

Financial Services Service Plan 2010/2011

SECTION

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Description of Service

Financial Services comprises three main areas of activity (namely Accountancy, Exchequer and Internal Audit) that provide support and advice to a range of stakeholders, both internal and external. They carry out the following main functions:-

Accountancy

- Maintaining, modernising and developing the Council's financial accounting system.
- Preparing and monitoring of the revenue and capital budgets for General Fund and Housing Revenue Account Services.
- Preparation of final accounts; the Annual Statement of Accounts; and Whole of Government Accounts (WGA)
- Completion of statutory financial returns, grant and subsidy claims, and other statistical returns
- Treasury management and banking arrangements.
- Risk management and insurances.
- Advice on financial matters to both members and officers.
- Financial planning over the medium term.
- VAT and other taxation matters.
- Receipting and accounting for income.

Exchequer

- Payroll, pensions and other employee participation schemes.
- Payment of creditors
- Raising of sundry debts and administration of mortgages.
- Purchasing and procurement.

Internal Audit

- Delivery of a risk-based programme of audits designed to provide assurance that the Council's significant risks are appropriately managed.
- Providing External Audit with assurance that key financial controls are in place and operating effectively as designed.
- Production of the Annual Report of Internal Audit containing the mandatory Internal Audit Option.
- Advice on the design and operation of control systems.
- Consultancy work.

Section 151 of the Local Government Act 1972 requires the Authority to make arrangements for the proper administration of its financial affairs and nominate one officer with overall responsibility for doing so. The 'Section 151 Officer' at Melton Borough Council is the Head of Financial Services.

Recent Achievements

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During 2009//2010 the service achieved the following:-

Accountancy

- The Statement of Accounts was completed by 30 June 2009 in line with the statutory deadline and published by 30 September 2009. Training was provided to Members and the accounts circulated in sufficient time to allow a robust scrutiny of the statements in order to aid members understanding of the Council's financial position. This included the first financial year that the financial implications of the fire and the subsequent insurance claim had to be accounted for. This provided particular challenge to both Financial Services and the auditors themselves. The Council received an unqualified opinion on the accounts from PWC; the Council's appointed external auditors.
- The service continues to support the management of the insurance claim including accounting and claiming for all related expenditures and liaising with both the insurers and loss adjusters in negotiating particular elements of the claim.
- The Head of Financial Service has set up a Procurement Action Learning Set in order to enhance procurement expertise and provide a link between service users and the Welland Procurement Unit.
- Preparations continued for the introduction of International Financial Reporting Standards by way of further research and training as well as an assessment of major contracts and leases.
- Financial Support was provided to a number of corporate groups and task groups within the Council, e.g. Cattle Market, Waterfield Leisure Pools, Efficiency Task Group, Overview and Scrutiny Hotspot teams, Management Team, Programme Board, Making Progress Group (MPG), Health and Safety, Equalities, Organisational Support Group, etc.
- Financial support was provided to a number of projects e.g. new build, cattle market development and license negotiations, Future Jobs Fund, Total Place, etc.
- Admin staff continued to reduce the volume of paper storage and reviewed all files at the Council's repository. In addition, enhanced use has been made of electronic storage both within the team and also in the provision of corporate documents.
- The service managed and set a budget during severe national economic crisis supporting managers, budget holders and members during this time to mitigate the financial impact on the council for the 2009/10 actual and the 2010/11 budget. Support has continued to negate the implications on services and the public from future budget pressures
- Good internal audit reports continue to be received with little or no recommendations supporting the view that a good internal control framework exists within the team.
- The service provided advice and support on the changes in the rate of VAT.
- Enhanced financial monitoring was introduced relating to the HRA as a result of particular financial difficulties in this area.
- Enhanced treasury management procedures have been introduced as a result of revised central government guidance.
- Through monitoring off NI179 relating to efficiency savings the Council is on target to achieve these and has a forward plan for 2010/11 which is also on target.
- The Risk Management Policy and Strategy has been reviewed and will be formally presented to members for approval in the new year.
- Promotion of good financial practices has been undertaken through the Organisational Support group enhancing the links with administrative officers.

Exchequer

- Electronic forms utilising digital signatures were introduced by the team covering, payroll, debtors and creditors.
- The Senior Accountancy Assistant – Exchequer was appointed project manager for the paperlite project and has led this team during the year in order to meet a range of project objectives.
- Following the corporate decision to implement the I-Procurement system considerable progress has been made in the implementation of this project with the go live date being in 2010/11.
- Enhanced monitoring and reporting to the Making Progress Group has been introduced with regard to payment performance and use of orders for goods ordered/work commissioned.
- Procurement Cards have been introduced within the team as a pilot with roll out to other key users planned for 2010/11.
- Steps have been taken to increase the number of suppliers paid by BACS with further progress to make in this area.

Internal Audit

- Following the Peer Review of Internal Audit an Action Plan was developed and approved by the Overview and Scrutiny Committee.
- A review of the role of the Overview and Scrutiny Committee at Melton was undertaken with regard to its role as the Council's Audit Committee in line with best practice. Changes were made to the constitution and the committee's terms of reference as a result.
- An ICT Audit Needs Assessment has been delivered by KPMG and is being used to develop annual ICT plans.
- The consortium was expanded and work is now being commissioned by Corby BC taking up the reduced days released by Harborough DC following their stock transfer
- Counter fraud training was delivered to all officers within the council to support the revised Fraud Policy.

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The Next Steps

During 2010/11 the following short-term actions are to be completed:

Accountancy Services

Action	Link to Values and Strategic Objectives / Priority Action Plans/LAA outcomes	Outcome targets
Keep under review the progress on the introduction of the Euro across the EC and any further implications it may have for the Council.	All	Ensure developments are identified at an early stage in order for any issues to be adequately planned for.
Support the Programme Board ensuring major projects and assets are well managed financially (risk 4).	All	The groups are provided with good strategic and detailed financial information.

Provide financial support as necessary to corporate groups such as Cattle Market, Waterfield Leisure Pools, Waste etc. (Risk 4 and 11)	All	Ensure accurate and timely financial advice is provided to facilitate decision-making processes.
To monitor progress on achieving the Efficiency Action Plan (NI179) and report to the Efficiency Task Group on a bi-monthly basis and to the LCC in support of the LAA target. (Risk 10)	All	Improvement to services (in cashable and/or non-cashable terms) as planned.
To adopt the new International Financial Reporting Standards in order to produce 2009/10 accounts comparatives. (Risk 15)	All	Unqualified opinion on the accounts
Implement electronic journals as part of the Oracle general ledger system	All	Increased efficiency and greater use of technology
To assess the implications of the reform of the HRA and make recommendations on the way forward to the council.(Risk 10)	All	Robustly supported decision relating to the buying out of the HRA subsidy system supported by a fully funded HRA business plan
To continue to review the opportunity to increase the level of electronic storage within the team	All	Reduced storage burden on the organisation
To support members and officers on the retendering of the HRA repairs contract. (Risk 10 and 4)	All	Recommendations to members supported by full financial implications
To develop a price list of unit costs and incorporate key unit costs as part of budget monitoring reports in support of VFM evidence and understanding (Risk 10)	All	Increased understanding of which services are achieving good VFM and where improvements can be made.
To utilise the corporate CAPS system for all capital accounting records.	All	Improved asset management information.
Provide support to Democratic Services on the coordination of the count relating to the general election	All	An efficient count delivered accurately and in a timely manner
To develop the scrutiny role of the Budget and Strategic Planning Working Group with regard to the expanded role to include scrutiny of the treasury management strategy including appropriate training for members (Risk 3)	All	Robust scrutiny of the treasury management strategy from well informed members
To review the management information provided to officers and members by specifically differentiating between controllable and non-controllable costs (Risk 4).	All	Improved management information.
To assist the organisation in identifying suitable savings in order to balance the 2011/12 budget in the current challenging economic environment (Risk 10)	All	A planned approach to service savings/efficiencies resulting in a balanced budget for 2011/12
To work with IT services to select and implement a suitable Oracle reporting tool	All	Enhanced reporting from within the Oracle system improving the level of management information available

Exchequer Services

Action	Link to Values and Strategic Objectives / Priority Action Plans/LAA outcomes	Outcome targets
Implement I-Procurement providing training to key users and support following implementation and assess and implement revised staffing resources (Risk 10)	All	Increased use of orders and more efficient order raising. Cashable savings from revised staffing structure
Investigate paying Council tax NNDR refunds by BACS in liaison with Social and Economic Development	All	Increased efficiency and use of technology.
Increase number of suppliers paid by BACS	All	Increased efficiency and use of technology.
To upgrade the Cygnus system	All	Increased PC efficiency
Investigate the feasibility of an upgrade/replacement payroll system possibly through a shared system with other Council/s	All	Increased HR functionality.
Upgrade the payroll system to accommodate the changes to the Local Government Pension Scheme	All	Compliance with changes to Local Government Pension Scheme
Extend the use of BACS to cover benefit payments to landlords.	All	Reduced print costs, more efficient and secure payments.
To expand the use of procurement cards to other key users then administrative teams throughout the council	All	Access to wider range of supplies and products, increased procurement efficiency and reduced processing costs.
Update Administrative procedure notes to accommodate changes to procurement practices (Risk 11)	All	Improved quality of information provided by services in order to improve financial control and financial awareness.
To trial the use of central logging of creditor invoices with a view to implementing on a permanent basis.	All	Improved payment performance.
To develop a report for publication on payments made in excess of £500 as required by central government	All	Compliance with central Government requirements and greater transparency

Internal Audit

Action	Link to Values and Strategic Objectives / Priority Action Plans/LAA outcomes	Outcome targets
Provide training and support to the new Chair of Overview and Scrutiny on the role of the committee as Audit Committee and links to internal audit work. (Risk 12)	All	A fully informed chair of the committee

Review the number of audit days being delivered by the consortium to Melton in conjunction with its risk profile(Risk 10 and 12)	All	Cashable efficiency savings from reductions in audit days
Work with the Chair of the Melton Association of Local and Parish Councils to design an appropriate way of supporting local councils in their pursuit of Value for Money	All	Increased number of local councils served by the Consortium

A number of medium term actions have also been identified over the following two years. The plans for the improvement/changes in service level over the years 2011/12 and 2012/13 are shown below:

Accountancy Service

Proposal	Link to Values and Strategic Objectives	2011/12	2012/13	Outcome targets
Keep under review the progress on the introduction of the Euro across the EC and any further implications it may have for the Council.	All	✓	✓	Ensure developments are identified at an early stage in order for any issues to be adequately planned for.
Provide financial support as necessary to corporate groups (Risk4, 10, 11).	All	✓	✓	Ensure accurate and timely financial advice is provided to facilitate the decision making process and enhance VFM.
Continue to manage the financial aspects of the insurance claim relating to the fire at the Council offices	All	✓	✓	Ensure all expenditure is correctly accounted for and claimed from the insurers.
Implement international Financial Reporting standards	All	✓		Unqualified opinion on the accounts.

Exchequer Services

Proposal	Link to Values and Strategic Objectives	2011/12	2012/13	Outcome targets
Further increase the number of invoices paid by electronic means and by an electronic order.	All	✓	✓	Adequate controls over the procurement of goods and more efficient practices.
Move towards scanning of invoices and tracking the authorisation process centrally	All		✓	Reduce input time, reduced storage costs and improved payment performance.

Internal Audit

Proposal	Link to Values and Strategic Objectives	2011/12	2012/13	Outcome targets
Review the strategic audit plan in light of developments of the Council's level of risk maturity.	All	✓	✓	Continue to provide comprehensive assurance.
To carry out promotional activity to increase take-up of the Consortium's services by Parish Councils.	8	✓	✓	Increased client base and reduction of audit costs to the Council.

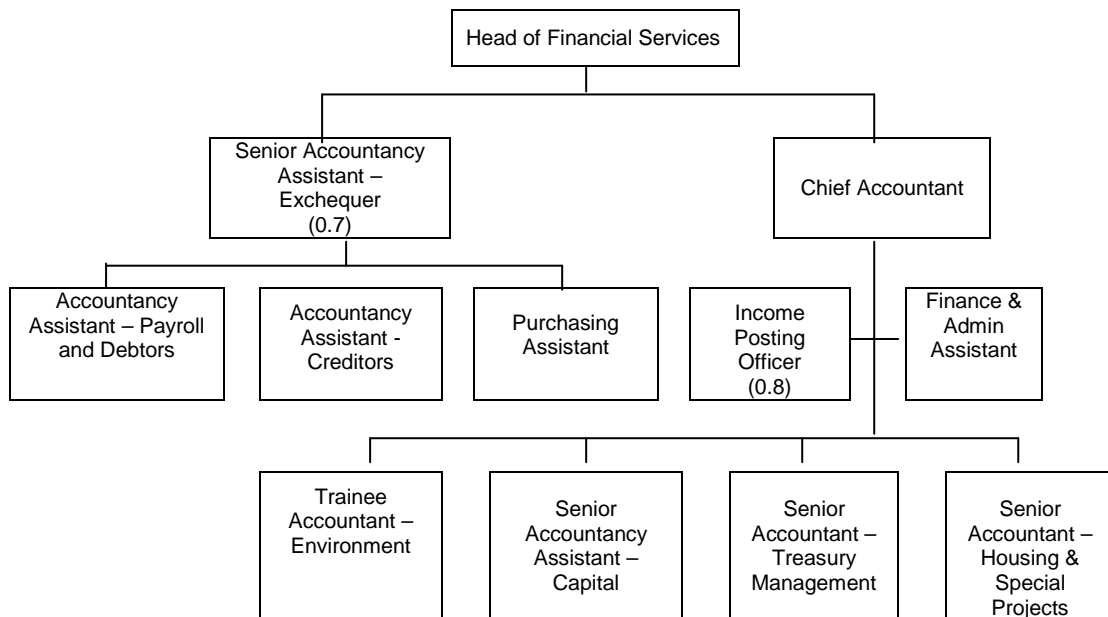
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Resource Utilisation

Staff

The Financial Services staffing establishments is 11.5 FTE as set out in the chart below:



Finance

The key budget of the service is the Financial Services budget as shown below:-

	2009/10 Estimate £	2009/10 Estimated Year End Position £	2010/11 Estimate £
Employees	398,780	394,320	395,460
Premises	13,290	13,290	13,060
Transport	2,520	2,520	2,520
Supplies	68,250	65,100	63,010
Support Services	71,350	71,350	51,950
Total Expenditure	554,190	546,580	526,000
Recharges to Services	554,190	554,190	526,000
Net Expenditure	0	-7,610	0

In addition Financial Services has responsibility for the following net budgets (before recharges to other services).

	2009/10 Estimate £	2009/10 Estimated Year End Position £	2010/11 Estimate £
Housing Advances	5,140	5,140	4,300
Central Expenses	72,310	75,490	78,320
Corporate Costs Finance	184,890	186,130	198,280
Non Distributed Costs	92,830	104,330	104,830
Miscellaneous Financing Items	800	15,800	-27,790
Internal Audit	88,620	88,620	82,220

Buildings Plant and Equipment

The service is administered from the Council Offices.

Computer Software

The following software is used in the delivery of services:

Oracle purchasing, general ledger and payables

ACL debtors system

Frontier integrated payroll and human resources system

Cygnus Housing Advance system

Northgate housing system

AIM cash receipting system

Accounts BACS

SECTION

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Risks

Risks have always been dealt with and risk management is not a new responsibility but simply the formalisation of what is good working practice. The Council's approach is set out in the Risk Management Policy and Strategy. Risks are dealt with professionally and risk management simply formalises what is part of good working practices. A number of key risks for Financial Services have been identified that could affect the Council's ability to achieve its objectives, perform its duties, or meet the expectations of its stakeholders.

Financial Services has over time assessed the risks associated with the services that are provided. These risks have been addressed by providing contingency plans and arrangements. Authority-wide risks (e.g. Council offices burned down; major sickness epidemic. etc) are currently addressed through the corporate Business Continuity Plan.

The Head of Financial Services, as part of the Section 151 responsibility, is responsible for ensuring that an effective corporate risk management procedure is in place and staff are adhering to it.

The table below sets out the key Financial Services risks and shows the position of these in terms of the tolerance line.

Likelihood	A				
	B			10	
	C		11	13	
	D		1,4 9,12		
	E		2	3,5,7 8,14, 15	6
	F				
		IV	III	II	I
		Impact			

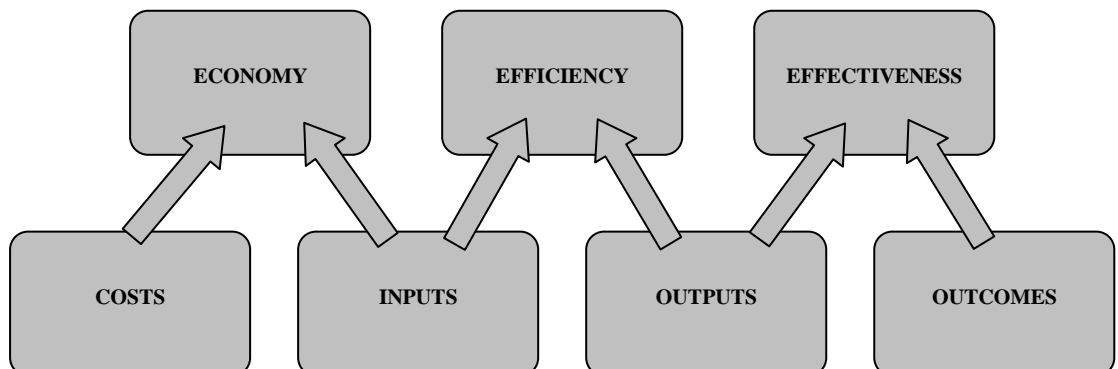
Risk No.	Description
1	Minicomputer failure – Oracle Financials
2	PC-based systems failure
3	Poor investment
4	Budget overspend
5	Depletion in level of working balances
6	Failure of Insurers
7	Failure of Bankers
8	Security of Records
9	Cover for key staff
10	Lack of Corporate Resources to fulfil the corporate vision (CR52)
11	Level of financial management awareness within the organisation
12	Fraud or Corruption occurs
13	Capacity to adequately support number and range of corporate initiatives as well as mainstream activities.
14	Failure of counterparties
15	Failure to implement IFRS resulting in the annual accounts being qualified.

SECTION

Performance Management

To measure the progress that is being made in providing better quality services and real value for money, a number of performance indicators have been established and targets set for the service:

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In order to be able to measure the progress that is being made in providing better quality services and real value for money a number of performance indicators have been established and targets set for the service:

INDICATOR	Frequency	Type	Average for all District Councils 2008/09	Performance 2008/09	Target 2009/10	Performance 2009/10	Target 2010/11	Target 2011/12	Target 2012/13
Strategic Objectives									
To produce the Statement of Accounts by 30th June each year (FS1)	Annual	Output	N/A	YES	YES	To be confirmed	YES	YES	YES
To receive an unqualified opinion on the Statement of Accounts (FS2)	Annual	Outcome	N/A	YES	YES	To be confirmed	YES	YES	YES
Percentage of undisputed invoices paid by due date or within 30 days. (FS3)	Monthly	Outcome	N/A	N/A	N/A	86%	90%	92%	94%
Percentage of invoices paid based on an electronic order. (FS4)	Monthly	Outcome	N/A	Not available	10%	11%	12%	14%	16%
Percentage of payments made electronically. (FS5)	Monthly	Outcome	N/A	39.72%	45%	49%	52%	55%	60%
To achieve a return on external investments in excess of 7 day rate. (FS6)	Monthly	Outcome	N/A	YES	YES	YES	YES	YES	YES
The % of budget monitoring reports produced within 10 working days of the period end (May through to February inclusive). (FS7)	Monthly	Outcome	N/A	80%	100%	100%	100%	100%	100%
To achieve level 3 in the Audit Commission's Use of Resources Assessment. (FS8)	Annual	Outcome	N/A	3	3	2	N/A	N/A	N/A
The % of budget holders trained to the required level. (FS9)	Annual	Outcome	N/A	98%	100%	89%	100%	100%	100%

Undisputed invoices paid by due date or within 40 days. (FS3) Replaced in 2010/11 by revised target above	Monthly	Outcome	N/A	85.26	90%	92%	N/A	N/A	N/A
NI 179 Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year. Targets as agreed through LAA	6 Mthly	Output	3.77%	4.6%	3.00%	To be confirmed	3.40%	To be advised	To be advised
Percentage of the planned internal audit programme of work completed. (FS10) • Based on revised programme	Annual	Outcome	N/A	100%*	90%+	Not Applicable (1)	90%+	90%+	90%+
Percentage of internal audits delivered within budget. (FS11)	Quarterly	Outcome	N/A	100%	90%+	83% (2)	90%+	90%+	90%+
Percentage of internal audits delivered within agreed deadlines. (FS12)	Quarterly	Outcome	N/A	60%	90%+	58% (3)	90%+	90%+	90%+
Level of client satisfaction determined by post internal audit questionnaires (FS13) (Where a score of 3 represents satisfied and 4 very satisfied)	Quarterly	Outcome	N/A	Not available	3+	3.3	3+	3+	3+
Level of client satisfaction with internal audit determined by post annual survey (FS14) (Where a score of 3 represents satisfied and 4 very satisfied)	Annual	Outcome	N/A	3.4	3+	3	3+	3+	3+

Notes

1. Programme was subject to late restructure to satisfy requirements of External Audit: extension of time spent on Fundamental Financial Systems required that scheduled non financial work was rolled forward to future years.
2. Issues of quality assuring work on new auditors – also some difficulties obtaining information from auditees on a timely basis.
3. Impact of auditor illness on scheduled work.