

REPORT TO: POLICY & RESOURCES COMMITTEE - 25 JUNE 2007

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

REPORT BY: HEAD OF FINANCE

REPORT NO: 295-2007

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise the Committee of the performance for 2006/2007 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 2006/2007 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 2007/2008.

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 2006/2007 - 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. Composition of the working group is being reviewed with a view to achieving the Silver Award.. Progress in this area is measured by monitoring the indicators under Organisational Development in Appendix 1.

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. For the first time the department achieved a 100% success rate in submitting Key Financial Returns by the prescribed deadlines. 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 remains at 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 most performance categories. The section negotiated renewal of all Joint Boards/Committee insurance covers together with external bodies who rely on the Council for Insurance and Risk Management advice. There were no increases above wage inflation applied. The level of savings achieved by the Insurance Fund in 2006/07 was approximately £1m.

7.3.4 **Treasury Management Services**

In 2005/06 the Loans Fund interest and expenses rates were 5.52% and 0.07% respectively. Cash balances fluctuated over the final quarter due to early repayment of loans totalling £12.5m to the PWLB. the remaining balances continued to be placed in accordance with guidelines and legislation to achieve the maximum benefit. Cash savings on loan charges compared to budgets in 2006/07 were £763,000.

7.3.5 **Pension Fund Administration**

The cost per member to administer the fund is £28.88 which is an improvement in comparison to the previous year. The ratio of staff to membership has continued to rise due to membership of part time employees and pensioners living longer. Major work recently has been the option exercise for the new Fire Pension Scheme and the issue of benefit statements to all current employees with service prior to 31 March 2006. Preparatory work completed for pension increase which took effect from 9 April 2007.

7.3.6 Pension Fund Investment

The Pension Fund was ahead of the Average Fund and above 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 risen slightly in comparison to the previous year and it is still slightly below target. The value of the Main Pension Fund at 31 March 2007 was £1.584m. The Transport Fund value was £42m.

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 2007. In addition, the percentage of local suppliers paid within 14 days of the receipt of invoice has improved to 75%. The unit cost per creditor paid was £0.70 as last year. This has been achieved through 85% of creditors being paid by bank transfer and the percentage of remittance advices e-mailed to creditors being more than doubled from 30% to 65% over the past year. The number of payments made by bank transfer and the number of remittances e-mailed to creditors was 12,775 and 8,618 respectively.

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 been reduced significantly and is well within the projected target figure. The collection rate for income due for accounts issued during the year was 86% meeting the 2007 target. Improvements to recovery procedures and the increase in customers paying by direct debit should improve performance further. Debt still outstanding after 90 days was 25% well within the target figure of 34%. 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 completion of the CIPFA Financial Management Model which is a website based questionnaire system set up to obtain the views of key stakeholders. An Improvement Agenda was prepared which it is anticipated will be completed in the current financial year.

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, freezing the Council Tax level in 2007/08 may be regarded as a significant achievement.

8 KEY ACHIEVEMENTS

- 8.1 2006/07 was a busy period for Sales Ledger with over 112,000 invoices being issued totalling £61m and the outstanding debt position being improved upon from the previous year. A report has been submitted to the Council Management Team recommending actions for reducing the volume of low value invoices and extending prepayment and direct debit options to reduce bad debt write-offs in future years.
- 8.2 The Finance Committee in February approved the Band D Council Tax for 2006/07 at £1,211, the same figure as the previous year effectively freezing the Council Tax level.
- 8.3 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.
- 8.4 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.
- 8.5 The department played 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 included: improving linkage between service planning and financial planning, further development of longer term financial modelling and improved budgetary monitoring and reporting procedures.
- 8.6 Council departments received Business Continuity Planning and construction training through the Finance Department's Insurance and Risk Management Section. The benefits of Business Continuity Planning were promoted amongst the local business community and voluntary sector via a series of workshops and seminars.
- 8.7 New pension schemes for Police and Fire services were implemented. New regulations were assimilated by Pensions staff and applied from April 2006.

9 FUTURE DEVELOPMENTS

- 9.1 A major impact on the department will be the implementation of the PECOS e-procurement system and the replacement of the current financial system with Authority Financials. To assist with this a new post of Principal Accountant (Systems and Research) was created. A Corporate Procurement Manager has also been appointed to lead the implementation of the Council's Corporate Procurement Policy.
- 9.2 Work has been ongoing with the support of Information Technology to develop an on-line request system for customer accounts for Sales Ledger and Purchase Ledger. The systems should be available in the summer once year end accounts work is completed.
- 9.3 Social Work, Tayside Contracts, Tayside Police and all remaining departments are all scheduled to go live on the Resourcelink system in the forthcoming financial year.
- 9.4 The department commenced work on the National Fraud Initiative 2006. For the first time this has included matching data from the Housing Rents system. Three reports on findings will be made in 2007/2008.
- 9.5 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 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.

- 9.6 All statutory performance information which can be monitored quarterly has been input to the new Performance Management database including other local authority comparators. This system is expected to go live over the summer months.

10 **CONSULTATION**

- 10.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) 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

MARJORY STEWART
HEAD OF FINANCE

19 JUNE 2007

13 records in this query

Appendix 1

Source	Service Area	Type	Theme	Status	Responsibility	Objectives	Assessment Date	Assessment
Organisational Development								
Finance Service Plan 2003-2007		Objective	Health & Care	On Schedule	David Dorward	To achieve Scottish Health At work silver award.	07/06/2007	Composition of the working group is currently being reviewed.
Finance Service Plan 2003-2007		Objective	Health & Safety	Completed	David Dorward	Implement a Health and Safety Committee.	06/03/2007	Now fully implemented.
Finance Service Plan 2003-2007		Objective	Human Resources	Completed	David Dorward	To review departmental structure.	06/03/2007	Now fully implemented.
Financial Perspective								
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	Pay at least 75% of creditors within 14 days	07/06/2007	In 2006/07 75% 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.	04/06/2007	PECOS e-procurement system to be implemented in the coming year. Newly created post of Principal Accountant (Systems and Research) to assist with this process.
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.	08/06/2007	To be advised once the annual accounts are finalised.
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.	06/03/2007	2006/2007 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.	08/06/2007	In 2006/2007 100% of the Annual Audit Plan was achieved.
Finance Service Plan 2003-2007		Objective	Best Value	On Schedule	David Dorward	To ensure payslips are accurate and that wages are paid timeously.	08/06/2007	Wage payments remain accurate and complete in 99.8% of cases.
Finance Service Plan 2003-2007		Objective	Financial Resources	On Schedule	David Dorward	To ensure the treasury Management function operates efficiently.	07/06/2007	In 2006/07 the Loans Fund interest and expense rates were 5.52% and 0.07% respectively.
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.	08/06/2007	In 2006/2007 the % of income received which was billed during the year was 86%.
Stakeholder Perspective								
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.	07/06/2007	The Powersolve User Group continues to meet twice a year to develop improvements to the system.
Internal Business Perspective								
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	06/03/2007	Council Tax for 2007/2008 has been frozen therefore target achieved.
Statistic		Value						
Total Number of Records		13						
Completed		15%						
On Schedule		77%						
Ahead of Schedule		8%						
Behind Schedule		0%						
Unlikely to be Achieved		0%						
Abandoned		0%						
First update not yet done		0%						

SERVICE: FINANCE DEPARTMENT

Performance Indicator	Actual 2005	Actual 2006	Actual 2007	Target 2007
Finance General				
1 <u>Accounting Services</u>				
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	94%	90%	100%	100%
iv General Fund net revenue expenditure and:				
a Percentage net revenue expenditure of budgeted expenditure	-1.4%	-0.6%	-1.1%	+/-1%
b Percentage net revenue expenditure of projected outturn expenditure	-1.5%	-0.6%	-1.1%	+/-1%
c Percentage projected outturn of budgeted expenditure	+0.2%	0%	0%	+/-1%
v Capital expenditure:				
a Percentage of capital expenditure of budgeted expenditure	-1.6%	-5.8%	-1.8%	+/-5%
b Percentage of capital expenditure of projected outturn expenditure	-2.2%	-7.2%	-2.6%	+/-5%
c Percentage of projected outturn of budgeted capital expenditure	+0.5%	+1.7%	+0.9%	+/-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	Achieved	Achieved	Achieved	Achieved
2 <u>Internal Audit</u>				
i The cost of audit as a percentage of the Council's total employee costs	0.09%	0.12%	0.12%	0.15%
ii Actual productive hours achieved as a percentage of the productive hours as per Audit Plan	83%	100%	100%	85%

Performance Indicator	Actual 2005	Actual 2006	Actual 2007	Target 2007
3 Insurance and Risk Management				
i Cost of risk by class of insurance expressed as percentage of Council's Revenue Budget (including HRA):				
Employers liability	0.07%	0.08%	0.06%	0.12%
Public liability	0.22%	0.24%	0.16%	0.35%
Property	0.65%	0.63%	0.44%	0.50%
Motor	0.08%	0.08%	0.09%	0.08%
ii Claims ratio by class of insurance:				
a Number of employers liability claims per FTE number of employees	0.0025	0.0033	0.0024	0.003
b Number of public liability claims per head of population	0.0046	0.004	0.004	0.004
c Number of motor claims per number of vehicles	0.50	0.54	0.37	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%	£180,000 0.030%	£150,000 0.030%
4 Treasury Management Services				
i Average cost of servicing Loans Fund advances in year:				
- Loans Fund interest rate	6.09%	5.94%	5.52%	6.6%
- Loans Fund expenses rate	0.078%	0.09%	0.07%	0.075%
5 Pension Fund Administration				
i Cost per member	£27.18	£30.83	£28.88	£25.90
ii Ratio of staff to membership	1:2205	1:2390	1:2404	1:2120
6 Pension Fund Investment				
i Investment performance annualised three yearly. Investment returns compared to the average pension fund as measured by WM Company	+0.4%	+0.9%	+1.3%	+1%
ii Cost of investment management	0.33%	0.30%	0.32%	0.25%
iii Reporting deadlines	Achieved	Achieved	Achieved	Achieved
iv Review of actuarial services	N/A	N/A	N/A	Achieved

Performance Indicator	Actual 2005	Actual 2006	Actual 2007	Target 2007
7 <u>Creditors</u>				
i The number of invoices paid within 30 calendar days as a percentage of all invoices paid	93.7%	93%	93%	92%
ii The number of local invoices paid within 14 days as a % of all invoices paid to local suppliers	67%	73%	75%	75%
iii Unit cost per creditor invoice paid	£0.70	£0.70	£0.70	£0.70
iv Percentage of permanent suppliers paid by BACS	93%	90.3%	85%	90%
v Percentage of remittance advices e-mailed to suppliers paid by BACS	20%	30%	65%	50%
8 <u>Salaries and Wages</u>				
i Unit cost per payslip produced	£3.70	£3.70	£4.10	£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%	99.85%	100%
9 <u>Sundry Debtors</u>				
i The cost of collecting sundry debtors per debtor account issued	£4.56	£4.69	£3.88	£5.00
ii Total income collection:				
a The income due from accounts issued during the year	£55.5m	£57.8m	£60.7m	£50m
b The percentage of (a) that was received during the year	85%	89%	86%	86%
iii The percentage of debt outstanding:				
Under 30 days old	37%	70%	63%	51%
30-59 days old	26%	8%	10%	12%
60-89 days old	4%	4%	2%	3%
More than 90 days old	33%	18%	25%	34%
iv Number of customers paying by direct debit per annum	3,186	3,231	3,265	2,000