



Leicester
City Council

**WARDS AFFECTED
ALL WARDS (CORPORATE ISSUE)**

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

9 April 2001

**BEST VALUE REVIEW - YEAR TWO
FINANCIAL MANAGEMENT SERVICES
SCOPING EXERCISE**

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 Financial Services Management Best Value review, 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 Financial Management review is set out in Appendix 1 to this report. After considering the reason why the Theme was chosen the review will address the following challenge:

To ensure the delivery of high quality, cost effective, financial advice to support strategic and departmental decision-making and specialist financial support services to the Authority.

The review will not include aspects of Operational Finance e.g. payment of creditors/debtors, payroll, day to day financial processing; which is scheduled for review in 2002/3

2. RECOMMENDATIONS

2.1 Members are recommended to:

- (i) Endorse the work carried out in order to inform the scoping recommendations.
- (ii) Agree the scoping recommendations.

3. **REPORT**

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

(i) Community Plan

All of the goals highlighted by the Community Plan are supported by the central services of the Authority. The central finance services are fundamental to the financial planning, budgeting, accounting and financial monitoring required by departments to perform their function within statutory requirements.

(ii) The Best Value Performance Plan

Central financial services do not provide services to the public and therefore do not feature directly within in the Performance Plan. The review will base its competitive assessments upon local performance indicators developed to allow comparison with peer groups within other authorities and the private sector.

3.2 What are the strategic imperatives?

(i) The review will take place within the context of the following key corporate initiatives:

- Revenue Budget Strategy
- Capital Strategy

3.3 What are the key issues raised by Stakeholders

(i) Consultation with SRG

Consultation on the issues facing the review took place with SRG. Assistant Directors were provided with an initial draft specification and asked to identify any additions they felt appropriate. The final recommended scope incorporates the additions identified.

(ii) Consultation with Trade Unions

Trade unions were invited to review and comment upon the proposed scope. Feedback from the Trade Union Co-ordinator identified concern that consultation might be inadequate if limited to key internal stakeholders. Further discussion will take place to see if wider consultation can add benefit to the review, the possibility of using an external Consultee to increase the Challenge aspect of the review has been agreed.

(iii) Consultation with Staff

Consultation about the scope of the review has been conducted through normal team briefings.

(iv) Consultation with Heads of Finance

Direct consultation on the scope was made with Heads of Finance who made no changes to the proposed scope

3.4 What is the potential scale of the review?

Initial consideration of the review programme indicates that an improvement plan can be produced by October 2001 allowing feed through into the 2002/3 budget.

3.5 What are the final recommendations for the scope and why?

(i) Focus of Review

The Review will include the Council's budgeting, accounting, financial planning and financial advice services.

The following sections/activities will be included. All the services are in the Town Clerk's & Corporate Resources Department, unless otherwise indicated:

- (a) The Financial Strategy Section;
- (b) The Corporate Accountancy functions of the Accountancy Team;
- (c) The FMIS Team, excluding work which is part of the maintenance of the Council's creditors/debtors/payroll systems;
- (d) The work of Departmental Finance Teams, to the extent that this involves budgeting, accounting, financial monitoring and financial advice (including work done by the Accountancy Team in respect of the Town Clerk's and Chief Executive's Departments);
- (e) The Treasury Management and the VAT Service;
- (f) Honorary Treasurerships across the Council.

These services all have the following theme:-

- (g) They are services of a strategic nature, supporting policy making in respect of either the Council's corporate finances or service matters;
- (h) They are heavily dependent on professionally qualified staff;

- (j) Specification of the required service generally involves a degree of subjectivity and high level definition (it is based on the expressed needs of Members, Directors and the Chief Financial Officer).

The Review will include the following services which are currently obtained externally:

- (k) The CIPFA / Price Waterhouse Companies Advisory Service (which provides advice in respect of our relationship with companies);
- (l) Sector Treasury Services (which provides advice on our treasury management strategy);
- (m) External Fund Managers (who invest funds on our behalf);
- (n) The VAT Advisory Service (who provide specialist advice on the more complex VAT issues which arise from time to time).

(ii) Areas Excluded from the Scope

The following services are not included in the scope of the review and will be included in the Review of Operational Finance scheduled for 2002/3:

- (a) Payment of creditors and debtors - A whole system approach is envisaged, which will encompass the work carried out in direct service teams, departmental finance teams and central financial services;
- (b) Payroll - As above, a whole system review will be carried out;
- (c) The control and support team (which controls day to day financial processing);
- (d) The bulk banking service (which bank cash received from establishment's citywide);
- (e) The work of the FMIS team to the extent that this involves support to debtors, creditors and payroll systems;
- (f) Insurance and risk management.

These services all have the following theme:

- (g) They are essentially bulk transactional processes and services which support these;
- (h) They are heavily dependent on good quality IT systems;
- (j) Specification of the service required can generally be established on objective grounds and the services lend themselves more readily to objective performance measures.

Audit and Local Taxation Services are being reviewed as part of separate Best Value themes.

4 FINANCIAL AND LEGAL IMPLICATIONS

The total cost of the services subject to review is £2.3 million

5 EQUALITIES

The main equality issues in the review relate to recruitment, training and retention of staff. The review will consider these equality issues and improvement plans will address any needs identified.

6 SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS

The review will evaluate, where appropriate, the use of Information and Communications Technology.

REPORT AUTHOR/OFFICERS TO CONTACT

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Geoff Payne	Review Facilitator

APPENDIX 1

BEST VALUE REVIEW OF FINANCIAL MANAGEMENT

SCOPE

1. Strategic Links

- 1.1 Being a support service, financial management indirectly contributes to all strategic plans and community plan priorities by optimising financial resources and promoting the good financial management of the Authority. The service directly contributes to 2 key resource strategies (revenue and capital) for which we take the lead role in development and implementation.

2. Purpose

- 2.1 The purpose of the service being reviewed is to provide financial advice to support strategic and departmental decision making; and to provide specialist financial support services to the Authority. The latter includes:

- (a) preparation of accounts;
- (b) compilation of grant claims and statistical returns;
- (c) financial planning and monitoring;
- (d) treasury management services.

- 2.2 The nature of the service provided is such that the 2 aspects (advisory and support services) are complementary.

- 2.3 The total cost of the services subject to the review is £2.3m.

- 2.4 Services subject to the review have a direct impact on schools in respect of budget allocation, challenge and financial support; and include the bursar service which some schools purchase from the Education Department on a traded basis.

3. Services to be Included

- 3.1 The Review will include the Council's budgeting, accounting, financial planning and financial advice services.

- 3.2 The following sections/activities will be included. All the services are in the Town Clerk's & Corporate Resources Department, unless otherwise indicated:

- (a) The Financial Strategy Section;
- (b) The Corporate Accountancy functions of the Accountancy Team;
- (c) The FMIS Team, excluding work which is part of the maintenance of the Council's creditors/debtors/payroll systems;
- (d) The work of Departmental Finance Teams, to the extent that this involves budgeting, accounting, financial monitoring and financial advice (including work done by the Accountancy Team in respect of the Town Clerk's and Chief Executive's Departments);
- (e) The Treasury Management and the VAT Service;
- (f) Honorary Treasurerships across the Council (these are the service's only direct point of contact with the voluntary sector).

3.3 These services all have the following theme:-

- (a) They are services of a strategic nature, supporting policy making in respect of either the Council's corporate finances or service matters;
- (b) They are heavily dependent on professionally qualified staff;
- (c) Specification of the required service generally involves a degree of subjectivity and high level definition (it is based on the expressed needs of Members, Directors and the Chief Financial Officer).

3.4 The Review will include the following services which are currently obtained externally:

- (a) The CIPFA/Pricewaterhouse Companies Advisory Service (which provides advice in respect of our relationship with companies);
- (b) Sector Treasury Services (which provides advice on our treasury management strategy);
- (c) External Fund Managers (who invest funds on our behalf);
- (d) The VAT Advisory Service (who provide specialist advice on the more complex VAT issues which arise from time to time).

3.5 To put the above into context, the following services are not included in the scope of the review and will be included in the Review of Operational Finance scheduled for 2002/3:

- (a) Payment of creditors and debtors - A whole system approach is envisaged, which will encompass the work carried out in direct service teams, departmental finance teams and central financial services;
- (b) Payroll - As above, a whole system review will be carried out;
- (c) The control and support team (which controls day to day financial processing);
- (d) The bulk banking service (which banks cash received from establishments city-wide);
- (e) The work of the FMIS team to the extent that this involves support to debtors, creditors and payroll systems;
- (f) Insurance and risk management.

3.6 These services all have the following theme:

- (a) They are essentially bulk transactional processes and services which support these;
- (b) They are heavily dependent on good quality IT systems;
- (c) Specification of the service required can generally be established on objective grounds and the services lend themselves more readily to objective performance measures.

3.7 Audit and Local Taxation Services are being reviewed as part of separate Best Value themes.

4. Questions to be Asked as Part of the Review

4.1 The review will be structured in a way which prevents work being done which could become abortive as a consequence of the neighbourhood management review.

4.2 Much of the review will be based on staffing issues, given the dependence of the service on staffing.

4.3 The following activity will be carried out:

- (a) A review of activities to determine which should and which should not be carried out;

- (b) Whether the Council's financial management services meet current and foreseeable future needs of the Council; in particular, this will include:
- Comparison of the cost of the individual services with that of similar authorities;
 - Review of our staffing complement compared to comparator authorities;
 - Identification of criteria by which our performance can be judged, and comparison of such measures with comparator authorities;
 - A review of the skills mix used to deliver the service, the extent to which the Council is effective at recruiting and training the right calibre of staff to deliver the service, and the extent to which our recruitment and training processes effectively deliver equality of opportunity in employment;
 - Capacity to carry out unforeseen tasks.
- (c) How ICT can be used to improve the quality of decisions made (the continued existence of FMIS will be taken as a "given" due to previous review work in this area);
- (d) A review of Council financial policies, to the extent that this is pertinent to the review (ie to the extent that they impact the way the service is delivered). It is not intended to review policies in respect of financial administration (eg procurement, paying for goods and services) as these are matters for other reviews (follow up to the procurement Best Value review and the operational finance Best Value review);
- (e) A review of the most effective means of delivering the service, including examination of structural issues and outsourcing options. To ensure this work does not conflict with the review of neighbourhood management:
- initial work will be done to examine alternatives, including the market for providing such services;
 - a more detailed examination of whether the current structure/means of service delivery should be changed to meet the Council's forecast needs will be undertaken as part and parcel of the neighbourhood management review;

- if it becomes clear that the neighbourhood management review will not require a re-appraisal of the way financial services are provided to the Authority, the above work will then proceed anyway.

4.4 The review will seek to avoid pre-empting the operational finance review, and ensure any appropriate links are drawn with follow up action arising from the procurement review which took place in 2000/01.

5. Stakeholders

5.1 These are identified as:-

- (a) Elected Members, particularly the Cabinet and Scrutiny Committees;
- (b) Council Departments;
- (c) The Chief Financial Officer in his S151 capacity;
- (d) Organisations receiving honorary treasurership services and bodies for whom we act as accountable body;
- (e) The District Auditor;
- (f) Schools.

5.2 Views of stakeholders on the services will be sought as part of the review, and stakeholders will be consulted as the review progresses.

5.3 Whilst the general public is not a direct stakeholder in the services being reviewed, consultation does take place with both electors and business ratepayers as part of the budget planning/strategy process. The effectiveness of these means of consulting the public will be evaluated as part of the review (as it has a direct bearing on the way the Council's finances are managed).

6. Independent Element

6.1 Independent support to the review will be obtained from one or more of the following sources:

- (a) Stoke City Council (who are undertaking a similar review to ours, and for whom we have agreed to act as independent consultees);
- (b) The PriceWaterhouseCoopers Companies Advisory Service, who have past experience of supporting such reviews (we will not, of course, use them to support review of services we obtain from them);
- (c) A private sector finance specialist.

7. The 4 Cs

7.1 It is worth considering initially how the review might address the 4 Cs.

- (a) Challenge is a clear part of the review, although it is noted from the outset that many of the functions are required by law or support the strategic management of the Council.
- (b) Consultation will be largely limited to internal stakeholders.
- (c) Comparison with others is a vital part of the review.
- (d) Competition will be considered both in advance of and in tandem with the neighbourhood management review.

8. Equalities

8.1 The main equalities issue in the review relates to recruitment, training and retention of staff. This is dealt with in paragraph 4.3 above.

9. Lead Officer/Review Group

9.1 Graham Feek will be the lead officer for the review.

9.2 A small group, including workforce representation, will monitor progress from time to time. The trade unions have expressed a preference for using this mechanism as a means of gauging workforce opinion as the review progresses.

10. Costs of the Review

10.1 Whilst, as far as possible, the review will be carried out using existing resources, primarily from the Financial Strategy section and drawing from other Heads of Finance in relation to certain tasks, it is estimated

that additional support will be required to support the review. It is estimated that this will amount to ½ PO1 post for 5 months, estimated at £11,000, including associated on-costs.

11. Consultation

11.1 Consultation on this scope has taken place with:

- (a) Staff and staff representatives;
- (b) Heads of Finance Group;
- (c) Strategic Resources Group;
- (d) Directors' Board.
- (e) The Director responsible for "challenge"

11.2 Significant revisions have been made to the scope as a consequence of these consultations.

Mark Noble
Chief Financial Officer
16 February 2001