

## **Finance Service Report**

### **1. Introduction**

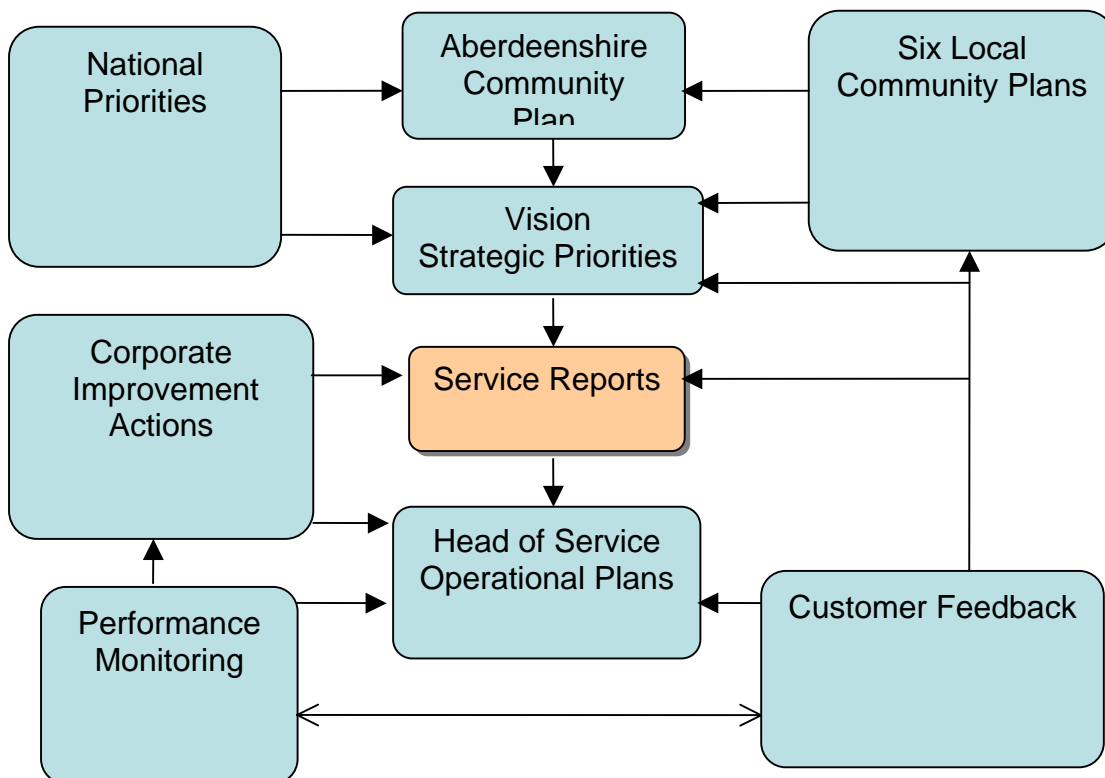
This is the Finance Service report for April 2009 to March 2010. The service report is a strategic document intended for:

- a. Policy & Resources Committee
- b. Finance Management Team
- c. Finance Service key stakeholders and partners.

Further information relating to the Finance Service can be found on the Aberdeenshire Council Website: [www.aberdeenshire.gov.uk](http://www.aberdeenshire.gov.uk)

## 2. Setting the Scene

This report prepared for Aberdeenshire Council forms part of the strategic plans framework that allows services to monitor and report on progress towards the achievement of the council's longer term vision and strategy.



The focus of this report is service performance and service level contributions to strategic and corporate plans.

It includes an overview of service performance during the previous year and a summary of the service's priorities and anticipated challenges for the forthcoming year. The report also includes detailed information on service responsibilities and agreed action to ensure the delivery of a range of council plans including:

- Strategic Priorities
- Best Value Audit Improvement Plan
- The Employee Surveys Improvement Plan
- The Residents Survey Improvement Plan
- Aim Action Plan

In most cases the actions listed will form part of longer-term programmes.

In addition the service report includes actions that the service will be undertaking during 2009/10 to contribute to the delivery of the local outcomes contained within the Single Outcome Agreement.

The service report does not include detailed planning and performance information relating to all activity within the service. The service produces a number of other strategic plans, such as Revenue & Capital Budgets, which are reported to Committee under separate cover. The service also produces detailed operational plans monitored by the service management team and which are also available to councillors on request. These include Contact Centre expansion and the introduction of a network of Service Points to improve service delivery.

### **3. Our Vision, Values and Aims**

Aberdeenshire Finance exists to ***“ensure the proper administration of the financial affairs of the Council”***.

An important objective of Aberdeenshire Council is to not only use financial resources to deliver policies and objectives economically, efficiently and effectively, but to change the way the Council works. These objectives are achieved through three discernable styles of financial management:

***Stewardship*** places emphasis on:

- Complying with external rules or requirements, such as those laid out in an Act of Parliament
- Establishing internal rules to ensure strong audit trails
- Ensuring good discipline and clear accountabilities
- Managing key relationships with regulators, auditors, funders and others

***Performance*** places emphasis on providing the right information at the right time to enable managers to understand and use their skill and knowledge to adjust the drivers and inhibitors of performance.

***Transformation*** uses finance to help in achieving the Council's strategic aims. Financial resources are needed to re-engineer the organisation to operate in a different way and to make improvements in performance. It also helps to shape new strategies, structures and systems and influence the Council's culture; for example the development of Customer Services.

## **4. How are we doing?**

This section provides a high level statement of service performance during 2008/09. More detailed information relating to service performance can be found in the following documents:

- Audit Scotland report to Councillors
- The employee and residents survey reports 2008.
- The service performance indicator reports (reported to Policy & Resources Committee on a 3 monthly basis).
- Monthly service monitoring reports (PASS – Performance Analysis and System Scrutiny)
- Benefits Annual Report

### **4.1 Achievements in 2008/9**

The major achievements of the service during 2008/09 were:

#### **4.1.1 Community Wellbeing**

- Working jointly with Grampian Police to information share all graffiti and vandalism notifications
- The assessment of free school meals entitlement moved from local schools to the Integrated Benefits Section, resulting in an additional 1,006 households being advised of the fact that their children were entitled to free school meals and a 15% increase in take-up. This project gained a bronze COSLA Award in the category of Advancing Community Health & Well Being. It also fits very neatly into the "tell us once" agenda with customers only having to provide information once.
- The launch of a dedicated fraud hotline so that people could call and report those they suspected of committing benefit fraud, and this was accompanied by a poster and leaflet campaign across Aberdeenshire.
- A joint take-up campaign with the Pensions, Disability and Carers Service of the Department for Work and Pensions. This welfare benefit take-up campaign was aimed at local authority tenants aged 60 plus and has so far resulted in additional annual income of just over £183,000.
- The receipt of a positive report from Audit Scotland who carried out a risk assessment of the Benefits Service in September 2008.

- Production of a pack to give benefit information to customers, particularly targeting those in a redundancy situation.

#### 4.1.2 Jobs and the Economy

- Locating the Contact Centre within Fraserburgh has introduced new and challenging multi-skilled, cross-service posts to the area.
- Support for Nestrans and other arms length bodies, including financial modelling for the proposed new Better Life Centre in Banff.

#### 4.1.3 Lifelong Learning

- A number of staff have completed, or are completing Institute of Customer Service (ICS) awards.
- A number of payroll staff have passed various exams leading to a formal payroll qualification.
- Nine staff within the Integrated Benefits Section have successfully completed the level 3 SVQ in Housing and Council Tax Benefits and one has gone on to achieve her A1 assessor certificate, enabling her to assess future SVQ candidates.
- Recruited four trainee accountants who are currently studying for their CIPFA qualification. This is a key development in terms of succession planning and resolving significant recruitment difficulties.

#### 4.1.4 Sustainable Environment

- Developed a system to issue remittance advices by email, reducing stationery and postage costs, and providing a quicker and more efficient service for suppliers.
- The increased volume of calls, and the high percentage of calls dealt with at first point of contact through process re-engineering, will reduce the need for customers to physically travel to offices to request a service or obtain information.

#### 4.1.5 Developing our Partnerships

- Developed and established a corporate procurement strategy in partnership with Aberdeen City Council. Joined the Scotland Excel project, incorporating 29 Scottish councils, to develop national contracts for a range of goods and services, including the establishment of a North-East hub.

- Joint working with Grampian Police in a range of activities:-
  - Sharing incoming calls relating to graffiti or vandalism
  - Out of hours service for Housing
  - Additional out of hours service concerning a lone working pilot
- Development of a business case to consider a shared Revenues and Benefits service across seven councils in the North of Scotland.

#### 4.1.6 Corporate Improvement

- Transferred all weekly paid staff (c6,000) to a monthly payroll, providing greater standardisation of processes and reduced administration.
- Further reduced the number of cheque payments by 33%, providing a more efficient and cheaper method of payment through automatic bank transfer.
- Introduced iProcurement in Catering, Personnel & ICT, and Finance Services. This allows electronic procurement linked to the development of the Council's procurement strategy.
- A successful and proactive approach to treasury management, underpinned by an agreed strategy, has led to savings in excess of £6m in 2008/09, with some savings continuing into future years.
- Successfully completed an upgrade to Oracle Financials, improving the functionality of the Council's core financial ledger system.
- Undertook a team Kaizen to provide closer links between the processes for preparing and monitoring budgets. The outcomes will be implemented from 2009/10, and will result in greater efficiencies within accounting teams and stronger links between the current and future financial years.
- Undertook a joint Kaizen event with the Housing and Social Work service, which will improve the service offered to homeless bed and breakfast clients and speed up charging process.
- Implemented a Kaizen review into internal invoicing, providing a more efficient process for cross-service charging, achieving over £50,000 of time release savings, with a resultant improvement in budget management.

- Undertook a team Kaizen, involving Audit Scotland, to examine financial year-end processes, resulting in improvements to accounting for balances and capital.
- Successfully changed the method for processing council tax refunds from cheque to BACS. This has significantly reduced the time taken to process payments.
- Transferred all housing benefit recipients paid by cheque to BACS payments, reducing the number of cheques by just over 33,000 cheques each year representing a significant efficiency gain.
- Introduced new, improved services into the Contact Centre, which has seen increased satisfaction in service delivery, whilst delivering cost reductions due to process re-engineering.
- Successful pilot Feedback system, which has seen the introduction of a corporate team to handle all incoming feedback in a consistent, customer focussed manner; identifying trends within services to assist in process improvement (and highlight potential efficiencies).
- Site for pilot face to face Service Point now agreed.

## **4.2 Performance and Improvement**

### **4.2.1 Performance**

The Council's actual outturn position against budget continues to show a very small percentage variance and the accounts again received an unqualified audit opinion. The Accountancy Section is however struggling to cope with a number of staff vacancies and levels of absenteeism. Whilst the focus and priority will be on financial stewardship, the impact of staff shortages is more keenly felt in areas of performance and transformation, and the service's ability to support other services in this area.

The performance indicator for paying suppliers within 30 days has declined from 88% to 83%. There are a number of reasons for this, primarily problems with a few major suppliers, and the flow of invoices from services. The Service is seeking to improve methods of ordering and payment for goods and services through iProcurement, and examining existing processes to seek improvement in this key performance statistic.

The Payroll Section continues to face significant work pressures which are impacting on its ability to undertake a range of measures to improve performance and effectiveness. Poor quality information

has resulted in overpayments or incorrect payments being made to staff, with the resultant amount of time spent resolving these issues.

Time will be spent addressing these issues in conjunction with all services.

The current economic climate has resulted in an increased workload for the Integrated Benefits Section, yet despite this the Section has seen a performance improvement in a number of key areas that directly affect the customer. However accuracy remains a concern and efforts are being made to improve this.

The introduction of the Contact Centre has allowed both processes and practices to be improved for the benefit of customers and the Council. As shown in the satisfaction surveys undertaken by the Contact Centre, we are consistently delivering a service that customers are very satisfied with. All satisfaction surveys information is provided to services on a monthly basis, along with a summary sheet which highlights areas the service may wish to improve. Additionally, due to re-engineered processes, the Contact Centre is now delivering an increased amount of services at first point of contact (consistently averaging at over 83% of services dealt with at first point of contact).

However since the Housing Repairs service went live at the Centre in September 2008, the high call volume has adversely affected the 20 second telephone response rate. This is currently being addressed.

#### 4.2.2 Improvement

Financial year 2008/09 has seen Housing Repairs, Benefits Fraud Hotline and Job Applications all being successfully delivered into the Contact Centre.

Significant customer service delivery improvements have been introduced for each service, along with the availability of substantial statistical information now being delivered to each service. These highlight additional training requirements along with identifying where scripting improvements need to be implemented.

Section 4.1 highlighted a number of service achievements during 2008/09. These reflect a constant drive to improve the quality of services, both within Finance as well as supporting front-line services.

## **5. Looking Forward**

### **5.1 Service Priorities**

The Finance Service is working to deliver the Council's Strategic Priorities and the local outcomes contained within the Aberdeenshire Single Outcome Agreement. In addition, following analysis of external requirements, national and local priorities, service performance and customer feedback, the service has identified a number of priorities for 2009/10. These are:

- To have iProcurement live in all services by the end of 2009/10.
- Complete an independent assessment of the effectiveness of Aberdeenshire Finance's financial management.
- To complete a review of business continuity across all parts of the Finance Service, ensuring that plans are robust and tested.
- To undertake a tender exercise and appoint treasury and insurance advisers.
- Review progress to date, and further develop opportunities, for point of service payments within Council offices.
- Prepare a business case for the introduction of corporate debt recovering software, providing an interactive and more effective approach to debt recovery across a number of Council services.
- To examine the feasibility of sharing operational services within the Revenues and Benefits field with other councils in the North of Scotland.
- To fully roll-out the new Feedback system to all services within the Council
- To upgrade to a new version of the CRM system – this includes reviewing existing integration and replacing where necessary.

### **5.2 Service Challenges**

The Scottish Government is expected to announce a Spending Review covering the period 2010-13 in the autumn of 2009. This is expected to reflect a reduction, in real terms, in the level of public expenditure. This will place a significant pressure on existing budgets, and Aberdeenshire Finance will have a key role to play in analysing data and providing guidance to senior officers and councillors.

The “credit crunch” will create a number of challenges for the Finance Service. The Service will require to respond promptly and sympathetically to additional customers requiring financial support through, for example, council tax and housing benefit, whilst at the same time maintaining and improving collection levels of all income due to the Council. Support for local businesses will be maintained through the prompt payment of invoices and through the provision of financial support.

The Department for Work and Pensions currently has two reviews ongoing into housing benefit. The first review is looking at the subsidy arrangements in relation to temporary accommodation for homeless customers, and this review will have implications in terms of the funding Councils receive for housing benefit paid to customers in temporary accommodation. The second review relates to the service delivery of housing benefit and could have a significant impact on future service delivery models.

Demographic changes will have a major impact on demand led services. Aberdeenshire Finance will need to assess the implications of these changes and produce financial models which assess the impact on service expenditure and grant distribution.

The shared services agenda requires Aberdeenshire Finance to review the way in which it provides services, and to explore opportunities for joint working with appropriate partners.

The ongoing process of appeals arising from Single Status and Equal Pay Legislation will continue to place pressure on the payroll section to ensure that revised salaries are correctly calculated and paid.

The continuing turmoil in the financial markets will place increasing pressure on treasury management to ensure that any cash balances are invested securely. Investment returns are anticipated to be significantly lower than in previous years, and this will place pressure on budgets. The service will continue to be proactive in its management of the loan portfolio and will continue to explore options for debt repayment and rescheduling.

### **5.3 Service Resources**

At present Aberdeenshire Finance has difficulty in recruiting staff, particularly qualified accountants who are essential to provide the Council with appropriate financial advice. The Service is reviewing its training plan to ensure the future availability of qualified staff by affording opportunities for staff to obtain professional qualifications and to ensure an effective mentoring scheme.

The Service has initiated a regular programme of continuing professional development events to ensure that staff are equipped with the skills and knowledge to maintain and advance their careers within Aberdeenshire Finance.

The Service needs to strengthen the Payroll Section to assist with a range of changes to terms and conditions of service, and to allow improvements to be introduced.

The Service also needs to strengthen its budget monitoring arrangements and review the strength and depth of all accountancy teams.

The increase of Contact Centre services does have implications for the Development Team part of the Customer Service section. All new services to the Contact Centre cover the Advisor cost element, however the increase in workload to the Development team on the introduction of new services is significant and it is envisaged that this team will require to be expanded to meet service demand.

Lastly the Contact Centre will be close to capacity once current development services are live, therefore additional resources will be required to fund a second site.

Continuous improvement and workstyle transformation are key to how Aberdeenshire Finance meets the above challenges, both in terms of its own service as well as support given to front-line services. An important element of this will be to ensure that continuous improvement techniques are adequately resourced to ensure their successful implementation.

## Action Plans

This section shows the 2009/10 strategic and corporate actions for which Finance are accountable during 2009/10. The committee will receive a progress report for the 2009/10 actions in October 2009.

*NB. This should include actions from the Strategic Priorities, the Single Outcome Agreement, Best Value Audit Improvement Plan, Inspection Action Plans, Employee Surveys Improvement Plan, Residents Survey Improvement Plan, AIM Action Plan, Equalities Action Plans, Corporate Initiatives Action Plans.*

## Strategic Priorities

Theme	Community Wellbeing			
Strategic Priority	SP Identifier	Key Action	Sub Actions 2009/10	Senior Responsible Officer
Working in Partnership	DP2.2	Ensure that the Council's reputation and financial risk are safeguarded; and appropriate audit arrangements are in place in relation to both finance and performance of partnership and joint working arrangements.	<ul style="list-style-type: none"> <li>(1) Continue to ensure accounts are unqualified.</li> <li>(2) Maintain watching brief on actions of financial probity.</li> <li>(3) Ensure financial implications of Committee reports are fully identified and addressed.</li> <li>(4) Review Governance arrangements.</li> </ul>	Derek Yule Charles Armstrong  Charles Armstrong  David Hughes
Corporate Improvement	CI1.1	Ensure efficiency is an integral part of all services.	<ul style="list-style-type: none"> <li>(1) Introduce system for benefits tracking and reporting.</li> <li>(2) Review potential for efficiency savings as part of a review of budgets for 2010/11 and beyond.</li> <li>(3) Produce annual statement showing efficiency savings achieved.</li> </ul>	Derek Yule  Derek Yule  Derek Yule



Theme	Community Wellbeing			
Strategic Priority	SP Identifier	Key Action	Sub Actions 2009/10	Senior Responsible Officer
Corporate Improvement	CI3.1	To maximise the ease with which customers are able to contact and interact with the Council.	(1) Deliver a pilot Service Point which will see improved face to face service delivery with multiple services fully delivered at first point of contact. (2) To escalate expansion of the Contact Centre by introducing more re-engineered services. This includes the investigation and delivery of a second Contact Centre site.	Charles Armstrong  Charles Armstrong
Corporate Improvement	CI7.1	To optimise the Council's financial resources and campaign for a review of the distribution formula to improve the Council's government grant position.	(1) Participate, through COSLA, in Three-Year Grant Settlement Group. (2) Participate, through COSLA, in Distribution Review Officers Group. (3) FairShare Campaign - ensure information is kept up to date - provide briefing papers for Council Leader (4) Implement Kaizen recommendations linking revenue budget preparation and monitoring processes. (5) Develop policy-led budgeting (covered under Corporate Outcomes and Actions page 15)	Charles Armstrong Charles Armstrong Charles Armstrong Charles Armstrong Derek Yule Derek Yule

## Corporate Outcomes and Actions

The following are actions that are included in corporate action plans (Best Value Audit Improvement Plan, Inspection Action Plans, Employee Surveys Improvement Plan, Resident's Survey Improvement Plan, Aim Action Plan, Equalities Action Plan).

<b>Intended Outcome</b>	<b>Action Required</b>	<b>Senior Resp Officer</b>	<b>Source Action Plan(s)</b> <i>(The plans in which the action(s) are listed)</i>	<b>Action milestones 2009/10</b>
The Council has an approved Asset Management Plan that supports and informs the investment decisions necessary to ensure that its assets are fit for purpose and support the delivery of its Strategic Priorities.	Negotiate with Scottish Government regarding additional funding for key projects for 2010/11 and beyond.	Charles Armstrong	BVAIP Action 7.4	No meaningful plan can be prepared for this item at this stage. Any additional new capital spending capacity is largely dependent on the emergence or otherwise of the Scottish Future Trust, and this is outwith our control. We monitor developments as and when they take place. The first milestone will be the SFTs creation, but no timescale can be put on this.
The Council is confident that all trading activities provide best value to Aberdeenshire Council.	Undertake service reviews and appraise service delivery.	Derek Yule	BVAIP Priority Area No.10	Determine review process for each service and establish key dates. Appraise service delivery, including options for service delivery. Develop improvement actions.
The Council has a rigorous and co-ordinated approach to the identification of efficiencies, which is clearly linked to the management of continuous improvement.	Create efficiency budgets. Create budget lines between continuous improvement initiatives. Create baseline information and establish measures for setting targets for continuous improvement activities.	Derek Yule	BVAIP Action 11.1	Action repeated during 2009 in preparation for 2010/11 budget process.

Intended Outcome	Action Required	Senior Resp Officer	Source Action Plan(s) <i>(The plans in which the action(s) are listed)</i>	Action milestones 2009/10
The number of Council services delivered by the Contact Centre will be quadrupled; a rationalised network of over-the-counter facilities will be enhanced and delivered to a common high standard.	Continue programme of transferring services to the Contact Centre. Undertake review of standards of service. Agree a network of over-the-counter contact points for Aberdeenshire.	Charles Armstrong	BVAIP Priority Area No.12 Resident's Survey Improvement Plan – No.4, 6 and 12. Equalities Action Plan.	Implement the transfer of an additional 5 services to the Contact Centre. Implement pilot Service Point in Huntly and roll-out to other main towns.
Link Council Budgets to Strategic Priorities with <ul style="list-style-type: none"> <li>- a detailed and deliverable revenue budget covering 5 years.</li> <li>- an outline revenue budget covering a further 10 years.</li> <li>- a detailed, financially deliverable 15 year Capital Plan.</li> </ul>	Develop the current approach to policy-led budgeting.  Extend current 3 year budget to 5 years.  Provide indicative budgets for further 10 years.  Review funding requirements for Capital Plan.	Derek Yule	BVAIP Priority Area No.14 AIM	Indicative 15 year revenue budget incorporating:- <ul style="list-style-type: none"> <li>a) assessment of demographic changes.</li> <li>b) trends in grant income and service demands.</li> </ul>
Clear and effective communication with all residents and service users.	Review and update documentation.	Alistair McNair	Equalities Action Plan.	Ongoing review and update.
Provide income maximisation and improved financial support to disabled people.	Target benefit take-up amongst disabled people.	Alistair McNair	Equalities Action Plan.	Joint working with Pension Service to maximise update of Attendance Allowance and Pension Credit (ongoing).