

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	27 October 2009
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Best Value Review - Accounting and Budgeting
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise on the process followed and the key outcomes/recommendations of the recently conducted Best Value Service Review (BVSR) of the Accounting and Budgeting Section.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the key findings of the Accounting and Budgeting Best Value Service Review be noted (as outlined in section 8);
- (2) that the proposed Improvement Plan recommendations as contained in Appendix 2 be adopted as a basis for future improvements to service delivery.

3. Background

- 3.1. The review of Accounting and Budgeting is being undertaken as part of the Council's Best Value programme for 2009/10. The recent National Diagnostics project also highlighted the Council's Financial Management as an area of focus and it was anticipated that the Accounting and Budgeting review would assist in progressing this agenda.
- 3.2. An issue underpinning the entire review is the financial situation facing the Council over the next few years and the central, critical role of the finance function in addressing this challenge. Commenting on the Growth Prospects and Budget Options for the Scottish Government's budget, the Centre for Public Policy for Regions has noted "*the ability, expertise and capacity of Finance Departments to identify and help introduce the necessary efficiencies and reform*". The future focus for the finance function is to lead in formulating a robust financial strategy and thereafter, the monitoring and governance of the financial position as the Council reshapes its structure and develops its priorities.
- 3.3. Further, the introduction of the International Financial Accounting Standards (IFRS) and the fundamental technical changes to the accounting requirements on the Council, will continue to place a burden on the Finance Function for the next 2 years. Accounting and Budgeting have a lead role to play in these developments.

- 3.4. Accounting and Budgeting is responsible for effectively and efficiently managing the financial affairs of South Lanarkshire Council through:
- Preparation of statutory annual accounts
 - Regular monitoring of actual expenditure against budget for revenue and capital
 - Preparation of the Council's revenue and capital budgets
 - Control and maintenance of the Financial Management System
 - Preparation for and attendance at Committee meetings
 - Completion of statutory financial and statistical returns
 - Provision of financial advice to Resources and Members of the Council
- 3.5. A previous service review was undertaken of Accounting and Budgeting in 2000. This review merged two accounting and budgeting teams into one thus removing one manager post, retaining two Adviser posts and streamlining the number of accountants posts into one per Resource and one for capital. In relation to staff numbers, this reduced the complement from 12 to 7.5. The review also established a Support Team to assist the accounting staff in their duties. This team was to be led by a Finance Officer and comprised 9.5 Finance Assistants. Finally, the Research function within Finance, previously managed by a separate Finance Manager, was to now report to the Accounting and Budgeting Manager generating efficiencies through turnover of staff at manager level.
- 3.6. In relation to the Support Team within Accounting and Budgeting, it is important to note the significant change in the staff numbers over the period since the last review and the fact that the service provided by the team has also changed markedly. This has been achieved through natural turnover of staff and reflects the advance in information technology (for example, introduction of the Income Management System), the level of efficiency developed by the team over the years and the transfer of 2 members of staff to Reception. Taking these factors into account, it was deemed appropriate that no further review of the Support Team was necessary. The Section Structure established at the time of the Service Review, amended to reflect the current establishment of the Support Team, is noted in Appendix 1. There has been no change to the establishment of Accountants/Advisers.
- 3.7. The current service delivery model for the Council's Financial Management involves a balance between centralisation and devolvement of elements of the function to Resource level. The Accounting and Budgeting function is maintained at the centre and takes the lead on the Council's financial accounting responsibilities. Accounting and Budgeting provide a strong central function by leading the co-ordination of the budget exercise and the submission of the Council's Statutory Annual Accounting obligations. In addition, the section holds a pivotal role in the Council's financial reporting and monitoring regime with all financial reporting to members being channelled through the section. In addition to this core function, Accounting and Budgeting performs a support function for Resources and works closely with each Resource's Finance Team. In turn, the Resources' Finance Teams are responsible for their devolved budgets and perform management accounting duties in support of their operational front line services.

- 3.8. As stated in 3.5. above, the Accounting and Budgeting section established in 2000 incorporated an element of the Research Function now encompassed within the Financial Performance section of Finance and IT Resources. The original scope of the Accounting and Budgeting Service Review was widened to cover the work of this section. A detailed account of the review work undertaken on the Financial Performance Section (comprising Research and Funding and Compliance) is available as a background paper to this report.
- 3.9. In the Review of the staffing requirements for both Accounting and Budgeting and Financial Performance, it is important to note that the complement of trainee accountants has not been included within the staffing structure. This omission is deliberate and reflects the fluctuation in the number and the level of experience of allocated trainees over the years and in no way diminishes the value of the work they carry out. It must be acknowledged that the work carried out by trainees must be balanced against the amount of Accountant time devoted to the training activities themselves and the level of supervision required.

4. Methodology / The Review Process

4.1. Scope of the Review

To determine the current quality and cost of the Accounting and Budgeting Section with a view to identifying improvements in the quality of the service and to improve customer satisfaction where appropriate.

4.2. Objectives of the Review

The objectives of the review were as follows:

- to review the Accounting and Budgeting function against the context of the Council's wider financial management structure and to ensure that best value is being obtained through the current arrangements.
- to examine and define the current method of delivering Accounting and Budgeting services across the Council with a view to improving the effectiveness of the service.
- This review will establish whether the service is delivered in an efficient, effective and economic manner and will go on to consider how the performance and contribution of the service might be improved and measured.
- As a support service, it will also be necessary to establish whether the service is meeting the needs of its stakeholders.

4.3. Review Methodology

At the core of Best Value is the idea that the Council should look at its services in the light of the "4Cs" – **challenge, consult, compete and compare**. The review was conducted according to the Best Value principles and the 4 C's with each of these stages being considered as part of the review:

- **Challenge** – Workshops were held with the main stakeholders to challenge the effectiveness of the current processes in relation to 2 of the main functions carried out on a routine basis (Revenue and Capital Monitoring). Central and Devolved Finance staff were involved with a view to identifying any duplication and highlighting areas for improvement.

- **Consultation** – all major stakeholders were consulted during the period of the review – section staff and client/customer Resources – regarding the nature, quality and relevance of the service provided as well as their role in meeting Council objectives.
- **Compete** – the practicability, costs and benefits of using alternative ways of delivering the Accounting and Budgeting service were considered by looking at alternative internal delivery models for the team as it stands given the information collated from other local authority structures. In addition, the potential for external delivery models, for example shared services or a unique provider, were examined.
- **Compare** – as noted above, the Council's provision of Accounting and Budgeting Services was compared with other local authorities to identify other structures and how they work. In addition, benchmarking data from similar sized Councils through the CIPFA Directors of Finance Performance Indicators.
- Review the findings of the National Diagnostic exercise which detailed 210 Full Time Equivalents within the Council responsible for Financial Management. It is proposed that this form a second phase of the exercise with the main focus being the role of these employees.

5. Business Process Mapping / Consultation

- 5.1. Business Process Mapping involves mapping processes that are completed on a routine basis. On examination of the 4 core functions of Accounting and Budgeting (budgeting, annual accounts, Government financial returns and routine monitoring of revenue and capital), the 4 weekly revenue and capital monitoring processes were ideal candidates for mapping with a view to identifying a leaner consistent approach across these activities. In order to achieve this best practice solution, an Improvement Plan has been drafted. This Improvement Plan is detailed in Appendix 2 to the report and identifies actions, timescales, lead officers and risks/issues. The main areas are summarised below:
- 5.2. Revenue Monitoring: In summary, the areas for improvement concentrate on standardising the approach to revenue monitoring across Resources. This standard approach will be implemented from ledger download to the publication of the Committee report and will benefit from a procedural guide which would be available to all parties. The benefits are simplicity of approach and limited duplication of keying.
- 5.3. Capital Monitoring : this is a much more complex area and one worthy of a longer term review and project plan. In general, concerns were raised regarding the functionality of the systems in place for monitoring capital projects – Oracle FMS and its links to Profess (Housing and Technical Resource's project management database) and the capital database maintained by Accounting and Budgeting. A longer term project is suggested within the Improvement Plan, to establish a new system of recording and monitoring making it accessible to all interested parties. In the short term, a uniform process to ensure information is passed from Housing and Technical Resources to Accounting and Budgeting is being formulated. This will ensure that all future paperwork used at each of the Capital Investment Meetings is streamlined and looks at the annual budget position but also the budgetary position over the whole project life.
- 5.4. Consultation exercises carried out during the course of the Review were completed in parallel : Accounting and Budgeting employees and client Resources. The

consultations focussed on roles and responsibilities, potential overlap in duties / duplication of tasks, communication, development opportunities and relationships.

- 5.5. In summary, the key findings of the consultation of Accounting and Budgeting employees are that the staff are committed to their role and demonstrate a high level of professionalism and flexibility with regard to service needs. There is a unique role currently being carried out by Finance and Resource staff. In terms of communication, Accounting and Budgeting staff felt that general awareness briefings were timeous and useful but that detailed Resource specific briefings could be introduced.
- 5.6. A key point raised in the consultation was the make-up of staff and the hours worked by professional accountants. Out of 7.5 Accountant posts, only 4 are filled by staff working a 35 hour week giving a total FTE of 6.5. This reduces the flexibility of the section to deal with any ad-hoc and corporate tasks. In light of the current economic climate, the efficiency agenda and the move towards addressing the expectations of the BV2 Audit, it is proposed that the remaining 1 FTE be filled on a temporary basis and used to deal with service demands in respect of the efficiency agenda, servicing members' seminars and a variety of ad-hoc corporate tasks including assisting in the implementation of IFRS.
- 5.7. From a Resource perspective, the key findings mirrored the key issues raised by the Business Process Mapping, as noted in 5.2. and 5.3. above. In addition, Resources acknowledged the technical assistance and knowledge held by Accounting and Budgeting staff but felt that from an operational perspective, they needed a greater awareness of Resource activities and issues and briefing sessions for staff were highlighted as potential areas of improvement.
- 5.8. Even more fundamental than the issues noted in 5.7. is the lack of recognition given to 2 of the core financial management functions of the Council – the budget strategy and the statutory year-end accounting obligations. As two of the core pieces of Council financial business, the link between Resources and central Finance was expected to be stronger and a greater understanding of the processes co-ordinated and controlled by Accounting and Budgeting was anticipated. However, this was not demonstrated. With regard to the Revenue Budget monitoring process itself, as noted in 5.2. issues raised were about timescales and variance thresholds however, questions were also asked about the level of value added by the core function in Accounting and Budgeting. This highlighted a lack of understanding of the Council process and how financial issues/pressures are dealt with at a corporate level.
- 5.9. The areas for improvement resulting from the Consultation are detailed on the Improvement Plan (Appendix 2).

6. Options Appraisal – Alternative Models of Service Delivery

- 6.1. In order to compare and consider each of the potential options available in relation to service delivery, a full options appraisal was carried out. The options under review were:
- Retain the Existing Service Delivery Model – retain current structure
 - Reconfigure the Existing Service Delivery Model – restructure into teams
 - Outsource
 - Shared Service

- 6.2. The options appraisal focused on the work and functions of the Accounting and Budgeting Section with the detailed methodology available on request. A summary of the findings and outcome of the options appraisal is noted below.
- 6.3. **Option 1 - Retain the Existing Service Delivery Model**
Looking at the current service delivery model, and taking into account the realignment of accounting posts (5.6. above), the level of service provision and cost should be taken as the base against which the other models should be considered.
- 6.3.1. Looking at both quantitative information collated, as a measure of comparison, the Council's current Accounting and Budgeting provision is efficient as the costs of SLC are in line with or below those of equivalent Councils which have both been subject to recent service reviews. This is supported by information taken from the last Director of Finance Performance Indicators which shows that SLC has less than the Scottish average number of qualified accountants serving their Accountancy function at a cost again less than the Scottish average. These qualified staff allow the maintenance of an effective service delivery mechanism which has ensured clean audit certificates since the Council's inception, a revenue budget underspend for the same period and sustained timely submission of statutory revenue budgetary returns (including Local Financial Returns, Rating Review information and POBE returns).
- 6.3.2. There is no risk, financial or otherwise, associated with this option. The performance data supplied shows, as a measure of comparison, that Accounting and Budgeting provides an efficient and effective service.
- 6.4. **Option 2 – Reconfigure the Existing Service Delivery Model – restructure into teams**
An alternative to the current service delivery model employed within Accounting and Budgeting would be to re-organise the section into teams, one each dealing with Revenue and Capital specifically with an added group who would concentrate on technical issues, year-end accounting and Government Returns.
- 6.4.1. Taking into account the current tasks of the section, it is unlikely that any realignment would result in savings – there would be no economies of scale achieved and therefore no change to costs incurred.
- 6.4.2. There are risks with this option, the main one being that no individual accountant would be responsible for the overall financial management of the Resource. As Resources often have segregated duties regarding Revenue and Capital, there is the financial risk that the overall Resource position is not realised.
- 6.5. **Option 3 – Outsource**
In order to establish options for outsourcing the core financial management function of the Council, discussions were held with representatives from the Council's own external auditor, PricewaterhouseCoopers LLP and the Local Government Association. These discussions failed to identify any public sector bodies, either in Scotland or UK-wide, who currently service their corporate finance function through an outside contractor. From a theoretical operational perspective, the lack of externally provided services assists in securing the view that internal provision is the favoured approach – it is anticipated that there would be many risks which would require thorough mitigation before/during implementation while the offset would be minimal in respect of business benefit achieved.
- 6.5.1. The main risk requiring mitigation would be the financial risk inherent when an arms length organisation held responsibility for a core corporate function.

6.6. **Option 4 – Shared Service**

There are several possible Shared Service models that can be adopted – offering a shared service to other Councils, using another Council's services, participating in a joint venture or the review of the potential for internal shared services delivery mechanisms.

- 6.6.1. The costs of providing a shared service have not been calculated as part of this review as many factors have to be taken into consideration, including the scope of the service to be provided. The core functions of the accountancy service would still require to be carried out by any delivery model and as such, the savings would likely be achieved at managerial level as opposed to the accountant grade. Frameworks for shared services are being developed by the Clyde Valley project (Clyde Valley Review of Joint Working and Shared Services). The current project is looking at *reviewing and identifying strategic options for the development of successful joint working initiatives and shared services models that will deliver efficiency savings whilst maintaining service quality and performance*. This project may facilitate the development of shared services in the future, but not at present.
- 6.6.2. In relation to the option of internal shared service delivery models, Glasgow City Council have embarked on a programme of rationalising their own internal functions for example, looking at the number and complexity of the financial systems they operate. From a South Lanarkshire perspective, this approach will be applied to the next stage of the review process whereby we will look at the potential for a shared service delivery model for Financial Management across the Council.
- 6.6.3. The principle risks with this option are service dilution whereby providing services to more than one organisation may dilute the strong level of accountability displayed at present and valued by elected members. In addition, similar to Outsourcing above, the lack of local knowledge may, initially result in a drop in user satisfaction and again, a financial risk.

6.7. **Key Recommendations of Options Appraisal**

Appraising the qualitative information and the costing details noted above, Option 1 – Retain the Existing Service is the most appropriate choice for SLC at this time. It offers comparable value for money to its nearest equivalent service providers, delivers an effective service and holds by far the least risk to service delivery and the lowest financial risk. At this point, it is necessary to consider the alternatives to the internal structure currently utilised using the feedback received from the process mapping and consultation exercises.

7. **Financial Performance Section**

- 7.1. Prior to the current financial year, the Financial Performance section within Finance Services comprised 9 posts: a manager; two advisor posts; and 6 other staff posts. The functions of the section at present, can be split into two elements, Research and Funding and Compliance. For the period to end December 2008, in addition to the activities above, the section also had corporate responsibility for the co-ordination of Best Value activity. On completion of the Audit of Best Value and Community Planning, this responsibility moved to the Corporate Improvement Unit. In addition to this movement in responsibility, the post of Financial Performance Manager also transferred.

7.2. Research

- 7.2.1. There is a requirement for Finance Services to deliver a research capability, to provide the Executive Director with assurance that the Resource is capable of identifying and reacting to complex issues which may arise in a constantly evolving financial environment. This will involve: examination of financial settlements; input to distribution and spending reviews; compliance with accounting standards and legislation. The ability of the Research function to effectively deliver this capability has been a source of concern to the Executive Director and Head of Finance for a period of time, however it is recognised that there is a definite requirement for this function within the Service.
- 7.2.2. Other Councils questioned maintain similar research capabilities, although there are different approaches in terms of reporting lines. For example, one Council manages the research function through corporate finance (Treasury Management and VAT), while another links research through its accounting function.
- 7.2.3. A logical step, given the close associations in terms of budget and spend data, is to hold the Research function within the Accounting and Budgeting team, with a reporting line through the Manager of that section. This would enable the synergies which exist between the Accounting and Budgeting and Research functions to be capitalised upon. Improvements identified through the process of review, centre around refinement of the performance indicator processes (improved communication with Audit Scotland and internal Council communications), improvements to timescales for section planning and for budget consultation.
- 7.2.4. Key Recommendation: it is proposed that the Research function be located within Accounting and Budgeting.

7.3. Funding and Compliance

- 7.3.1. The Funding and Compliance function provides an assurance that external grant funding which the Council claims, is being used for the purposes for which the grant award was made. The verification of compliance which is thereby provided to the Executive Director of Finance and IT, gives assurance that the risk of the Council having to repay erroneously claimed grant, is minimised. Repayment of mis-claimed grant is an area which had proved problematic to the Council in the past and was the key reason behind the inclusion of Funding and Compliance within the Financial Performance section on its establishment in 2001. In addition the function provides financial and operational data to project managers to facilitate the management of projects.
- 7.3.2. Key recommendations: it is proposed that Funding and Compliance be included within the Accounting and Budgeting Section of Finance Services. In addition to this relocation, further work on specific aspects of the Section's activity will be carried out between September and December 2009. The purpose of this additional work is to identify the scope to secure further efficiencies from the function through detailed examination of activities undertaken and the extent to which they are carried out. This additional work overlaps with the corporate examination of Non-Core activities.

7.3.3. The additional programme of work to be carried out in relation to the Funding and Compliance function, will cover the following areas:

- Risk Management approach to Compliance Activity
- Management Role of Funding and Compliance
- Review of areas of duplication
- Use of Trainee Accountants

A detailed action plan giving a description of the work in each area, the officers involved and the timescales is included in Appendix 4 to the report.

7.4. Both the Research and Funding and Compliance functions will be overseen by the Finance Advisor post transferring from Financial Performance. The 2 Funding and Compliance Officer (Grade 3) posts, the Administrative Assistant/Research (Grade 2), and trainee accountants assigned to the section, will report to the Finance Advisor. The Finance Advisor will in turn report to the Accounting and Budgeting Manager. This change to reporting line acknowledges the removal of the Finance Manager (Financial Performance) post from the Resource structure. The Funding and Compliance assistants (2 posts, Grade 2), will report to one of the Funding and Compliance Officers. The positions within the structure which are currently vacant, (Finance Advisor and Officer (Accountant/Best Value), will be recognized as savings.

This should be viewed as an interim solution for the Funding and Compliance function.

7.5. Through implementation of this structure, a saving of £61,374 (basic salary, excluding on-costs) can be achieved, in comparison to the current employee costs budget for the Financial Performance Section. This saving is made up of 1 Finance Advisor Post (Grade 4/ scp 88, at 25 hours per week), and 1 Officer (Accountant /Best Value) post (Grade 3/ scp 72). These posts are at present vacant. Once the employee costs and other elements of the Financial Performance budget are taken into account, the overall level of saving is increased to £0.088m.

8. Key Recommendations / Improvement Plan – Next Steps

8.1. The main conclusions reached through the work of the Best Value Service Review of Accounting and Budgeting are detailed below:

- Accounting and Budgeting carry out a core function in terms of the corporate financial management of the Council. It is acknowledged through PIs and Options Appraisal, that this function is appropriately carried out centrally and this is a structure which should be built upon by ensuring understanding/co-operation across Resources (section 6).
- The consultation and the Business Process Mapping identified areas of improvement for consideration and these have formed the basis of an Improvement Plan which should assist in streamlining processes in relation to Revenue and Capital Monitoring over the short to medium term (section 5).

- After consideration of business need, the Research and the Funding and Compliance Functions of the former Financial Performance Section should be included under the umbrella of Accounting and Budgeting (7.2.4. and 7.3.2.). respectively). A further programme of work will be completed over the period September to December 2009 which will review the work of the Funding and Compliance section (7.3.3.) and the interim structure implemented within Accounting and Budgeting. The interim structure of Accounting and Budgeting is set out in Appendix 4 incorporating Research and Funding and Compliance.
- Generally, the Review confirms the need for a further review of how the Council's financial management is carried out at a Resource level – this was initially highlighted through evidence gathered in the National Diagnostic Exercise carried out in 2008 which pointed to marked differences in levels of staffing across the Resource Finance teams (through the results of the Value Chain Analysis).

8.2. The next step is to ensure implementation of the Improvement Plan as detailed in Appendix 2. In addition, a second phase of the Review will examine the findings of the National Diagnostic Exercise through analysis of the work carried out by Resource Finance teams and consideration of the Financial Management function across the Council.

8.3. The National Diagnostic high level business case for a Finance services Review, outlined the following vision:

To ensure that the Council's Financial Management services provides best value in terms of efficient, effective and prudent use of skills and resources, whilst meeting the needs of operational managers. To ensure that Finance Services are delivered via a service delivery model which assures an appropriate balance between the quality of service provided to stakeholders and the cost of that service.

8.4. A proposed remit for the second phase of the review is attached in Appendix 5 and in summary the key focus will be on:

- a standardised model for financial management across the Council.
- consideration will be given to the overall structure for financial management within the Council.
- a 'Best tasks' approach: are we using accountants within activities which do not actually require their professional skill set?
- an examination of the Value Chain Analysis work done under the National Diagnostic exercise.

9. Employee Implications

9.1. Accounting and Budgeting

The main staffing change within the Accounting and Budgeting Team is with regard to the establishment of a post in recent months which will deal with tasks of a corporate nature, servicing members' seminars and assisting with the efficiency agenda (5.6.). This post has been managed through the current establishment due to the number of professional accounting staff working reduced hours and altered working patterns.

9.2. Research / Funding and Compliance

Section 7 of the report highlights the move of the Research and Funding and Compliance functions of Financial Performance to Accounting and Budgeting. The interim solution proposed is that all staff within the current structure transfer to Accounting and Budgeting. The positions within the structure which are currently vacant, (Finance Advisor and Officer (Accountant/Best Value)), will be recognized as savings.

10. Financial Implications

10.1. As noted in 7.5. above, a saving of £0.088m can be realised. In addition, taking into account the non-filling of the Financial Performance Manager post within Finance and IT Resources, this figure can be increased by £0.060m.

11. Other Implications

11.1. None.

12. Equality Impact Assessment and Consultation Arrangements

12.1. This report has been screened for any policy implications in respect of Equality Impact Assessment. There is no requirement to carry out an impact assessment in respect of the proposals contained within this report.

12.2. In terms of consultation, a Unison representative was fully involved in all aspects of the review.

Linda Hardie

Executive Director (Finance and Information Technology Resources)

25 August 2009

Link(s) to Council Values and Objectives

♦ Values: Accountable, efficient and effective

Previous References

1 July 2008 Finance and Information Technology Resources Committee

List of Background Papers

- ♦ Consultation Documentation – from Sections and Resources
- ♦ Business Process Maps – Revenue and Capital Monitoring
- ♦ Directors of Finance PIs 2007/08 and Accountancy Benchmark Club 2008 – Statistics (Chartered Institute of Public Finance and Accountancy)
- ♦ Financial Performance Section – detailed review paper
- ♦ Detailed Improvement Plan resulting from Review

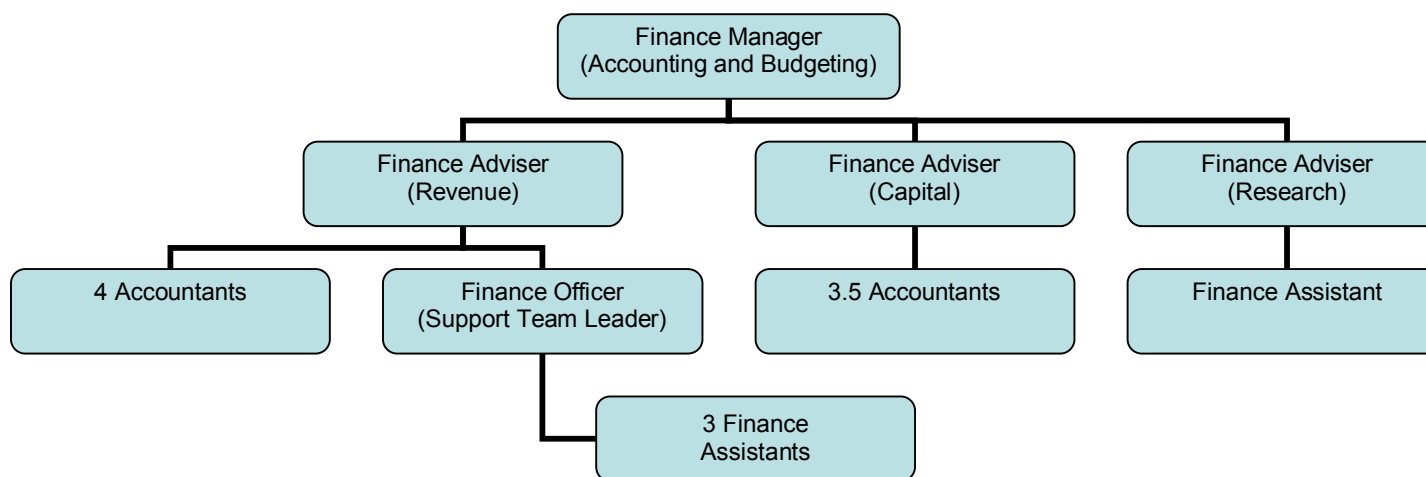
Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Lorraine O'Hagan, Accounting and Budgeting Manager

Ext: 4617 (Tel: 01698 454617)

E-mail: lorraine.o'hagan@southlanarkshire.gov.uk



The diagram above represents the current structure in operation within Accounting and Budgeting (August 2009).

Since the last Best Value Service Review in 2000, the Support Team reporting to the Finance Officer has reduced from 9.5 to 3 FTEs. This has been achieved through natural turnover of staff and reflects the increased use of technology and the transfer of the Reception Function to Directorate (2 posts).

Best Value Review of Accounting and Budgeting

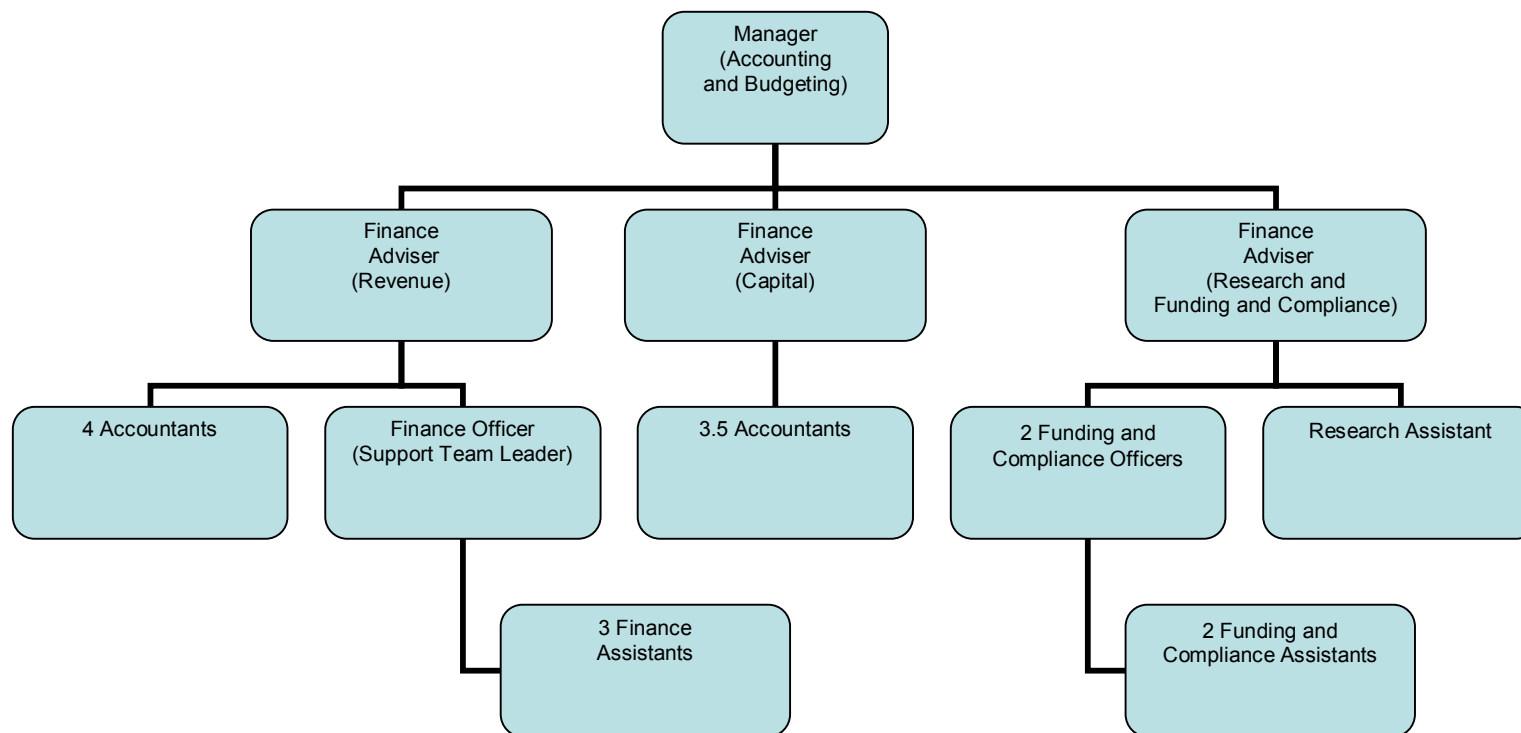
Appendix 2

IMPROVEMENT PLAN

ID	Process	Improvement Action	Outcome	Additional Comment	Affects	Priority	Start Date	End Date	Lead Officer	Risk and Issues
REVENUE MONITORING										
ABREV001	Revenue	Implement Trends Feed into Rev Mon Files across all Resources.	Reduce duplication of keying tasks.	Consultation identified different practices.	A&B and all Resources.	High	1 September 2009	-	Finance Adviser (Revenue)	-
ABREV002	Revenue	Investigate the full functionality of Oracle identifying reports available to all Resources.	To share good practice across all Resources.	Process Mapping identified benefits of group work.	A&B and all Resources.	Medium	October 2009	-	Finance Adviser (Revenue)	-
ABREV003	Revenue	Implement user forum to establish Good Practice.	To share good practice across all Resources.	As above.	A&B and all Resources.	Medium	October 2009	-	Finance Adviser (Revenue)	-
CAPITAL MONITORING										
ABCAP001	Capital	Implement common approach to issuing paperwork to all Investment Management meetings : H&T info to Finance then consolidate and pass to Resources.	Reduce duplication of paperwork – all relevant information on one schedule.	-	A&B and H&T Resources.	High	1 September 2009	9 October 2009	Finance Adviser (Capital)	-
ABCAP002	Capital	Investigate the functionality within ORACLE and review against the PROFESS system – can there be a direct feed?	Ascertain the areas that can be improved to ensure the systems are used to their full potential	Consultation and Process Mapping identified need for streamlining / review	Accountants, Resources and Finance Systems Dev. / IT	Medium	1 September 2009	31 November 2009	Finance Adviser (Capital)	Time spent outweighs benefit

ID	Process	Improvement Action	Outcome	Additional Comment	Affects	Priority	Start Date	End Date	Lead Officer	Risk and Issues
ABCAP003	Capital	Provide read only access to PROFESS for Resources and A&B	Improved knowledge of the projects	-	Accountants/ Resources / Finance Systems Dev / IT	Medium	1 September 2009	31 November 2009	Finance Adviser (Capital)	Access not available due to IT Technical difficulties
ABCAP004	Capital	Consideration given to monitoring the budget over the whole life of the project	Information could be broken down into financial years based on phasing	Proposed introduction of quarterly statement on all major projects - >£1m	Accountants and Resources	Medium	Work commenced June 2009, first report to Officers Monitoring Group in October 2009	31 October 2009	Capital Accountant	Identification of potential overspends earlier to allow for corrective action
ABCAP005	Capital	Longer term review of the systems used to monitoring the capital programme – one system holding all information centrally – rather than feeds.	All information held in the one place – and accessed as a matter of course by FIT and H&T staff.	-	Accountants and Resources	Medium	Identified as an addition to the Finance Systems Dev and IT Section Planning Processes – 2010/11.	End 2010/11	Finance Adviser (Capital)	Costs of system could prevent work. Other priorities.
RESEARCH										
RES01	Research	Implement timescales for returning explanations for Finance Function PI report.	Increase awareness of impact of non compliance and encourage improvement to performance measures.	-	Research and Resources	Medium	Next reporting cycle		Finance Adviser (Research)	-
RES02	Research	Improved communication of deadlines to all involved in the return of information for the Finance Function PI report.	Increase awareness of impact of non compliance and encourage improvement to performance measures.	-	Research and Resources	Medium	Next reporting cycle		Finance Adviser (Research)	-

[illegible]



The diagram above represents the interim proposed structure for Accounting and Budgeting (including Research and Funding and Compliance).

Appendix 4

Funding and Compliance – Programme of Work September to December 2009

Area	Description of Work to be carried out	Staff Members to be Involved (In addition to Funding and Compliance Staff)	Timescale
Risk Management approach to Compliance Activity	Review of the Funding and Compliance workload and approach to assess the benefit achievable from implementing a risk management approach. This will include review against the requirements of grant awarding bodies.	<ul style="list-style-type: none"> Accounting and Budgeting Manager Risk and Audit Manager Enterprise Resources (Regeneration Services) 	September - December 2009
Management Role of Funding and Compliance	Review of workload carried out for client groups and Resources, including interviews with clients.	<ul style="list-style-type: none"> Accounting and Budgeting Manager Personnel Services Enterprise Resources (Regeneration Services) 	September - December 2009
Review of areas of duplication	This will focus on documentation produced by the section and on the training strategy pursued.	<ul style="list-style-type: none"> Accounting and Budgeting Manager Personnel Services Enterprise Resources (Regeneration Services) 	November 2009
Use of Trainee Accountants	The role of trainee accountants within the section in terms of training and development input and workload covered will be reviewed.	<ul style="list-style-type: none"> Accounting and Budgeting Manager Personnel Services 	November 2009

National Diagnostic Project – Finance

Remit for Review of the Finance Function across South Lanarkshire Council

1. Introduction

The National Diagnostic high level business case for a Finance services Review, outlined the following vision:

To ensure that the Council's Financial Management services provides best value in terms of efficient, effective and prudent use of skills and resources, whilst meeting the needs of operational managers. To ensure that Finance Services are delivered via a service delivery model which assures an appropriate balance between the quality of service provided to stakeholders and the cost of that service.

In seeking to secure this vision, the diagnostic review proposed that the Best Value Review of Accounting and Budgeting be extended into a second phase, to address the Council wide finance function. The first phase of the review demonstrated that Accounting and Budgeting provided a strong core to the Council wide finance function. A proposed remit for the second phase of the review is laid out in this paper.

An issue which will underpin the entire review, is the financial situation which will face the Council over the next few years and the critical role of the finance function in addressing this. If we are to face these challenges successfully, then we require the best possible solution for financial management across the council

2. Review Methodology

The review's primary stream of work should be the examination of a standardised model for financial management across the Council. Using the approach developed for the management structure diagnostic exercise, a template will be developed identifying a 'preferred structure' for support services within a Resource. This preferred structure would be based on a best practice model, taking into account the requirement to demonstrate efficiency.

In parallel with this, consideration will be given to the overall structure for financial management within the Council. This will include an assessment of the suitability of the current structure in the light of a deteriorating financial climate and the consideration of a centralised model of financial management within the Council.

The review will encompass a 'Best tasks' approach: are we using accountants within activities which do not actually require their professional skill set? This would involve time analysis of the work of qualified staff. Conversely the review will also examine skills or activities which should be evident within accounting teams: eg technical management and cost accounting skills.

Part of the workstreams outlined above will be an examination of the Value Chain Analysis work done under the National Diagnostic exercise. This identified the time spent by individual members of staff on finance activity, concluding that a total of 210 full time equivalents are spent on these tasks. The data available should be examined in specified areas, to identify whether the facts support such a strong identification against finance activity: examples have already arisen of significant levels of time being attributed to finance activity which have subsequently proved unsubstantiated. There is likely to be overlap in this work with the review of clerical and administrative activity.

3. Scope of the Review

The review should cover financial management across the Council. This would cover budgeting, financial accounting and management accounting activities.

The review should also tackle key areas of interest under the diagnostic as identified at 2.4, above. These areas will include: Accounts payable; Payroll functions; and possibly audit and quality assurance functions. In the case of payroll (and potentially other functions) there is a risk of overlap with the diagnostic review of clerical and administrative staff. Consideration will have to be given to this in the management of both reviews.

The review will not cover Procurement (already addressed); funding and compliance (being addressed through an ongoing programme of work); or systems development within Finance and IT, given that this issue applies only to one Resource.

4. Issues for Consideration

A factor which must be taken into consideration in conducting the review is the changing shape of the organisation: what the finance function will eventually be serving is likely to be radically different to the organisation we currently work within. There is also the dimension of 'successfully financially managing a downsizing' and the risks involved in this which have to be taken into account. Tools available, such as developments to financial system reporting capabilities, should be considered.

An issue identified within the first phase of review (Accounting and Budgeting Review), which could be considered further, is that of a shared services model. Is there a logic for a model of service delivery which is closer to those we have put in place for IT and Procurement?

5. Governance Arrangements

The review will be led by a review group chaired by the Executive Director (Finance and IT Resources) and comprising the Resource Heads of Support Service.

6. Timescale

The review will be carried out over a time period of 6 months between September 2009 and March 2010. A detailed timetable covering specific tasks will be produced in due course.
