
Report to Scrutiny Committee

Date: 13th January 2010

Subject: Improvements to Financial Management Processes

Report by: Accountancy Manager

1.0 Purpose

- 1.1. This report brings forward a revised improvement action plan as requested by Committee when considering this report in October.

2.0 Recommendations

- 2.1. That the Committee agree Action Plan progress and target dates attached to this report.

3.0 Considerations

- 3.1. The Committee considered a report on improvements to financial management processes initiated by the Director of Finance and Corporate Services following her appointment.
- 3.2 The previous report outlined a draft improvement action plan. This report now brings forward that action plan with target dates and responsible officers now populated for approval and noting.

4.0 3.3 Sustainability Implications

- 4.1. N/A.

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. *Staffing - none*

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 2008 - 2011** (Please tick)

- 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

9.0 Legality

9.1 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".

Improvement Action Plan

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 ✓

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Martin Dunsmore	Accountancy Manager	2041

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance and Corporate Services	Signed: N Bridle
Angela Leitch	Chief Executive	Signed: A Leitch

ISSUES	ACTION PLAN	Target Date	Responsible Officer	Completed or Revised Target Date	Comments
Is Budget Realistic					
Lack of proportionate approach to budgeting and reporting	Priorities of Council need to be identified and provide basis of development of proportionate approach to budgeting and reporting	31/07/11	Accountancy Manager		Improvements in current year will be taken forward and developed for 2012/13 and future years.
Up to date list of budget holders not available - lack of clarity on governance.	Up to date list of budget holders to be compiled and approved by Senior Management	31/07/11	Directors Group		Updated list of current budget holders complete. Awaiting approval by Senior Management. Further amendments likely as restructuring within Services proceeds
Budget holders are not always aware of the impact of their individual decisions on the overall budgetary position.	Budget Guidance to be issued to all budget holders, followed up by workshop if appropriate	31/03/11	Principal Accountant - Liz Shaw		Budget guidance will be issued to all budget holders following conclusion of current budget deliberations. Workshop will be planned for the Summer.
Annual roll over of budgets can lead to reported budget shortfall where changes in service are not built in. Conversely some services will have excess budget for their requirements.	Zero base principles to be applied where possible. This is resource intensive so will need to be prioritised. Management to undertake detailed review of draft budget prior to Council to minimise reinforcement of legacy issues as far as possible.	31/01/11	Directors Group		Budget challenge days have progressed this action for 2011/12 budget
Some departments allowed to carry forward over/under spends No evaluation on effectiveness of this.	Review of carry forwards to be undertaken and compared to actual expenditure profile to evaluate the effectiveness of these arrangements over time.	31/01/11	Principal Accountant - Liz Shaw		This will be reviewed and completed prior to conclusion of 2011/12 budget
Roll over budget can lead to shortfall in budget for core services.	Unavoidable growth needs to be captured clearly in budget process. The Budget Template will clearly capture this.			Complete	
Lack of discussion between budget holders and finance professionals when suggesting savings can lead to unrealisable savings being approved.	Accountants to be involved in capturing / costing all budgetary impacts	31/01/11	Accountancy Manager		Savings put forward by Services still to be fully costed by Accountants. Engagement with Services in this process now in hand.
Efficiency savings not always removed from budget	Capture Efficiency savings in one database for automatic removal	31/03/11	Principal Accountant - Liz Shaw		This work will be done at conclusion of current budget.
Providing non statutory services but not fully recovering costs.	Review of Charging Policy	28/02/11	Director of Finance & Corporate Services		Delivery Group Report and options appraisal conclusions in hand as part of current budget review activity
Revenue consequences of capital not always fully costed / identified.	Review of capital programme and through better engagement with service budget holders	28/02/11	Accountancy Manager		This is being addressed through current budget process. Guidance will be issued.
Use of budget virement conceals the actual spending patterns within some areas.	Review use of virements	30/04/11	Principal Accountant - Liz Shaw		Revised system in place for new financial year.
Is actual to date accurate					
Invoices being processed late causes issue with budget monitoring. Timing variances	Guidance to administrators / budget holders regarding processing of invoices	30/04/11	Revenues & Payments Manager		This issue will be addressed through roll out of Purchase Order Purchasing system commencing April 2011
Budget holders need to understand process should be checking budget available before committing to spend.	Guidance to budget holders & service accountants - spend committed when placing order not paying invoice	31/03/11	Principal Accountant - Liz Shaw		This will be linked to budget guidance referred to above
During budget monitoring if invoices not on IDOX time wasted looking for information	IDOX to be up to date for month ends	30/04/11	Revenues & Payments Manager		Will be brought up to date in line with roll out of POP
Is the budget profile applied realistic / reasonable					
Reporting large fluctuation between months and for full year forecast	Detailed Review of budget profiles			Complete	
Review variances each month for phasing issues.	Ongoing review of budget profiles to ensure fit for purpose			Complete	
phasing of budgets not integral part of budget process. Budgets not properly phased.	Phasing to be built in as formal budget process	28/02/11	Principal Accountant - Liz Shaw		Will be actioned following conclusion of budget for 2011/12
How are the projected outturns compiled?					
Finance staff producing detailed information very time consuming and users have little confidence that it is reliable.	Review of the format of current reports by engaging with key stakeholders: Members and Management to establish clear user preferences/ options.		Accountancy Manager	Ongoing	
Spending too long producing information not enough time reviewing prior to issue.	Monitoring Timetable to be reviewed to ensure appropriate time for review with senior management	28/02/11	Principal Accountant - Liz Shaw		Will be revised and put in place for new financial year
Budget holders don't fully understand the information provided due to format and language used	Finance Training for all budget holders / MI improvements as above	31/08/11	Principal Accountant - Liz Shaw		Will be included in planned workshop referred to above
Finance staff spending too long providing information on small value areas	Risk Assessment to be carried out - time to be spent on high risk areas - volatility / value	31/07/11	Principal Accountant - Liz Shaw		Key areas of focus will be reviewed, assisted by introduction of Covalent
High volume of cost centres and GL codes time consuming to review all in detail	Strategix run on exception report. Actual to date v budget to date which would highlight areas for further investigation	31/05/11	Principal Accountant - Liz Shaw		Exception reporting will be developed and introduced for start of new financial year.
Insufficient challenge of service budget holders by Finance staff	Detailed monthly discussions with SMT focuses on increased challenge and verifying service discussions. Improved focus on management and council action required.			Complete	Detailed monthly discussions with SMT focuses on increased challenge and verifying service discussions. Improved focus on management and council action required.
Difficult to explain reason for salary variances	Improved analysis of Salary figures to be built into monthly process	31/05/11	Principal Accountant - Liz Shaw		Work on improving analysis of payroll information progressing

