

**REPORT TO: SPECIAL FINANCE COMMITTEE - 24 JUNE 2002**

**REPORT ON: FINANCE DEPARTMENT SERVICE PLAN 1999-2002 - PERFORMANCE INDICATORS FOR 2001/2002**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 546-2002**

**1 PURPOSE OF REPORT**

1.1 The purpose of this report is to advise the Committee of the performance for 2001/2002 against the performance indicators in the Finance Department Service Plan 1999-2002 approved by the Finance Committee on 8 November 1999.

**2 RECOMMENDATIONS**

2.1 That the Committee notes the progress in 2001/2002 towards the performance targets set for each service in the Finance Department Service Plan 1999-2002.

2.2 Remits the Director of Finance to develop a four year Service Plan (2003-2007) for the Finance Department and report back to Committee.

**3 FINANCIAL IMPLICATIONS**

3.1 All initiatives introduced to improve performance will be contained within the Finance Department's Revenue Budget for 2002/03.

**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 Department Service Plan 1999-2002 approved by the Finance Committee on 8 November 1999 indicated performance reporting requirements would be met mainly by an annual report to the Finance Committee.

**7 PERFORMANCE INFORMATION 2001/2002**

7.1 The relevant performance information for each performance indicator identified in the Finance Department Service Plan has now been tabulated and is enclosed as Appendix I. A brief commentary on initiatives planned to improve performance is provided below.



## 7.2 Finance Revenues

### i) Housing Benefit and Council Tax Benefit

The gross administration cost per case has been reduced from £36.49 to £32.67 which represents a 10% reduction. Claim processing improved significantly towards the end of the financial year achieving 80% of the target. Allowance has to be made for the additional information that now has to be obtained to process applications and therefore the 28 day target may have to be revised upwards in the new service plan.

### ii) Council Tax Collection

The cost of collecting Council Tax has increased from £13.39 to £14.61 which represents an increase of 9%. This is due to increased staffing costs resulting from pay awards and increases in employers superannuation. The percentage of income due from Council Tax that was received during the year remains stable at 85%.

### iii) Non-Domestic Rates Collection

During the 2001/2002 financial year, the cost of Non-Domestic Rate collection reduced significantly by more than 10%. Costs are now almost 20% less than those anticipated as being the 2002 targets. The percentage of Non-Domestic Rate Income received during the year decreased slightly to 93%.

This service has been and will continue to be monitored in terms of the Best Value report. New software has been introduced at the start of 2001/02 which will ensure the continued improvement to the services provided.

## 7.3 Corporate Finance

The Accounting and Financial Advice Services have already been the subject of a best value report and participation in an IPF Scottish Benchmarking Club has enabled access to benchmarking information, quality targets, examples of good practice and accountancy initiatives which are being reviewed in the context of continuous improvement in the Finance Department. Performance indicators at April 2002 were all at or within targets set within the Service Plan with the exception of one of the General Fund net revenue expenditure targets. The indicators relevant to General Fund net revenue expenditure are based on the Unaudited 2001/2002 Abstract of Accounts and show a position within the targets set, except the total expenditure which reflects new burdens and initiatives from the Scottish Executive.

## 7.4 Internal Audit

The cost of the Internal Audit service as a percentage of the authority's total employee costs was 20% lower than target principally as a result of fewer staff in post than anticipated. However, productive audit hours have increased as a result of less non-audit work being undertaken by the section. The performance of the Internal Audit section has been noted as good as per the Audit Scotland report "A Job Worth Doing".

#### 7.5 Insurance and Risk Management Services

The Insurance and Risk Management Section has recently completed a best value review process which has identified a number of improvements which will be made in the 2002/03 financial year. Cost of risk by class of insurance expressed as a percentage of the Council's Revenue Budget were all within target other than property actual costs which exceeded the 2002 target due to the impact of the TDI Battery Factory fire.

#### 7.6 Treasury Management Services

The Finance Department has approved a Treasury Management Strategy for 2001/02 authorising the Director of Finance to take decisions on the borrowing and lending strategy that is in the best interests of the Council. The actual Loans Fund rate for 2001/2002 of 6.3% is well below the 2002 target of 6.6% reflecting a proactive management of the Council's Loan portfolio. It is estimated that the saving in Loans fund interest is equivalent to a cash saving of £870k in 2001/2002. The Loans Fund interest rate is one of the lowest in Scotland. The Loans Fund expense rate has improved slightly during the year.

#### 7.7 Pension Fund Administration

This function has been subject to a best value review which has identified ongoing continuous improvement measures which are currently being implemented. During the period there was a 12% increase in membership which is a trend which is anticipated to continue due to membership of part-time employees and pensioners living longer. Consequently, the target ratio of staff to membership may again have to be revised when the new Service Plan is prepared.

#### 7.8 Pension Fund Investment

This function has also been subject to a best value review which has identified continuous improvement proposals for further consideration by the Superannuation Investment Sub-Committee. The investment performance measure has improved at April 2002 as a result of a number of initiatives including an interim restructuring of the Fund.

#### 7.9 Payment of Creditors

Performance indicators from a review of this function have established that the Council is continuing to maintain the percentage of all suppliers paid within 30 days of the receipt of invoice with performance at 90% for the year to 31 March 2002. Significant work has also been undertaken to maintain unit cost per creditor paid at £0.70 which is 30% lower than the original target. This has been achieved through 92% of creditors being paid by bank transfer and a high volume of remittance advice notes being faxed rather than posted.

#### 7.10 Payment of Salaries and Wages

Throughout the year meetings have taken place with departments to progress continuous improvement proposals for payroll services. Staffing costs have been reduced although these have been offset by the annual pay award. The transfer of a proportion of weekly paid staff to monthly paid has reduced the number of payslips and this is also reflected in the statistics. Payroll accuracy remains at a very high level of performance.

### 7.11 Collection of Sundry Debtor Accounts

Although the unit cost per debtor account has risen in 2001/02, this is mainly due to additional resources being deployed to increase income collection/debt recovery. This initiative has been successful and is reflected in the higher in-year collection percentage shown at paragraph 9ii)b.

## 8 **BEST VALUE AND PERFORMANCE MANAGEMENT AND PLANNING**

8.1 During the year 2001/02 a Performance Management and Planning audit of the Finance Department was carried out by the Accounts Commission as a feature of the Scottish Executive's Best Value strategy.

8.2 The audit identified a number of improvements per the Improvement Agenda which will be carried out in the 2002/03 financial year. Some of these improvements have already been implemented.

8.3 The department's Management Team will commence detailed consultations to draft a Service Plan for the 2003-2007 period. This will take account of the Community Plan, Council priorities and Best Value including the Improvement Agenda.

## 9 **CONSULTATION**

9.1 The Chief Executive, Director of Support Services and Director of Corporate Planning have been consulted on the contents of this report.

## 10 **BACKGROUND PAPERS**

The Finance Department Service Plan 1999-2002 – Finance Committee – 8 November 1999.

**DAVID K DORWARD**  
**DIRECTOR OF FINANCE**

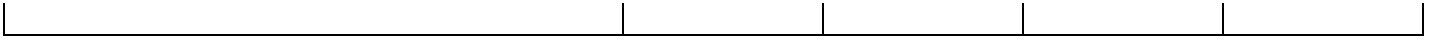
**SERVICE: FINANCE DEPARTMENT**

Performance Indicator	Baseline at 1999	Actual 2001	Actual April 2002	Target April 2002
<b>Finance Revenues</b>				
<b>1 <u>Housing Benefit and Council Tax Benefit</u></b>				
i) Gross administration cost per case	£27.09	£36.49	£32.67	£36.80
ii) Percentage of applications processed within 14 days of receipt of the required information by the Council	65%	65%	57%	90%
iii) Average time for processing applications from the date of receipt of the application to the posting of the notification of the outcome	35 days	35 days	55 days	28 days
<b>2 <u>Council Tax Collection</u></b>				
i) The cost of collecting Council Tax per chargeable dwelling	£13.97	£13.39	£14.61	£14.15
ii) Income due from Council Tax for year (excluding reliefs and rebates)	£34.3m	£37.2m	£37.7m	£37.4m
iii) Percentage of income due from Council Tax that was received during year	87.3%	85%	85%	90%
iv) Percentage of income due from Council Tax that was received for the previous five financial years:				
2001/02	87.3%	91.80%	89.6%	93.6%
2000/01	91.8%	94.30%	93.7%	94.7%
1999/00	92.7%	94.40%	95.5%	95.0%
1998/99	93.0%	94.10%	95.2%	95.0%
1997/98	93.6%	94.20%	94.7%	95.0%
<b>3 <u>Non-Domestic Rates Collection</u></b>				
i) The cost of collecting non-domestic rates per chargeable property	£37.26	£34.07	£30.40	£37.26
ii) Income due from non-domestic rates for year excluding reliefs	£43.6m	£52.2m	£55.5m	£56.2m
iii) Percentage of income due from non-domestic rates that was received during year	94.8%	94.6%	93%	96.6%
iv) Percentage of income due from non-domestic rates that was received for the previous five financial years:				
2001/02	94.8%	98.60%	96.9%	98.9%
2000/01	97.5%	98.30%	98.5%	98.5%
1999/00	97.7%	97.80%	98.4%	98.1%
1998/99	98.0%	97.80%	97.8%	98.1%
1997/98	N/A	98.10%	97.9%	98.1%

Performance Indicator	Baseline at 1999	Actual 2001	Actual April 2002	Target April 2002
<b>Finance General</b>				
<b>1 <u>Corporate Finance Provision</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) Cost of completion of closure of Abstract of Accounts	£135,000	£120,000	£110,000	£120,000
iii) Cost of completion of DSO/DLO Accounts	£15,000	£14,000	£10,000	£14,000
iv) Number of qualifications on the closure of accounts	1	None	None	None
v) Did DSO's/DLO meet their statutory requirements	Yes	Yes	Yes	Yes
vi) Percentage of designated key Finance returns completed within the prescribed timescale	86%	92%	92%	100%
vii) Budgeted expenditure within S94 current +/-10% controls	Achieved	Achieved	Achieved	Yes
viii) Actual expenditure within S94 current +/-10% controls	Achieved	Achieved	Achieved	Yes
ix) Setting a budget by the statutory date which did not invoke the Secretary of State's reserve powers	Achieved	Achieved	Achieved	Yes
x) General Fund net revenue expenditure and:	£217.6m	£224.0m	£237m	£234.0m
a) Percentage net revenue expenditure of budgeted expenditure	+0.7%	-0.3%	-0.3%	+/-1%
b) Percentage net revenue expenditure of projected outturn expenditure	+0.1%	-0.7%	-0.7%	+/-1%
c) Percentage projected outturn of budgeted expenditure	+0.6%	+0.4%	+0.4%	+/-1%
<b>2 <u>Internal Audit</u></b>				
i) The cost of audit as a percentage of the Council's total employee costs	0.13%	0.12%	0.12%	0.15%
ii) Actual productive hours achieved as a percentage of the productive hours as per Audit Plan	81%	75%	90%	85%
<b>3 <u>Insurance and Risk Management</u></b>				
i) Cost of risk by class of insurance expressed as percentage of Council's Revenue Budget (including HRA):				
Employers liability	0.13%	0.0285%	0.04%	0.12%
Public liability	0.37%	0.078%	0.26%	0.35%
Property	0.67%	0.42%	1.25%	0.50%
Motor	0.11%	0.078%	0.07%	0.08%

Performance Indicator	Baseline at 1999	Actual 2001	Actual April 2002	Target April 2002
<b>Finance General</b>				
<b>3 <u>Insurance and Risk Management (Contd)</u></b>				
ii) Claims ratio by class of insurance:				
a) Number of employers liability claims per FTE number of employees	0.0009	0.0029	0.004	0.003
b) Number of public liability claims per head of population	0.006	0.0053	0.005	0.004
c) Number of motor claims per number of vehicles	0.61	0.436	0.53	0.50
iii) Total risk management budget as a percentage of Council's Revenue Budget (including HRA)	£75,000 0.030%	£75,000 0.028%	£100,000 0.035%	£79,000 0.030%
<b>4 <u>Treasury Management Services</u></b>				
i) Average cost of servicing Loans Fund advances in year:				
- Loans Fund interest rate	7.6%	6.5%	6.3%	6.6%
- Loans Fund expenses rate	0.05%	0.075%	0.06%	0.075%
<b>5 <u>Pension Fund Administration</u></b>				
i) Cost per member	£24.64	£26.43	£27.20	£25.90
ii) Ratio of staff to membership	1:2,032	1:2,102	1:2,356	1:2120
<b>6 <u>Pension Fund Investment</u></b>				
i) Investment performance annualised three yearly. Investment returns compared to the average pension fund as measured by WM Company	-0.8%	-0.1%	+0.6%	+1%
ii) The percentage of assets to past service liabilities	108.7%	101.7%	101.7%	101.7%
iii) The current contribution rate expressed as a percentage of the future service rate	89%	82%	94%	94%
<b>7 <u>Creditors</u></b>				
i) The number of invoices paid within 30 calendar days or the agreed time limit if otherwise specified as a percentage of all invoices paid				
	82%	91%	90%	92%
ii) Unit cost per creditor invoice paid	£1.04	£0.70	£0.70	£0.70
<b>8 <u>Salaries and Wages</u></b>				
i) Unit cost per payslip produced	£3.42	£3.45	£3.50	£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	99.9%	99.8%	99.8%	100%





Performance Indicator	Baseline at 1999	Actual 2001	Actual April 2002	Target April 2002
<b>Finance General</b>				
9 <u>Sundry Debtors</u>				
i) The cost of collecting sundry debtors per debtor account issued	£3.75	£3.98	£4.56	£4.25
ii) Total income collection:				
a) The income due from accounts issued during the year	£39m	£49m	£48m	£46m
b) The percentage of a) that was received during the year	83%	77%	80%	86%