performance Management route.
- 2.2 The general approach to the review was to initially take a 'top down' view of the service to identify what appeared to be the major issues that the service must address in order to improve. These findings were then challenged by staff in order to ensure that the plan contained the right actions to improve the service. Approximately 50% of staff have responded to date. The feedback received to date generally supports the issues included in the action plan. The final report includes a clear audit trail of staff comments back to the action plan.
- 2.3 The Revitalisation of Neighbourhoods work has limited, to some extent, the "challenge" aspect of the review as there is little point in fundamentally challenging how aspects of the service are carried out if the way in which the service is structured may have to change in any case. The Improvement Plan contains a number of tasks that will complete the "challenge" aspect of the review.
- 2.4 A final report (running into 80+ pages) is available from the Best Value Team in the event that Members wish to seek further detail regarding the review. The Executive Summary to the full report is shown at Appendix 1 in this report.

2.5 The Executive Summary identifies the main findings from the review. These findings can be summarised as follows:

- i. The service does contribute towards the Council achieving its overall aims and objectives.
- ii. The discretionary aspects of the service, with the exception of the Honorary Treasurer role for Wyggeston School Foundation, can be justified both in financial and operational terms.
- iii. The service is generally well regarded by its customers, with high levels of customer satisfaction demonstrated.
- iv. The service costs below the average of our comparator Authorities; Leicester is just above the lowest quartile in terms of cost.
- v. Comparison of performance against other Authorities has been difficult because of the nature of the work; there are no statutory PIs for the services in the review.
- vi. There is no major investment need for the service. The major capital requirement for the service is the provision of a computerised general ledger system; the re-launch of FMIS is progressing and the project is budgeted for.
- vii. Performance Management is well engrained into the culture of the service, although some strengthening is recommended.
- viii. Access to suitably qualified, experienced and skilled staff in the future is essential. The service is facing a significant number of pressures over the coming years and there have been past difficulties in recruitment and retention within the service.
- ix. Investment in staff to ensure they have the necessary skills to do their job is a key element of the action plan. This Best Value Members' Working Group fully supported an emphasis on training and development and the need to invest in staff and this is reflected in the Improvement Plan.
- x. A good understanding of the market place has been gained. The market for core services contained in this review is immature but developing. The Authority's use of the market closely matches Local Government's overall use of the market. After considering procurement options, at this point, there is little benefit in any further use of the market, although this needs to be kept under close review.

2.6 An Improvement Plan for the service is shown at Appendix 2.

### **3 Recommendations**

3.1 Finance, Resources and Equal Opportunities Scrutiny Committee are asked to give their comments on the findings from the review and Improvement Plan.

3.2 Cabinet is asked to approve the proposed Improvement Plan and note the consequential performance indicators at Appendix 3.

### **4 Financial and Legal Implications.**

- 4.1 The services in the review cost £2.3m per annum. A 2% efficiency saving equates to £46,000. The balance of the £46,000 saving, after allowing for the £1,000 saving from the withdrawal of services to the Wyggeston School Foundation, will be found from the review of the service in light of the Revitalisation of Neighbourhoods project.

**5. Report Author**

Graham Feek,  
Financial Strategy Manager

**BEST VALUE REVIEW 2001/02 – FINANCIAL MANAGEMENT SERVICES –  
FINAL REPORT**

**Executive Summary**

**1. Purpose of this report:-**

- 1.1. This document presents the final findings from the Financial Management (FM) Best Value Review (BVR). It builds on previous reports about the review, which have been considered by the Council's Best Value Working Group and Cabinet.

**2. Scope and Objectives of the Review**

- 2.1 The Financial Management Best Value Review included the Council's core financial management services being;

- Devolved Finance Teams
- Corporate Accountancy Team
- Financial Strategy Team
- Treasury Management and VAT Advice
- Financial Management Information System (FMIS) Team

- 2.2 The services in the review cost £2.3m per annum to run.

- 2.3 Operational finance services, such as Payroll and creditors are to be reviewed together in year 3 of the Best Value programme (2002/03).

- 2.4 The scope of the review has been limited to some extent because the Authority is in the process of considering the way in which it is structured. The Revitalisation of Neighbourhoods Review commenced in March 2001 with the aim of determining how the operation of the Council should change in order to better meet the needs of people at a local level. Clearly, with the potential for major reorganisation of services and departments, it did not make sense to consider some of the "challenge" element of a typical review if the way in which the service is carried out may change in any case. Much of this work will be done when the recommendations from the Revitalisation project are agreed, and appropriate actions are included in the Implementation Plan.

- 2.5 The objectives of the review were to establish whether the service

- (a) meets and helps facilitate the Authority's corporate aims and objectives.
- (b) can demonstrate it is provided in an economical, efficient and effective manner.
- (c) can meet future demands that are placed upon it.
- (d) and to recommend a programme for future improvement of the service which will further improve economy, efficiency and effectiveness.

### **3. Methodology for the Review**

- 3.1 The review was managed in accordance with Leicester City Council's Best Value Guidelines. The lead officer was the Financial Strategy Manager, supported by the Heads of Finance Group, reporting to the Chief Financial Officer (S151 officer) as Project Executive. The Director of Arts and Leisure acted as Scrutiny Director.
- 3.2 The Authority decided to progress the review through a Performance Management route, rather than by a service review. The rationale for the two routes is that for the Authority as a whole to get the best results from the process of Best Value, it needs to focus additional effort and support in those areas where existing performance management is unlikely to drive the level of change required.
- 3.3 In the case of the Financial Management review, the Authority decided that a culture of performance management exists and that existing business planning was likely to lead to changes needed to demonstrate Best Value.
- 3.4 The review has sought to identify the key issues for the service rather than every issue for the service. The process of Best Value is not a once and for all job but a continual process, and there is a consequent recognition that routine business planning is the most appropriate vehicle for progressing less fundamental issues than those issues identified within the Improvement Plan.

### **4. The 4 Cs**

- 4.1 Through the assessment of the 4Cs, the following conclusions were drawn about the service:
- i. Generally it is a well regarded service that is performing well
  - ii. There is a need for the services to continue
  - iii. Services are integral to the Authority's corporate aims and objectives, both directly and indirectly contributing to their achievement
  - iv. Performance Management is well engrained into the culture of the service, although there is scope for strengthening and co-ordinating this more effectively
  - v. The service is below average cost, just above the lowest quartile for comparator Authorities
  - vi. Comparison, other than on grounds of cost, is difficult in this area. Where there are comparators performance is good
  - vii. Comparator information needs to be developed further to provide information about best practice
  - viii. The planned improvements to the Authority's general ledger must be realised to ensure cost centre managers concerns are addressed
  - ix. There is no major investment need for the service
  - x. The service needs access to experienced professionally qualified and well trained staff if it is to continue to provide a good service
  - xi. There is an emerging market for the provision of core financial services, although at present the balance of in-house, external and partnership provision is appropriate

The summary of each of the Cs is provided below.

#### 4.2 Consult

- The service has carried out far ranging consultation.
- The results show that overall satisfaction levels are high, in excess of 80%.
- There has been a significant amount of consultation with service users in order to improve the existing general ledger to better meet user needs.
- The public support the Authority's approach to developing long term financial planning.
- More consistency in approach and analysis is required in future consultation, as is a strengthened system of ensuring user concerns are appropriately addressed.

#### 4.3 Compare

- There are no statutory PIs for the services contained in the review.
- The services in the review are traditionally difficult to compare. Significant steps have been made towards assembling a suite of performance information to aid the comparison of the service against other authorities and the private sector.
- A number of benchmarking clubs are subscribed to, and the Authority is working with other East Midland unitaries to develop benchmarking further. This will enable future process benchmarking, including considering large public or private companies.
- The service costs 7% below the average of Leicester's Audit Commission Family and is ranked 4<sup>th</sup> out of the 15, participating, authorities, being 4% above the lowest quartile.
- Performance information has been more difficult to obtain, but where it has the service performs well.
- 70% of internal PIs were met in 2000/01
- When comparing the service provided to the needs of users, approximately 83% of prime users consider that the service meets their needs.

#### 4.4 Challenge

*Why the service is being carried out?*

- There is a statutory requirement for most of the services within the review with the services directly supporting the S151 Officer in the fulfilment of his statutory duties.
- The cessation of the service in full or in part would lead to failure to comply with legislation. Ultimately cessation would lead to the Authority not being able to function.
- There are a number of services which are not statutorily required but which are integral to the delivery of the service's objectives. There are operational and financial reasons why these services are recommended to continue.
- It is recommended that accounting support in respect of an honorary treasurership, which is non-core to the business, is discontinued.

### *How the Service is provided?*

- The analysis carried out indicates that the service is meeting its stated objectives.
- The service can clearly demonstrate how it contributes towards corporate objectives and is directly responsible for 2 or the Authority's key resource strategies: the revenue budget strategy and capital strategy.
- The service will need to challenge the way it is provided further when the results of the Revitalisation of Neighbourhoods project are known.
- The service needs to make sure that human resources are utilised in the best way for the service to continue to improve and be able to deal with an ever increasing workload. This is also dependent upon having good training and development programmes in place. This is a major aspect of the Action Plan.
- The market for services included in the review is relatively immature, although there is evidence of one authority contracting out some of the core services contained in the review and potentially a number of contractors who would be able to deliver the service.

#### 4.5 Compete

- The present use of in-house, external and partnership arrangements at the Authority closely matches the approach of most authorities.
- A number of procurement options were considered.
- At this point there is not a strong case to consider further outsourcing.
- The market needs to be kept under close review to ensure that any future opportunities arising are taken advantage of.

#### 4.6 Improvement Plan.

The main issues identified in the Improvement Plan are as follows:

- Improvements to Performance Management
- Further benchmarking, particularly process benchmarking and comparison against other large public and private companies
- Re- implementation of the Financial Management Information System (FMIS) general ledger, to deliver improvements identified by users
- Staff Development, particularly ensuring staff have the skills required to carry out their duties
- Further review of procurement options over the medium term to identify any emerging opportunities
- Revitalisation of Neighbourhoods project – reviewing the provision of financial management arrangements and policies to ensure they are appropriate for the new Authority
- Further consultation with stakeholders.

**FINANCIAL MANAGEMENT BEST VALUE REVIEW: IMPROVEMENT PLAN**

KEY: HoF - Heads of Finance Meeting  
 FSMT - Financial Services Management Team  
 FREOPS - Finance Resources and Equal Opportunities Scrutiny Committee  
 SRG - Strategic Resources Group  
 DB - Directors' Board

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
1.	<b>Financial Services Performance Management</b>	<b>To strengthen PM, create more consistency across devolved financial services and ensure that business planning systematically considers the 4Cs of Best Value.</b>								
1a			Consider the introduction of EFQM to support ongoing Business Planning.	GF LG	31/01/02	HoF	HoF 10/12/01	Decision taken on implementation	N/A	Potentially training Programme if introduced. Would be funded within existing training budget.
1b			Agree a set of cross service PIs and enhance monitoring arrangements of Financial Management Plans.	GF	31/12/01	HoF, FSMT	HoF 10/12/01	Monitoring framework in place	N/A	None



Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
1c			Improving Capital Monitoring performance across the Authority.	GF	30/6/02	Cabinet	Cabinet – November 2001 Cabinet - February 2002	Higher spend against approved programme in future years then 2000/01	1	None
1d			Establish SLAs with customers for all devolved finance teams.	JK	30/9/02	H of F		SLAs agreed with customers by 30/9/02	N/A	None

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
2.	<b>Benchmarking</b>	<b>To enhance and develop benchmarking to test our financial processes against comparators in order to identify and develop best practice</b>								
2a			Develop private sector benchmarking of Financial Services, using PWC european database.	GF	31/1/01	HoF, FSMT	HoF 10/12/01	Being able to identify any significant cost/efficiency differences with comparable Private Sector Companies.	2	2 free ASLAC consultancy days.
2b			Develop further benchmarking with E.Midlands Unitary authorities, including process benchmarking, and private sector companies.	GF	May 2002	HoF, FSMT	HoF 10/12/01	Identification of cost and performance differences which can direct future process benchmarking for the group to develop.	3	None

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
3.	Re-implementation of FMIS	To deliver the re-implementation programme to provide all the benefits to system users identified in the project.								
3a			Implementation of Masterpiece Net to provide user friendly access to Financial Management Information for all cost centre and budget managers.	RW	1/12/01	DB		Live implementation	4	None (budgeted for)
3b			Implementation of Commitment Accounting as a means of improving budget management and control at all levels.	RW	1/4/02  Except Education, Social Services and Commercial Services. 1/4/03	DB		Live implementation.	N/A	None (budgeted for)
3c			Training of all cost centre managers/budget managers and finance staff in their financial management responsibilities.	RW	1/4/02	DB		Training undertaken and demonstrable subsequent improvement in budget monitoring.	5	None (budgeted for)

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
4.	<b>Staff Development</b>	<b>Ensure that the service has access to suitably qualified, experienced and skilled staff that have access to adequate training and development.</b>								
4a			Develop "skills and performance" matrix to support ERDS. This will seek to identify the specific skills that staff need to perform their job and ensure they are given the opportunity to develop these skills.	GF	28/2/02	HoF	HoF 14/1/02	Identification of gaps and subsequent plan to tackle any mismatches in skills required to undertake the job.	6	None
4b			Identify recruitment and retention issues and develop forward strategy.	GF	31/5/02	SRG	HoF 4/3/02	Authority successful in recruiting and retaining professional staff.	7	To be determined
4c			Identify investment required in HR, namely consequential training and development issues and trainee programmes.	GF	30/6/02	HoF	HoF 10/6/02	Staff developing the full range of skills necessary to provide the service.	N/A	Are likely to be additional training costs. Funding will be considered in 2002/03 business planning exercise.

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
5.	<b>Review/Develop procurement options for Financial Management.</b>	<b>Enhance the compete aspect of review. Consider present scope and suitability of market for Financial Services.</b>								
5a			Consideration of further Market Analysis (ASLAC & PwC commissioned) to further test conclusions of the compete aspect of the review.	GF	31/12/01	HoF	HoF 10/12/01	Identification/co nfirmation of market in order to form a view about potential to utilise the market.	N/A	2 Free ASLAC consultancy days used.
5b			Market analysis for all year 3 Financial Services, including an assessment of investment requirements for in-house services. (This is pre-best value research for year 3 reviews).	TB	31/12/01	SRG	17/12/01	Clarity on investment requirement and potential use of market to equal best in local government.	N/A	£20,000 funded from TCCR Financial Services budget.
5c			Review VFM of all external financial services including ASLAC, VAT Treasury Advisors, Investment Managers, PFI Advisors and identify any tendering requirements.	GF/ DJ	31/12/01.	FSMT	FSMT 17/12/01	Confirmation of VFM or plan to address specific concerns including identification of any necessary tendering.	N/A	
5d			Annually review Leicester's position in relation to the external market and partnership options.	GF	Oct each year	HoF	To be determined	Annual option appraisal of all relevant procurement options.	N/A	1-2 days p.a. free ASLAC consultancy days.

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
6.	<b>Implementation of Revitalising Neighbourhood.</b>	<b>To ensure Financial Services are provided at an appropriate level to ensure that the revitalising Neighbourhood project is delivered.</b>								
6a			Address practical implications of RN review.	MN	31/12/01	DB	?		N/A	None
6b			Review future structural arrangements for finance in light of above.	MN	31/3/02	DB	?		N/A	Unclear potential savings from any restructuring.
6c			Review of financial process to ensure they best meet the requirements of the Council (a further more detailed plan will be developed to identify specific tasks).	GF	30/9/02	SRG, HoF	?	Ability to demonstrate that all processes carried out are done so in the most effective way for the authority.	N/A	Resource demands to be considered in 2002/03 business planning process.

Ref	Task	Purpose	Sub Task	Responsibility	Deadline	Monitoring Mechanism	Key Milestone/ Reports	Success Criteria	Relevant PI	Financial Implications
7.	<b>Consultation</b>	<b>Ensure full user involvement in service development</b>								
7a			Inform all major stakeholders of action plan	GF	31/12/01	HoF	Cabinet Dec. 2001		N/A	
7b			Ensure results of 2000 consultation fully implemented.	GF	31/12/01	HoF	HoF 10/12/01	Concerns raised in 2000 survey are not raised in future exercises.	8	None
7c			Co-ordinate cross service exercise for 2001.	GF	31/12/01	HoF	HoF 12/11/01	Higher response rate from customers than 2000.	8	None
7d			Develop framework for further schools consultation through Fair Funding Group.	AP/ SM	30/4/02	SRG		Schools have better access for determining their specific financial support requirements.	N/A	None
7e			Carry out Public Consultation on Revenue on Budget and Capital Strategies.	GF	December 2001	DB, Cabinet	Cabinet 3/12/01	Representative sample of public views obtained on proposed strategies.	N/A	£5,000 consultancy costs. Funded from within existing budgets.
7f			Consult with Wyggeston School re: withdrawal of Financial Services.	SM	30/9/01	HoF			N/A	£1,000 saving

<b>Ref</b>	<b>Task</b>	<b>Purpose</b>	<b>Sub Task</b>	<b>Responsibility</b>	<b>Deadline</b>	<b>Monitoring Mechanism</b>	<b>Key Milestone/ Reports</b>	<b>Success Criteria</b>	<b>Relevant PI</b>	<b>Financial Implications</b>
8.	<b>De Commissioning</b>	<b>Withdraw Financial Advice Support from Wyggeston School Trust.</b>		SM	1/4/02	HoF		Successful withdrawal from project, including ensuring adequate alternative arrangements.	N/A	Saving of £1,000 per annum



**APPENDIX 3****IMPROVEMENT PLAN – PERFORMANCE INDICATORS**

	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Financial Services Performance Management</b>					
(1) Y/E Capital expenditure as % approved programme	90%	90%	90%	90%	90%
<b><u>Benchmarking</u></b>					
(2) Better then relevant industry average performance in % of indicators.	50%	55%	60%	60%	60%
(3) Better then average performance of comparator group in X% indicators.	50%	55%	60%	60%	60%
<b><u>Re-implementation of FMIS</u></b>					
(4) % of Cost Centre Managers who access FMIS on-line	30%	40%	50%	50%	50%
(5) % of Cost Centre Managers and finance staff having undertaken corporate training package	90%	95%	95%	95%	95%
<b><u>Staff Development</u></b>					
(6) % of staff with agreed skills and performance matrix less than 12 months old.	70%	90%	95%	95%	95%
(7) Number of vacant employment weeks as % of previous year (excluding planned vacancies)	90%	80%	70%	65%	60%
<b><u>Procurement</u></b>					
None					
<b><u>Revitalising Neighbourhoods</u></b>					
None					
<b><u>Consultation</u></b>					
(8) Overall satisfaction level	85%	85%	85%	85%	85%