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**Report to Resources and Audit Committee**

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**Date of Meeting: 1 May 2014**

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**Subject: Director of Finance Performance Benchmarking 2012/13**

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**Report by: Revenues and Payments Manager**

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**1.0 Purpose**

- 1.1. The purpose of the report is to provide the Committee with an update on performance of the financial operations of the Council, as benchmarked through the Director of Finance performance indications. The report will also set out the main actions currently being progressed by the service to continue to improve on performance.

**2.0 Recommendations**

- 2.1. The Committee notes the review of financial operational performance for 2012/13, comments on and challenges the outcomes, where appropriate.

**3.0 Considerations**

- 3.1. All Scottish Local Authorities have representatives on the Directors of Finance Group. The group provides a forum for professional peer discussion and a platform for coordinating consultation with relevant stakeholders, including COSLA and the Scottish Government. All members participate in formal performance benchmarking, which is conducted annually. The financial key performance indicators are also recognised by the Scottish Government as Statutory Performance Indicators.
- 3.2. The Director of Finance Key Performance Indicators (DofF KPI's) are collected and collated by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the summer with benchmarked results available for all members at the end of each calendar year.
- 3.3. There are 43 financial indicators of which 38 are applicable to Clackmannanshire. Those not reported on by Clackmannanshire Council related to Pension Fund administration. Performance is reported on by the eleven Local Authorities who administer the Local Authority pension schemes.
- 3.4. Of the 38 indicators, 27 of these reflect performance, while the remaining 11 reflect statistical information.

- 3.5. Excluding the Pension Funds administration indicators, there are five operational financial reporting categories as follows;
- Income, including council tax, non domestic rates and sundry debtors
  - Payments, including payroll and supplier payments
  - Benefits administration and processing
  - Internal Audit
  - Loans Fund
- 3.6. The Council's performance in 2012/13, with three year trend and national benchmarking comparison information is summarised in **Appendices A and B**. The information has been categorised between Performance Indicators in Appendix A and Statistical Information in Appendix B. The Finance Performance Action Plan is summarised in **Appendix C** and a detailed report on Movements in Performance in 2012-13 is contained in **Appendix D**.

#### **Director of Finance Performance Indicators 2012/13**

- 3.7. For 2012/13, the movement for the Council, relative to its performance in 2011/12 was as follows.:

Table 1

<b>Movement in Performance</b>	<b>2011/12</b>	<b>2012/13</b>	<b>%</b>	<b>National Average 2012/13</b>
Improvement	14	15	56%	12
Same	2	-	0%	1
Decline	11	12	44%	11
<b>Total</b>	<b>27</b>	<b>27</b>	<b>100%</b>	<b>27</b>

This information is also presented in more detail in Appendix A

- 3.8. The final column in the above table reflects the national average performance for 2012/13. This indicates that the performance trends experienced by the Council are similar to the national trends.
- 3.9. Of the 38 indicators that the Council reports on, 27 of these allow for relative comparison across Scotland. The indicators reflect both service and corporate, operational and strategic performance. Accordingly there are differing levels of influence that the finance service can exhibit within differing timeframes for improvement, as follows:
- For indicators that reflect transactional operational processes managed within one of the finance teams, such as income collection, processing times and completion of the Audit Annual Plan, these can be highly influenced by the relevant team in the short to medium term, normally within 12 to 18 months.

- For indicators which reflect "end to end" Council wide performance involving services as well as finance, such as payments within 30 days or number of salaries paid correctly, these can be influenced in the medium to longer term through pro active targeting of non compliance, normally within 12 months to 3 years.
- For indicators which reflect the cost or value for money of providing a service, these can be influenced in the medium to longer term through ongoing improved efficiencies in processes. Investment in new systems and automation of processes and internal control will also increase the ability of the finance team to influence improvements in corporate performance and value for money indicators through enforcing compliance and introducing greater efficiency through automation.

3.10. The Council's performance for 2012/13, relative to the other Scottish Local Authorities is reported in Appendix A. This is summarised as follows:

Table 2

<b>Quartile Placing</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Movement</b>
First Quartile (1st to 8th)	3	2	(1)
Second Quartile (9th to 16th)	4	7	3
Third Quartile (17th to 24th)	13	10	(3)
Fourth Quartile (25th to 32nd)	7	8	1
Total	27	27	-

3.11. The remaining 11 indicators are summarised in Appendix B and provide statistical information. This statistical information includes council tax and non domestic rates income, where the Council's ranking remains constant and relative to its size. Appendix B also includes statistics relating to corporate finance and insurance where benchmarking is not undertaken.

3.12. A report on more detailed analysis for movement in performance in 2012-13 is contained in Appendix D. The key issues identified include:

- Over half of the indicators (56%) have improved performance with favourable changes in non domestic rates and sundry debtor collection levels, internal audit and costs and ratio of loan funding,
- Just below half of the indicators (44%) have reduced in performance with unfavourable changes in processing of benefits claims, payment of suppliers and the accuracy of payments to employees. An explanation for the reduction in performance is summarised in paragraph 3.20 below.

### **Three Year Performance Trends**

3.13. Collection levels for council tax, non domestic rates and sundry debtors continue to increase for the third year running. The one exception is council

tax collected by 31 March, which has reduced 0.17% over one year and 0.27% over the three years. The debtors greater than 90 days also continues to decrease, which is favourable performance.

- 3.14. The costs of collecting income has reduced for non domestic rates and sundry debtors for the third year running, however the cost of collecting council tax has increased from 2011/12 for the reasons set out in Appendix D, paragraph 5.3.
- 3.15. Payroll and creditor performance has reduced from 2011/12 but has improved overall since 2010/11. Payroll and creditor cost per unit has also increased from 2011/12 but shows an overall improvement since 2010/11.
- 3.16. Council tax and housing benefit administration performance, both processing and costs have consistently worsened over the three years.
- 3.17. Internal audit performance has improved with both a reduction in the cost of audit service and the number of productive days.
- 3.18. Treasury management performance has improved and remained consistent with both interest rates and ratios of finance costs to revenue streams reducing.

### **Key Areas for Improvement**

- 3.19. The three year performance trends highlight the key areas where the Revenues and Payments and Accountancy services are focusing on a decline in performance including:
  - benefits processing times for new claims and change of circumstances
  - payment of suppliers within 30 days
  - accuracy of payroll payments
- 3.20. The decline in performance on benefits processing has occurred due to a number of factors including the impact of the ATLAS system, increased demand through the welfare changes and performance management issues within the revenues team. The decline in performance has continued into 2013-14. The revenues service has met with DWP in February 2014 and has agreed actions to improve performance including both process and system improvements. A Performance Improvement Plan is being prepared to be completed by June 2014.
- 3.21. The reasons for the declining performance in payment of suppliers within 30 days is currently being investigated by the service. As there are no processing backlogs occurring within the payments service, there are a number of other factors which could contribute to the decline in performance. Once the reasons are uncovered, the payments team will work with the services to address.
- 3.22. The reason behind the decline in performance on the accuracy of payroll performance relates to both delays in information being received by the HR and payroll service and errors occurring due to the considerable volume of manual calculations and processing required.

## **Continuous Improvements in Performance**

- 3.23. Both the Accountancy Service and the Revenues and Payments Service are committed to continuous improvement and reflect this within the Service Business Plans. Key objectives within both service business plans include income maximisation for both individuals and the Council, redesigning service provision and improving the efficiency and effectiveness of strategic and operational financial arrangements.
- 3.24. The relevant Director of Finance performance indicators are reflected in both services Business Plans and are monitored on a monthly basis through the performance monitoring arrangements. The collection, payment and audit indicators are also reflected within the Support Services Business Plan and reported to members in the quarterly performance reports.
- 3.25. In reviewing the overall financial performance, the following activities took place during 2012/13.
- Restructure of the Revenues and Audit and Fraud teams,
  - Integration of the payroll and HR system with "Go Live" of the new Itrent system in April 2013,
  - Continued briefings for members, staff and other stakeholders on the impacts of budget pressures and welfare reform,
  - Best practice visits made to other LA's and attendance at best practice groups,
  - Maintaining "Accredited CPD Employer" award by Institute of Chartered Accountants of Scotland (ICAS),
  - Complying with Real Time Information (RTI) filing requirements to HM Revenues and Customer, thereby automating the filing of tax and deductions data monthly,

### **Financial Performance 2014/15 onwards.**

- 3.26. Whilst the results for financial performance are encouraging there are still risks to the Council relating to income, expenditure and operational performance through the impact of the economic downturn, funding pressures and Welfare Reform.
- 3.27. To ensure that these risks are managed and the key areas where performance has declined are addressed, the Accountancy and Revenues and Payments services, together with stakeholders continue to plan how to improve performance, improve the efficiency of arrangements and improve the provision of financial information. In 2013/14 and 2014/15, progressing and planned improvements include the following work. This is summarised in the Performance Action Plan in Appendix C -
- reviewing collection methods for customers to improve the ease of making payments to the Council and investigate options for the introduction of cost effective automated facilities

- continue integrating the corporate assessment and recovery processes with the Revenues team, with focus on sundry debtors greater than 90 days,
- embed rigorous performance management arrangements within the revenues team following the completion of the restructure,
- continue to automate the benefits processing processes and permanently remove processing backlogs
- complete the payroll service restructures,
- complete Phase two of the integrated HR and payroll Itrent system, including the roll out of Employee and Manager Self Service modules,
- reviewing methods for purchasing goods and services within the Council, as part of the corporate procurement approach,
- review the processes and timing of the payment of suppliers,
- continue close engagement and regular joint working with services to monitor budgets as part of monthly outturns reporting,
- undertake review of central support recharge methodology,
- explore options for the procurement of a new finance system for implementation in 2015/16,
- regular use of professional associations and networks to discuss best practice such as Directors of Finance Group, IRRV and CIPFA,

## **Conclusion**

- 3.28. Overall the operational financial performance is improving, with 56% of indicators increasing. There are specific areas where performance has declined and action is being undertaken to address this. Actions are also planned and will continue to be progressed as part of finance service business planning, to address declines in performance of financial operations and embed sustainable continual improvement. This has been and will continue to be achieved whilst the teams responsible for the different service areas are in a transitional period through the service restructure and with a new service management team.
- 3.29. The 2013/14 Director of Finance performance indicators will be collated during the autumn 2014 and reported to members in the final quarter of 2014/15.

## **4.0 Sustainability Implications**

- 4.1. None

## **5.0 Resource Implications**

- 5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

There are no staffing implications associated with this paper.

**6.0 Exempt Reports**

6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

**7.0 Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

The area has a positive image and attracts people and businesses

Our communities are more cohesive and inclusive

People are better skilled, trained and ready for learning and employment

Our communities are safer

Vulnerable people and families are supported

Substance misuse and its effects are reduced

Health is improving and health inequalities are reducing

The environment is protected and enhanced for all

The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

**8.0 Equalities Impact**

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No  N/A

**9.0 Legality**

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A Performance Indicators

Appendix B Statistical information

Appendix C Improvement Plan

Appendix D Comments by Quartile Performance

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

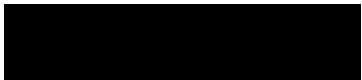
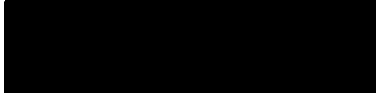
Yes  (please list the documents below) No

**CIPFA Director of Finance Benchmarking**

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
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<b>Performance Indicators</b>											
Ref	Indicator Description	Clacks			Ranking			Quartile		Movement	National Average
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2011/12	2012/13	2012/13	Average
<b>Income Collection</b>											
1.1	Cost of Council Tax per Dwelling	£17.38	£6.77	£16.46	28	3	26	1	4	↓	£13.39
1.2b	Percentage of Council Tax Received During the Year	93.30%	95.20%	95.31%	28	18	19	3	3	↑	95.42%
1.3b	Percentage of Council Tax for the years shown which have been collected by 31 March 12	96.30%	96.20%	96.03%	23	22	20	3	3	↓	95.94%
1.3c	Percentage of Council Tax Received for the past five years	94.58%	95.82%	95.98%	29	23	23	3	3	↑	96.35%
2.1	Cost of Collecting Non Domestic Rates	£33.08	£32.77	£26.52	15	17	15	3	2	↑	£29.36
2.2b	Percentage of Non Domestic Rates Received During the Year	96.90%	96.90%	98.00%	19	20	6	3	1	↑	97.00%
2.3b	Percentage of Non Domestic Rates for the years shown which have been collected by 31 March 2012	98.10%	98.50%	98.90%	22	21	13	3	2	↑	98.06%
2.3c	Percentage of Non Domestic Rates Received for the past five years	97.86%	97.95%	98.32%	22	24	16	3	2	↑	98.15%
3.1	Cost of Collecting Sundry Debtors per Debtor Account Issued	£7.85	£8.33	£4.01	28	27	14	4	2	↑	£4.24
3.2	Income Received as a Percentage of the Opening Sundry Debtor Balance	91.23%	83.72%	79.92%	5	9	19	2	3	↓	86.11%
3.3	Proportion of Outstanding Debt that is more than 90 days old	51.62%	53.81%	39.31%	24	27	17	4	3	↑	40.48%
<b>Payroll and Payments Processing</b>											
4.1	Actual Cost per Payslip Produced	£5.98	£6.17	£6.94	31	31	30	4	4	↓	£3.12
4.2a	Number of Salaries made correctly as a percentage of total payments made	99.17%	99.71%	99.60%	31	20	24	3	3	↓	99.69%
4.2b	Number of Salaries made correctly as a percentage of value of payments made	99.67%	99.93%	99.78%	25	7	24	1	3	↓	99.82%
5.1	Unit cost per creditor invoice paid	£1.95	£2.80	£3.53	23	30	32	4	4	↓	£1.63
5.2	Percentage of Invoices paid within 30 days of receipt	81.70%	86.29%	79.22%	28	21	31	3	4	↓	90.82%
5.3	Percentage of all payments made electronically (by volume)	85.55%	81.82%	87.20%	28	30	27	4	4	↑	93.38%
<b>Council Tax and Housing Benefit Administration</b>											
6.1	Gross Administration Cost of Housing and Council Tax Benefit	£39.30	£31.44	£34.94	8	5	8	1	1	↓	£42.03
6.2a	Time for processing new claims	27	26	32	20	22	26	3	4	↓	26
6.2b	Time for processing notification of changes for claim	8	8	9	12	13	16	2	2	↓	10
6.3	Percentage of overpayments due to Local Authority as a percentage of all benefits	0.25%	0.26%	0.31%	16	20	22	3	3	↓	0.26%
<b>Internal Audit Provision</b>											
8.1	Cost of internal audit per £million of net expenditure	£1,930	£1,678	£1,491	32	31	27	4	4	↑	£919
8.2	Productive Days as a percentage of Productive days per the Annual Plan	35.84%	87.04%	88.42%	32	27	26	4	4	↑	94.60%
<b>Treasury Management</b>											
9.1a	Loans Fund Interest Rate	4.76%	4.83%	4.46%	18	20	15	3	2	↑	4.39%
9.1b	Loans Fund Expense Rate	0.06%	0.10%	0.10%	11	23	21	3	3	↔	0.07%
9.2a	Ratio of Financing Costs to Net Revenues Stream for General Fund	7.75%	7.93%	7.75%	21	18	17	3	3	↑	7.84%
9.2b	Ratio of Financing Costs to Net Revenues Stream for Housing Revenue Account	22.76%	20.63%	18.01%	16	15	13	2	2	↑	21.52%

Statistical Information											
Ref	Indicator Description	Clacks			Ranking			Quartile		Movement	National Average
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2011/12	2012/13		2012/13
<b>Income Collection</b>											
1.2a	Income Due from Council tax for the Year (£000)	£18,231	£18,194	£18,436	29	29	29	4	4	**	£62,672
1.3a	Income Due from Council Tax for the years shown at 31 March 2012 (£000)	£18,214	£18,197	£18,197	29	29	29	4	4	**	£61,889
2.2a	Income Due from Non Domestic Rates for the Year (£000)	£12,962	£13,807	£14,742	29	29	29	4	4	**	£76,133
2.3a	Income Due from Non Domestic Rates for the years shown at 31 March 2012 (£000)	£12,206	£12,675	£13,546	30	29	29	4	4	**	£71,414
<b>Corporate Finance Provision</b>											
7.1	Number of qualifications on the accounts	0	0	0	0	0	0	0	0	**	0
7.2a	Actual vs budget	101.65%	99.10%	99.11%	**	**	**	**	**	**	98.79%
7.2b	Actual vs projected outturn	100.56%	99.20%	99.78%	**	**	**	**	**	**	99.53%
7.3	Professional qualified accountants as a ratio of £m of net expenditure	1:11	1:12	1:12	**	**	**	**	**	**	1:18
<b>Insurance</b>											
12.1a	Ratio of Employees Liability Claims to FTE Employees	1:538	1:700	1:264	**	**	**	**	**	**	1:404
12.1b	Ratio of Public Liability Claims to Head of Population	1:402	1:643	1:758	**	**	**	**	**	**	1:414
12.1c	Ratio of Motor Claims to Number of Vehicles	1:7.3	1:3.7	1:6.4	**	**	**	**	**	**	1:3.4

<b>Ref</b>	<b>Action</b>	<b>Service</b>	<b>Responsible Officer</b>	<b>Date for Completion</b>
1	Review collection methods for customers to improve the ease of making payments to the Council and investigate options for the introduction of cost effective automated facilities	Revenues	Revenues and Payments Manager	March 2015
2	Introduce Corporate Arrears System to facilitate the move to a Corporate Recovery Team.	Revenues	Revenues and Payments Manager	March 2015
3.	Address benefits processing backlog and ensure processing of current claims are maintained	Revenues	Revenues and Payments Manager	June 2014
4.	Investigate reasons behind invoices paid outwith 30 days	Payments	Revenues and Payments Manager	September 2014
5.	Complete automation of Payroll processes, including travel and subsistence and overtime claims.	Payments/HR	Revenues and Payments Manager	September 2014
6.	Complete the payroll service restructures	Payments	Revenues and Payments Manager	June 2014
7.	Complete Phase two of the integrated HR and payroll Itrent system, including the roll out of Employee and Manager Self Service modules	HR	Governance Manager	September 2014
8.	Review methods for purchasing goods and services within the Council, as part of the corporate procurement approach	Payments Procurement	Revenues and Payments Manager Procurement Manager	September 2014
9.	Undertake review of central support recharge methodology	Accountancy	Chief Accountant	December 2014
10.	Explore options for the procurement of a new finance system for implementation in 2015/16	Accountancy R and P	Chief Accountant Revenues and Payments Manager	June 2014



**DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13  
DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE**

**1.0 Introduction**

- 1.1. In late Autumn of 2013, the Director of Finance benchmarked Key Performance Indicators were published and made available to all Scottish Local Authorities.
- 1.2. Of the 38 indicators, 27 indicators allow benchmarking with other local authorities. Clackmannanshire Council's performance relative to other Scottish Local Authorities for 2012-13 is summarised as followed:

<b>Quartile Placing</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Movement</b>
First Quartile (1st to 8th)	3	2	(1)
Second Quartile (9th to 16th)	4	7	3
Third Quartile (17th to 24th)	13	10	(3)
Fourth Quartile (25th to 32nd)	7	8	1
Total	27	27	-

- 1.3. Detailed explanation for the movement of each of the 27 benchmarked indicators within the each of the four quartiles is provided below. This is analysed by each quartile.
- 1.4. The indicators reflect both service and corporate, operational and strategic performance. Accordingly there are differing levels of influence that the finance service can exhibit within differing timeframes for improvement.
- 1.5. For indicators that reflect transactional operational processes managed within one of the finance teams, such as income collection, processing times and completion of the Audit Annual Plan, these can be highly influenced by the relevant team in the short to medium term.
- 1.6. For indicators which reflect "end to end" Council wide performance involving services as well as finance, such as payments within 30 days or number of salaries paid correctly, these can be influenced in the medium to longer term through pro active targeting of non compliance, normally within 12 months to 3 years.
- 1.7. For indicators which reflect the cost or value for money of providing a service, these can be influenced in the medium to longer term through ongoing improved efficiencies in processes. Investment in new systems and automation of processes and internal control will also increase the ability of the finance team to influence improvements in corporate performance and value for money indicators through enforcing compliance and introducing

## DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13

### DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE

greater efficiency through automation. This can also reduce the "fixed cost" element of providing some finance services, which makes a smaller council like Clackmannanshire appear more expensive per transaction as it does not benefit from economies of scale.

#### 2.0 First Quartile

- 2.1. Of the two indicators in the top quartile, one has increased and one has decreased during the year. These indicators included non domestic rates collection (2.2b) and cost of benefits administering (6.1). All indicators were above the national average.
- 2.2. The cost of administering benefits increased by £3.50 per claim. The increase from 2011-12 and 2012-13 occurred due to a review of the recharge methodology in 2011-12, which resulted in a reduction in costs of £70,000 being recharged against Housing Benefit Team in 2011-12, thereby reducing the services comparative costs at the end of the year. The change was made in the methodology as it was agreed by the Accountancy service that this was a more accurate allocation method for 2011-12. With the ongoing changes to the Revenues and Payments service structure in 2012-13, the methodology was again reviewed and revised at the end of the financial year. This has distorted the three year trend, with the true cost of administration closer to the 2010-11 and 2012-13 levels. Over the two years from March 2011 to March 2013, there was a £4.36 reduction in cost per property of administering Council Tax which recognises a reduced total cost of providing the service due to lower staff numbers.
- 2.3. The increase in the non domestic rates collection of 1.1% further reflects the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.

#### 3.0 Second Quartile

- 3.1. The one indicator that declined in performance related to the processing time for benefits changes (6.2b) which increased from 8 days in 2011/12 to 9 days in 2012/13. This remains below the national average of ten days for 2012/13. This indicator is affected by the same factors as covered in paragraph 5.8 below, including the increased capacity required to process the atlas changes, and through increased welfare reform demands.
- 3.2. This trend has continued into 2013-14, with processing days for changes to benefits increasing to 35 days at the end of December 2013. The causes for the increase include the additional requirements to administer the changes arising from the Atlas system, the increased demand through Welfare Reform and performance management issues within the Revenues team. To address this increasing trend, the Council have been in contact with Department of Works and Pensions (DWP) and have arranged a visit from the DWP

**DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13  
DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE**

Performance Development Team. The visit took place in February 2014 and an Action Plan is being prepared by the service management team.

- 3.3. Integral to the improvement is the rigorous performance management arrangements, which are now embedded within the service. While performance has continued to decline in 2013-14, steps have been taken to review the processes, establish clear lines of responsibility and embed robust performance management arrangements through the restructure. A Performance Improvement Plan is now in place that maps sustainable improvements in performance for both indicators by June 2014.
- 3.4. Of the six indicators that increased in performance, four relate to non domestic rates and debtor collection levels (2.1, 2.3b, 2.3c and 3.1). This performance further demonstrates the effects of the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.
- 3.5. The two remaining indicators where performance improved relate to treasury management (9.1a and 9.2b) and indicate reduced borrowing for both the Housing Revenue Account and the loans fund.

**4.0 Third Quartile**

- 4.1. Of the four indicators that declined in performance, two relate to payroll accuracy (4.2a and 4.2b). The reduction in performance equates to an additional 32 payments or £64,000 being made to staff during 2012-13, an increase from 97 payments and £31,000 in 2011-12. These errors occur in the payment of 34,800 salaries per annum, with a value of £44 million and equate to a 0.4% error rate compared to 0.29% in the previous year.
- 4.2. Such payments are required when a staff members' net pay is found to be incorrect and it is not possible to resolve the matter in the monthly payroll BACS prior to the appropriate pay date. These errors can occur when information is not passed timeously to HR or Payroll Service thereby missing the processing deadlines. Errors can also occur due to the high volume of manual calculations and processing. In both these instances, a secondary payment will be made as close to the appropriate pay date as possible to ensure that the employee receives their correct net pay. The accuracy of payroll payments will be improved with the introduction by June 2014 of Manager and Employee Self Service modules, through the new Itrent integrated HR and payroll system.
- 4.3. The third declining indicator relates to an increase in benefit overpayments due to local authority delays (6.3). This also reflects the increase in the new benefit claims from 25 days to 26 days in 2012/13 as detailed in paragraph 5.8 below.
- 4.4. The fourth declining indicator related to in year collection levels for sundry debtors (3.2). While performance declined statistically, it should be noted that in 2011/12 £8.8m of sundry debtor income was collected while in 2012/13

**DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13  
DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE**

£9.7m was collected. This is an increase in income collected of £0.9m. The value of invoices raised in 2012/13 was also £1.615m more than in 2011/12.

- 4.5. Of the five indicators that increased, four relate to council tax and sundry debtor collection levels (1.2b, 1.3b, 1.3c and 3.3), demonstrating the effects of the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.
- 4.6. It should be noted that while council tax collected during the year for 2012/13 increased 0.11% from 95.20% in 2011/12 to 95.31% in 2012/13, the national average also increased, and the Council dropped from quartile two in 2011/12 to quartile three in 2012/13. Performance also increased for council tax received for the past five years, however the Council's benchmark position remained constant at 23rd out of the 32 local authorities.
- 4.7. The one remaining indicator that increased relates to finance costs as a ratio of the general fund (9.2a) This reflects the approach adopted by the Council's Treasury Management Strategy.
- 4.8. The indicator that remains unchanged relates to the council's loan fund expense rate (9.1b) which remains constant at 0.10%.

**5.0 Fourth Quartile**

- 5.1. For the five indicators with declining performance, three of these related to increasing costs per unit in Council tax, payroll and purchase invoice administration (1.1, 4.1, and 5.1).
- 5.2. For Council tax administration (1.1), the increase in the cost per property has returned to 2010-11 levels, after a significant decrease in the cost per property in 2011-12. This decrease occurred due to a review of the recharge methodology in 2011-12, which resulted in a reduction in costs of £220,000 being recharged against the Council Tax Team, thereby reducing the services comparative costs at the end of the year. The change was made in the methodology as it was agreed by the Accountancy service that this was a more accurate allocation method for 2011-12. With the ongoing changes to the Revenues and Payments service structure in 2012-13, the methodology was again reviewed and revised at the end of the financial year. This distorted the three year trend, with the true cost of Council tax administration being at the 2010-11 and 2012-13 levels. Over the two years from March 2011 to March 2013, there was a £0.92 reduction in cost per property or administering Council Tax which recognises the unchanged total cost of providing the service.
- 5.3. For purchase invoice administration (5.1), the increase in the cost per invoice, reflects both a reduction in the volume of transactions from 33,000 to 25,000 invoices and the additional cost of a proportion of the Payments Team Leader post which was filled in April 2012. The increase for payroll administration



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- (4.1), also reflects the increase in costs relating to the Payments Team Leader post.
- 5.4. It is anticipated that the cost of processing invoices will return to the 2010-11 levels as the Payments Team Leader retired in June 2013, and the Creditors team return to a 2FTE complement. While it was subsequently found that the Payments Team Leader was only in post for just over 12 months, prior to their retirement, the cost of their salary is reflected in cost of purchase invoice administration. This reflects the line management and operational performance management arrangements that they brought to the team while in post during 2012-13.
- 5.5. The costs for the Payments Team Leader were reflected within the
- 5.6. It is also anticipated that the cost of administering the payroll will reduce in 2014-15 onwards, as the benefits of the introduction of Itrent are realised through more automation and self service facilities.
- 5.7. The fourth declining indicator relates to the percentage of invoices paid within 30 days (5.2). This has reduced 7.07% to 79.22% at the end of 2012/13. This performance measure reflects the time for the Council to complete the full end to end invoice process from receipt of the invoice by the service, to the payment of the invoice by the Creditors Team. The number of invoices taking more than 30 days to be paid has increased from 4,600 in 2011-12 to 5,200 in 2012-13. There are a number of reasons why the payment of an invoice may exceed 30 days, including
- query/dispute with the supplier over quality of good or services supplied,
  - query/dispute with supplier over the value of the invoice,
  - invoice not being received from supplier on timely basis,
  - relevant authorised signatory not being available to authorise invoice,
  - invoices not being authorised and passed for payment promptly,
- 5.8. With there being no backlogs in workload in the creditors section, the Payments Team are currently investigating the reasons why this is occurring and will work with the relevant services accordingly. It is anticipated that the introduction of the new Financial System will allow the current manual process to be automated, thereby improving the efficiency of the arrangements.
- 5.9. For the final declining indicator, this relates to the time taken to process new benefit claims (6.2a) which increased from 26 days in 2011/12 to 32 days in 2012/13. As already noted in paragraph 3.2, this reflects the increased demand on the benefits team due to the welfare reform changes, including the increased workload due to the Atlas software, where information is being received both in paper form and electronically. This is resulting in staff having to manually sort and extract duplicate records.

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- 5.10. As previously mentioned , the Council have been in contact with Department of Works and Pensions (DWP) and have arranged a visit from the DWP Performance Development Team. The visit took place in February 2014 and an Action Plan is being prepared. A Performance Improvement Plan has also been prepared by the service management team and is now in place that maps sustainable improvements in performance by June 2014.
- 5.11. For the three indicators that increased, two relate to internal audit (8.1 and 8.2). The increase in the internal audit indicators reflect the completion of the successful restructure of the audit and fraud team, with 2012/13 being the first year the team had a full and constant complement of staff.
- 5.12. The remaining indicator that has increased relates to payment of invoices made electronically (5.3). This has increased 5.38% to 87.20% at the end of 2012/13 and reflects work undertaken by the Creditors Team in the year to move suppliers from cheque payments to BACS payments.