



Leicester
City Council

WARDS AFFECTED
Corporate Report – All wards affected

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Members Best Value Working Group
Cabinet

13 February 2002
11 March 2002

BEST VALUE REVIEW YEAR THREE **OPERATIONAL FINANCE - SCOPE**

Report of the Chief Financial Officer

1. Background and Purpose of Report

1.1 Purpose of Report

To seek Cabinet approval of the draft scope presented as part of the Best Value Review of Operational Finance, in the context of the criteria set out in the latest revision of the Best Value Review Process.

1.2 Background

The draft scope for the review of Operational Finance is set out in Appendix 1 to this report. The review will address the following challenge:

To ensure the delivery of high quality, cost effective financial support services as part of the overall arrangements for proper financial administration.

2. Recommendations

Cabinet are recommended to:

- (i) Agree the scoping recommendations.
- (ii) Given the concerns in respect of the payroll function (see paragraph 3.1.3) it is recommended that the review focus on this aspect first. It is also recommended that the payroll function be subject to a full service assessment. The other services specified in the scope will follow later.

3. Report

- 3.1 This paragraph and the sub headings address the key questions posed as part of the scoping exercise.

3.1.1 How does the theme relate to the Best Value Performance Plan and Key Strategies (such as the Community Plan, the Housing Plan and the Education Development Plan)?

To help achieve the aims, objectives and goals contained in plans and strategies the Council is reliant on financial services contained within the scope of this review. Failure to provide a proper level of financial administration would have a significant adverse affect. The e – government agenda and the revitalising neighbourhood project are of particular importance to this review.

The majority of services covered do not provide services direct to the public and consequently do not feature directly in the Performance Plan. The review will however base its assessments upon local performance indicators. Any new indicators developed must support the Council's key strategies.

3.1.2 What are the key issues raised by stakeholders?

(i) Consultation with Departments

Assistant Directors were provided with an initial draft scoping document and were asked for comments. Direct consultation has taken place with the Heads of Finance Group. There were differing views about the rationale for what should or should not be included and these are referred to in Appendix 2.

(ii) Consultation with Trade Unions

Trade Unions were invited to review and comment upon the proposed scope. They have no problems with the scope.

(iii) Consultation with Staff

Consultation about the scope of the review has been conducted through normal team briefings and these views have been taken into account.

3.1.3 Are there any known current issues / tensions?

(i) The current computerised payroll system has been operational for some time and does not provide an acceptable level of service to providers in terms of effectiveness or efficiency.

(ii) The cost of the payroll service appears to be relatively high in comparison with other providers.

(iii) The best value review of Human Resources and Personnel Services identified the need for investment / improvement in management information. There are clear synergies here with the payroll function and the opportunity to invest in an integrated payroll / personnel system should not be overlooked.

(iv) The best value review of procurement identified that the number of suppliers prepared to work with the authority may be limited as the Council was relatively slow in paying invoices.

- 3.2 Whilst there have been significant improvements in the provision of the payroll service during the last two years paragraph 3.1.3 above refers to current known difficulties. Consequently it is recommended that the non payroll aspects of the review are deferred pending completion of work related to the payroll service.

4. Financial and Legal Implications

None at this stage although it should be noted that failure to provide some of the services would have serious legal and financial ramifications.

5. Sustainable and Environmental Implications

The review will evaluate, where appropriate, the use of information and communication technology.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	No	
Policy	No	
Crime and Disorder	No	
Human Rights Act	No	

7. Background Papers – Local Government Act 1972

None

8. Report Author/Officer to Contact:

Tim Bastock – Head of Exchequer & Control
Karen Pollard – Review Facilitator

BEST VALUE REVIEW OF OPERATIONAL FINANCE

SCOPE

1. Purpose

The services covered by this review are part of the overall arrangements for the financial administration of the Council. They cover some of the essential financial support areas and in particular are provided to ensure that:

- employees of the council are paid in accordance with the relevant conditions of service and as authorised by departments / schools
- creditors supplying goods and services to the Authority are paid
- income is recovered from debtors owing money to the Authority
- appropriate arrangements exist for the security and accounting of cash

The services should be of high quality and be part of the overall provision of cost effective financial support services.

2. Services to be Included

- 2.1 The review will include the council's arrangements for the payment of salaries, allowances and wages, the payment of creditors, debt collection (other than Council Tax, Rents and National Non Domestic Rates), mortgages and the central arrangements for cash collection.
- 2.2 The following sections within the Town Clerk's and Corporate Resources Financial Services Division (in brackets is the Sub Division in which the Section is located as part of the existing structure) will be included:
- (a) Central Payroll Section (Exchequer & Control)
Responsible for payment of salaries and wages to employees
 - (b) Financial Management Information System (FMIS) Team to the extent that it is involved in the payment of creditors (Accountancy)
Responsible for the technical support to FMIS
 - (c) Customers' Accounts Section (Exchequer & Control)
Responsible for invoicing and recovery of certain Council debt
 - (d) Cashiers Section (Local Taxation)
Responsible for receipt of cash and cheques from the public and other cash security services

- (e) Control & Support Section (Exchequer & Control) to the extent that it supports the activities covered in the review
Responsible for a variety of services but specifically input and output to FMIS

2.3 The following section within the Town Clerk's and Corporate Resources Department Legal Division will be included:

- (a) Litigation Section to the extent that it supports the collection of income

2.4 All departments interface with these central services for the purposes of the functions being covered. The review will incorporate those areas of departments contributing to these functions and will review process from start to finish (e.g. raising a debt to its eventual collection.) The housing department administer mortgages.

The review therefore has a significant cross-departmental aspect.

2.5 The services included in the review have the following themes:

- they are essentially bulk transactional processes and services which support the main financial administration of the authority
- they need good quality IT support systems
- specification of the service required can generally be established on objective grounds and the services tend to lend themselves more readily to objective performance measures (in contrast to those services included in the review of financial management)
- they represent the major core systems for payments out of (excepting housing benefits) and into (excepting local taxation and housing rents) the authority

3. Services to be Excluded

3.1 The best value review of Financial Management has already taken place. That review was concerned primarily with the planning and monitoring of the Council's finances including the preparation of final accounts - these services are therefore excluded from this review. It also incorporated two functions from within the Exchequer & Control Sub Division - Treasury Management Services and Taxation Administration and Advice. Consequently these areas are also excluded from this review.

3.2 The best value review of Corporate Governance scheduled for Year 4 will include risk management. The Risk Management Services Section which forms another key area of the Exchequer & Control Sub Division is consequently excluded from the review.

3.3 Local Taxation Services will be the subject of a separate best value review as will Internal Audit which it is envisaged will be part of corporate governance.

3.4 Other areas that whilst having significant financial effects are in the main departmental specific. Examples are:

- housing rents
- housing costing
- housing right to buy
- housing benefits
- stores
- social services financial operations related to residential care, home care, foster care, adoption and voluntary agencies
- subsidiary inputs to the accounts payable system e.g.
 - local tax refunds
 - energy management
 - dairy subsidies
 - SSIS / Care First

4. Strategic Links

4.1 The operational services forming part of the review indirectly contribute to all the strategic plans and community plan priorities by providing essential financial support services. Specifically any recommendations made as part of the review must meet the needs of the revitalising neighbourhoods project.

5. Stakeholders

5.1 Providers of the service.

These consist primarily of individual departments, various areas in Financial Services, the IT Division and the Litigation Section. Details are shown in paragraphs 2.2, 2.3 and 2.4 above.

5.2 Receivers of the service.

These are identified in relation to the individual service areas.

5.2.1 Payroll

Employees
Individual Departments
Schools
Members
Statutory Bodies (e.g. Inland Revenue, Benefits Agency etc)
Bodies in receipt of deductions from payments due

5.2.2 Creditors

Organisations providing goods and services to the Council or other recipients of payments
Individual Departments

5.2.3 Debtors

People and organisations owing money to the Council
Individual Departments

5.2.4 Cashiers

People and organisations making payments to the Council
Individual Departments

5.3 Other Stakeholders

In addition to the above there are a number of other stakeholders identified below:

5.3.1 Chief Financial Officer in his capacity as the “Section 151 Officer – responsible for the proper financial administration of the Council”.

5.3.2 The District Auditor.

5.3.3 Customs & Excise

5.4 Views of stakeholders will be sought as part of the review (to the extent that this has not already happened) and where appropriate will be consulted as the review progresses.

APPENDIX 2

Consultation with Departments

The recommended draft scope is attached at Appendix 1. A number of views were expressed, particularly in respect of whether those areas listed as examples in paragraph 3.4 of the scoping document, as to whether they should or should not be included. (In general these related to specific departmental financial systems.) The boundaries of the review were difficult to draw but on balance it was determined that the effectiveness of the review would be impeded if there were a significant number of “additional areas” included. The main emphasis of the review is therefore to focus on the principle “exchequer” functions as set out in the scope.

It was considered that any review of operational finance should include the services provided by the main cashiers office in Welford House – the reason for the existence of this facility is to receive monies due to the Council. Clearly this is only one of a number of contact points for receiving payments and in particular there are a number of Housing Area Offices providing similar facilities to the public. These offices are considered, by the Housing Department, to exist as part of the overall Housing Management Service and consequently cash collection is considered to be an ancillary function – they will be covered in the Best Value Review of Housing Management. All of these contact points have been excluded from this best value review being ancillary functions to other services.

Notwithstanding the contents of the two preceding paragraphs the review will take on board interfaces and synergies between those services included and those excluded from the review and seek to contrast and compare different approaches.