

**REPORT TO: FINANCE COMMITTEE - 26 JUNE 2006**

**REPORT ON: FINANCE GENERAL SERVICE PLAN 2003-2007 - PERFORMANCE REPORT FOR 2005/2006**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 277-2006**

## **1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to advise the Committee of the performance for 2005/2006 against the performance indicators in the Finance General Service Plan 2003-2007 approved by the Finance Committee on 12 January 2004.

## **2 RECOMMENDATIONS**

- 2.1 That the Committee notes the progress in 2005/2006 towards the performance targets set for each service in the Finance General Service Plan 2003-2007.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 All initiatives introduced to improve performance will be contained within Finance General's Revenue Budget for 2006/2007.

## **4 LOCAL AGENDA 21 IMPLICATIONS**

- 4.1 There are no direct Local Agenda 21 implications.

## **5 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 There are no direct equal opportunity implications.

## **6 BACKGROUND**

- 6.1 The Council's Best Value submission to the Scottish Executive on Public Performance Reporting requires an annual report by all departments on the performance indicators in their Service Plans.

- 6.2 The Finance General Service Plan 2003-2007 approved by the Finance Committee on 12 January 2004 indicated performance reporting requirements would be met mainly by an annual report to the Finance Committee.

## **7 PERFORMANCE INFORMATION 2005/2006 - BALANCED SCORECARD**

- 7.1 The department has adopted the Balanced Scorecard approach to measuring its performance. This approach is derived from the European Foundation of Quality Management system of performance measurement and is particularly useful in measuring the performance of the Finance function.

## 7.2 **Organisational Development Perspective**

This is the grouping of People Satisfaction Indicators. The department has made steady progress in this area by participating in the SHAW scheme and achieving the Bronze Award. The department's next target is the Silver Award and it is now planning to obtain the Investors in People Award. Progress in this area is measured by monitoring the indicators under Organisational Development in Appendix 1.

The department notes that its sickness levels and staff turnover ratios are significantly below the Council average indicative of high performance regarding People Satisfaction issues.

## 7.3 **Financial Perspective**

This equates to the Key Results of the department as measured by the Headline Performance Indicators in Appendix 2. The department has achieved most of its targets in this area with particular attention drawn to the following:-

### 7.3.1 **Accounting Services**

Virtually all targets were met. Key issues such as the Council receiving an unqualified audit certificate and the accounts being prepared on time were achieved. The External Auditors Report to Members included two recommendations only in their Action Plan which have now been implemented. The Council's Performance Report continues to be published on time in a user friendly format.

### 7.3.2 **Internal Audit**

Cost of audit as a percentage of the Council's total employee costs continues to rise towards an optimum level to provide internal audit coverage for the departments of the Council and third parties with whom the function has a service level contract. Productivity within the section has continued to rise and the actual productive hours contained within the Audit Plan were allocated in full.

### 7.3.3 **Insurance and Risk Management Services**

The Risk Management Section provides Insurance and Risk Management Services to all Dundee City Council Departments and a diverse range of Public Sector bodies throughout Tayside. Actual performance was below or approximately on target for all performance categories. The reduction in self-insured costs and a better than budgeted premium rebate for good claims record has given rise to savings of around £750,000.

### 7.3.4 **Treasury Management Services**

In 2005/06 the Loans Fund interest and expenses rates were 5.94% and 0.09% respectively. An opportunity arose to reschedule debt which helped reduce the pooled interest rate by significantly more than the commission involved which slightly increased the expense rate. This has given rise to savings over the next three years of over £450,000 per annum.

### 7.3.5 **Pension Fund Administration**

The cost per member to administer the fund is £30.83 which has risen in comparison to the previous year due to the provision of Benefits Statements and staff regradings. The ratio of staff to membership has continued to rise due to membership of part time employees and pensioners living longer.

### 7.3.6 Pension Fund Investment

The Pension Fund was ahead of the Average Fund though still slightly below the original target. Most Funds are moving away from targets based on WM Company which was the traditional performance measure and indeed the Tayside Fund now has a bespoke benchmark. Cost of investment management has continued to fall in comparison to previous years although it is still slightly below target.

### 7.3.7 Payment of Creditors

The Council is again ahead of target in paying suppliers within 30 days of the receipt of invoice with performance at 93% for the year to 31 March 2006. In addition, the percentage of local suppliers paid within 14 days of the receipt of invoice has improved to 73%. The unit cost per creditor paid has been maintained at £0.70. This has been achieved through 90% of creditors being paid by bank transfer and the percentage of remittance advices e-mailed to creditors being increased from 20% to 30% over the past year.

### 7.3.8 Payment of Salaries and Wages

Unit cost per payslip continues to rise as a result of the implementation of the Council's new integrated payroll/personnel system. Additional staff resources have been involved in capturing payroll/personnel information for the new system and in the dual running of systems. Over 300,000 payslips are being processed annually and virtually all of these are accurately recorded first time.

### 7.3.9 Collection of Sundry Debtor Accounts

The unit cost per debtor account has remained approximately the same and is well within the projected target figure. The collection rate for income due for accounts issued during the year has now reached 89% exceeding the 2007 target of 86% for the first time. Improvements to recovery procedures and the increase in customers paying by direct debit should improve performance further. The debt profile has also improved significantly and the percentage debt outstanding more than 90 days old reduced from 33% to 18% over the past year. The target for customers paying by direct debits has been substantially exceeded.

## 7.4 Stakeholder Perspective

This equates to Customer Satisfaction in the EFQM model. This year the department has made significant progress in this area through the implementation of the CIPFA Financial Management Model which is a website based questionnaire system set up to obtain the views of key stakeholders. A full analysis will be carried out in due course and an Improvement Agenda prepared to progress issues raised by contributors.

## 7.5 Internal Business Perspective

This equates to the Impact on Society criteria in the EFQM model. As a support department the department has limited impact on this area. However, limiting Council Tax increases to less than 5% may be regarded as a significant achievement. The department has also updated the Council's Guidelines on Following the Public Pound and the Local Code on Corporate Governance which have an influence on society issues.

## 8 KEY ACHIEVEMENTS

- 8.1 The Finance Committee in February approved the Band D Council Tax for 2006/07 at £1,211, an increase of 2.63% on the previous year and well below the annual target ceiling of 5%.
- 8.2 For the fourth year in a row the department has assisted in ensuring that actual net revenue expenditure was less than budgeted net revenue expenditure resulting in a surplus accrued.
- 8.3 2005/06 was a very busy development period for the Sales Ledger Section. All Housing Department balances for rechargeable works were successfully transferred to the Powersolve system and a new interface was built between the Waste Management system and Powersolve for all refuse charges.
- 8.4 The Pensions Section collates and distributes Benefit Statements on an annual basis. This year for the first time an integrated statement was issued advising members of their benefits under the Council's scheme and the State Earnings scheme.
- 8.5 The department is currently implementing a phased introduction of an integrated payroll and human resources system called Resourcelink. This allows payroll and personnel data to be maintained in the one system and eliminates a significant amount of double input to what were formerly two separate systems.
- 8.6 The department participated fully in the National Fraud Initiative 2004. Although there is still some further work outstanding a total of £175,000 in overpayments and errors has been identified through this exercise.

## 9 FUTURE DEVELOPMENTS

- 9.1 The department will play a key role in addressing the recommendations arising from the External Auditor's reports on Best Value and Financial Strategy. The issues to be covered include: improving linkage between service planning and financial planning, further development of longer term financial modelling and improved budgetary monitoring and reporting procedures.
- 9.2 Major input and support will be required on key corporate projects such as the construction of Dundee House, the Schools Public Private Partnership project, the E-procurement Strategy and the operation of Dundee Leisure, the new charitable company responsible for the provision of leisure services in the city. Equal Pay and Single Status issues will also impact on the work of the department.
- 9.3 Over the summer, Council departments will receive Business Continuity Planning and construction training through the Finance Department's Insurance and Risk Management Section. The benefits of Business Continuity Planning will be promoted amongst the local business community and voluntary sector via a series of workshops and seminars.
- 9.4 New pension schemes for Police and Fire services are to be implemented. New regulations will require to be assimilated by Pensions staff and applied from April 2006.
- 9.5 Future transfers to the Resourcelink Human Resources system in the near future will include Dundee Contract Services, Economic Development, Waste Management and other agencies.
- 9.6 Further developments are anticipated in the department's progress towards the Investors in People Award.
- 9.7 The National Fraud Initiative 2006 will take place over the winter months. The department is in the process of preparing a timetable for this work and will seek to capitalise on the success of the 2004 initiative which provided additional assurance as to the satisfactory operation of some of the Council's main financial systems.

10 **CONSULTATION**

10.1 The Chief Executive, Depute Chief Executive (Support Services) and Assistant Chief Executive (Community Planning) have been consulted on the contents of this report.

11 **BACKGROUND PAPERS**

The Finance General Service Plan 2003-2007 - Finance Committee - 12 January 2004

**DAVID K DORWARD**  
**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**19 JUNE 2006**

**APPENDIX 1**

13 records in this query

Source	Service Area	Type	Theme	Status	Responsibility	Objectives	Assessment Date	Assessment
<b>Organisational Development</b>								
Finance Service Plan 2003-2007		Objective	Health & Care	On Schedule	David Dorward	To achieve Scottish Health At work silver award.	18/05/2006	New plan prepared to ensure Bronze award is maintained and to progress towards the Silver Award. Working group in place and healthy living events scheduled for 2006.
Finance Service Plan 2003-2007		Objective	Health & Safety	On Schedule	David Dorward	Implement a Health and Safety Committee.	22/05/2006	Now fully implemented.
Finance Service Plan 2003-2007		Objective	Human Resources	On Schedule	David Dorward	To review departmental structure.	19/05/2006	Now fully implemented.
<b>Financial Perspective</b>								
Finance Service Plan 2003-2007		Objective	Best Value	On Schedule	David Dorward	To ensure payslips are accurate and that wages are paid timeously.	26/05/2006	Wage payments remain accurate and complete in 99.8% of cases.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	Pay at least 75% of creditors within 14 days	17/05/2006	In 2005/06 73% of creditors were paid within 14 days.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	Introduce a system of E-procurement.	23/05/2006	Procurement Strategy paper is going to the Chief Officers meeting of 7 June. E-procurement products are being considered as part of a review of the financial systems with a target date of December 2006.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	Minimise the difference between actual and budgeted expenditure as a measure of effective budget management.	22/05/2006	In 2004/2005 the percentage of net Revenue Expenditure and Capital Expenditure of budgeted expenditures was -1.4% and +1.6% respectively
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	To have no audit qualifications on the accounts and to meet the statutory deadlines.	19/05/2006	2005/2006 annual accounts are being prepared on schedule. These are unlikely to be qualified.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	To meet the planned Audit Work Strategy fulfilling each year's annual plan.	26/05/2006	In 2005/2006 85% of the Annual Audit Plan was achieved.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	To ensure the treasury Management function operates efficiently.	19/05/2006	In 2005/06 the Loans Fund interest and expense rates were 5.94% and 0.09% respectively. An opportunity arose to reschedule debt which helped reduce the pooled interest rate by significantly more than the commission involved which slightly increased the expense rate.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	To maximise income collection of that billed during the year and previous years.	22/05/2006	In 2005/2006 the % of income received which was billed during the year was 88.8%.

<b>Stakeholder Perspective</b>						
Finance Service Plan 2003-2007	Objective	Best Value	On Schedule	David Dorward	To meet the objectives of the Council's departments in preparing financial information and management reporting.	30/05/2006
<b>Internal Business Perspective</b>						
Finance Service Plan 2003-2007	Objective	Financial Resources	On Schedule	David Dorward	Maintain Council Tax increases at a maximum of 5% per annum or less	18/05/2006
						The Powersolve User Group continues to meet twice a year to develop improvements to the system.
						Achieved for 2006/2007 when the Council Tax was set at 2.63%

Statistic	Value
Total Number of Records	13
Completed	0%
On Schedule	100%
Ahead of Schedule	0%
Behind Schedule	0%
Unlikely to be Achieved	0%

**SERVICE: FINANCE DEPARTMENT**

<b>Performance Indicator</b>	<b>Actual 2004</b>	<b>Actual 2005</b>	<b>Actual 2006</b>	<b>Target 2007</b>
<b>Finance General</b>				
<b>1 <u>Accounting Services</u></b>				
i Whether the statutory abstract of accounts for the previous financial year was submitted by 30 June	Achieved	Achieved	Achieved	30 June
ii Number of qualifications on the closure of accounts	None	None	None	None
iii Percentage of designated key Finance returns completed within the prescribed timescale	85%	94%	90%	100%
iv General Fund net revenue expenditure and:				
a Percentage net revenue expenditure of budgeted expenditure	-1.8%	-1.4%	-0.6%	+/-1%
b Percentage net revenue expenditure of projected outturn expenditure	-1.8%	-1.5%	-0.6%	+/-1%
c Percentage projected outturn of budgeted expenditure	0%	+0.2%	0%	+/-1%
v Capital expenditure:				
a Percentage of capital expenditure of budgeted expenditure	-0.6%	-1.6%	-5.8%	+/-5%
b Percentage of capital expenditure of projected outturn expenditure	+1.7%	-2.2%	-7.2%	+/-5%
c Percentage of projected outturn of budgeted capital expenditure	-1.0%	+0.5%	+1.7%	+/-5%
vi Setting a budget by the statutory date which did not invoke the First Minister's reserve powers	Achieved	Achieved	Achieved	Achieved
vii Timetable for producing and distributing monthly financial ledgers	Achieved	Achieved	Achieved	Achieved
viii Timetable for monthly revenue and capital monitoring statements	Achieved	Achieved	Achieved	Achieved
ix Completion of final accounts packages by the due date	Not Achieved	Achieved	Achieved	Achieved
<b>2 <u>Internal Audit</u></b>				
i The cost of audit as a percentage of the Council's total employee costs	0.10%	0.09%	0.12%	0.15%
ii Actual productive hours achieved as a percentage of the productive hours as per Audit Plan	100%	83%	100%	85%

Performance Indicator	Actual 2004	Actual 2005	Actual 2006	Target 2007
<b>3</b> <u>Insurance and Risk Management</u>				
i Cost of risk by class of insurance expressed as percentage of Council's Revenue Budget (including HRA):				
Employers liability	0.04%	0.07%	0.08%	0.12%
Public liability	0.26%	0.22%	0.24%	0.35%
Property	1.25%	0.65%	0.63%	0.50%
Motor	0.07%	0.08%	0.08%	0.08%
ii Claims ratio by class of insurance:				
a Number of employers liability claims per FTE number of employees	0.0033	0.0025	0.0033	0.003
b Number of public liability claims per head of population	0.005	0.0046	0.004	0.004
c Number of motor claims per number of vehicles	0.51	0.50	0.54	0.50
iii Total risk management budget as a percentage of Council's Revenue Budget (including HRA)	£150,000 0.030%	£150,000 0.030%	£150,000 0.030%	£150,000 0.030%
<b>4</b> <u>Treasury Management Services</u>				
i Average cost of servicing Loans Fund advances in year:				
- Loans Fund interest rate	6.05%	6.09%	5.94%	6.6%
- Loans Fund expenses rate	0.07%	0.078%	0.09%	0.075%
<b>5</b> <u>Pension Fund Administration</u>				
i Cost per member	£27.93	£27.18	£30.83	£25.90
ii Ratio of staff to membership	1:2128	1:2205	1:2390	1:2120
<b>6</b> <u>Pension Fund Investment</u>				
i Investment performance annualised three yearly. Investment returns compared to the average pension fund as measured by WM Company	-0.2%	+0.4%	+0.9%	+1%
ii Cost of investment management	0.35%	0.33%	0.30%	0.25%
iii Reporting deadlines	Achieved	Achieved	Achieved	Achieved
iv Review of actuarial services	Achieved	N/A	N/A	Achieved

Performance Indicator	Actual 2004	Actual 2005	Actual 2006	Target 2007
<b>7</b> <u>Creditors</u>				
i The number of invoices paid within 30 calendar days as a percentage of all invoices paid	95.8%	93.7%	93%	92%
ii The number of local invoices paid within 14 days as a % of all invoices paid to local suppliers	61%	67%	73%	75%
iii Unit cost per creditor invoice paid	£0.70	£0.70	£0.70	£0.70
iv Percentage of permanent suppliers paid by BACS	92%	93%	90.3%	90%
v Percentage of remittance advices e-mailed to suppliers paid by BACS	11%	20%	30%	50%
<b>8</b> <u>Salaries and Wages</u>				
i Unit cost per payslip produced	£3.60	£3.70	£3.70	£3.25
ii The number and value of salaries and wages payment made correctly and timeously as a percentage of all salaries and wages payments made	99.8%	99.8%	99.8%	100%
<b>9</b> <u>Sundry Debtors</u>				
i The cost of collecting sundry debtors per debtor account issued	£4.50	£4.56	£4.69	£5.00
ii Total income collection:				
a The income due from accounts issued during the year	£52.7m	£55.5m	£57.8m	£50m
b The percentage of (a) that was received during the year	84.8%	85%	89%	86%
iii The percentage of debt outstanding:				
Under 30 days old	62%	37%	70%	51%
30-59 days old	10%	26%	8%	12%
60-89 days old	3%	4%	4%	3%
More than 90 days old	25%	33%	18%	34%
iv Number of customers paying by direct debit per annum	2,500	3,186	3,231	2,000