

**REPORT TO: FINANCE COMMITTEE - 21 APRIL 2003**

**REPORT ON: PERFORMANCE MANAGEMENT AND PLANNING**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 305-2003**

**1 PURPOSE OF REPORT**

- 1.1 To advise the elected members on the performance of the Finance Department as detailed in the Accounts Commission Overview Report 2001/02 which was published on 24 February 2003.
- 1.2 To update the committee on progress made in implementing the continuous improvements contained in report 664-2002 which was approved by committee on 9 September 2002.

**2 RECOMMENDATIONS**

- 2.1 The committee notes the excellent progress made by the department in implementing continuous improvements as detailed in the attached report by the Accounts Commission.
- 2.2 The committee commends the staff of the Finance Department for the hard work put in over the past year to create an operating culture of continuous improvement.

**3 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications arising from the report.

**4 LOCAL AGENDA 21 IMPLICATIONS**

- 4.1 None.

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 None.

**6 BACKGROUND**

- 6.1 Reference is made to report 664-2002 which constituted the Finance Department's Performance Management and Planning submission. This document has now been independently audited and as noted in the Accounts Commission's Overview Report 2001/02 which has recently been published "had more than 80% of good practice elements in place" which is a very high score only achieved by a handful of departments within Scottish local authorities.
- 6.2 On 26 March 2003 the Accounts Commission reported on the continuous improvements incorporated within the original Performance Management and Planning submission, as per the attached report. The auditors noted that substantial progress had been made in implementing the continuous improvements with only one item remaining outstanding but due for completion by the end of the year.

## **7 CONCLUSION**

- 7.1 The Finance Department has made significant progress in delivering continuous improvement as required by the Best Value regime. Continuous improvement will continue to be implemented using the EFQM self-assessment model which will be considered by a cross-section of staff within the Finance Department over a series of workshops. The conclusions of the group will be incorporated in the department's new Service Plan.

## **8 CONSULTATION**

- 8.1 The Chief Executive and the Director of Corporate Planning have been consulted on the contents of this report.

## **9 BACKGROUND PAPERS**

The Finance Department Performance and Planning Submission - Finance Committee - 9 September 2002.

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

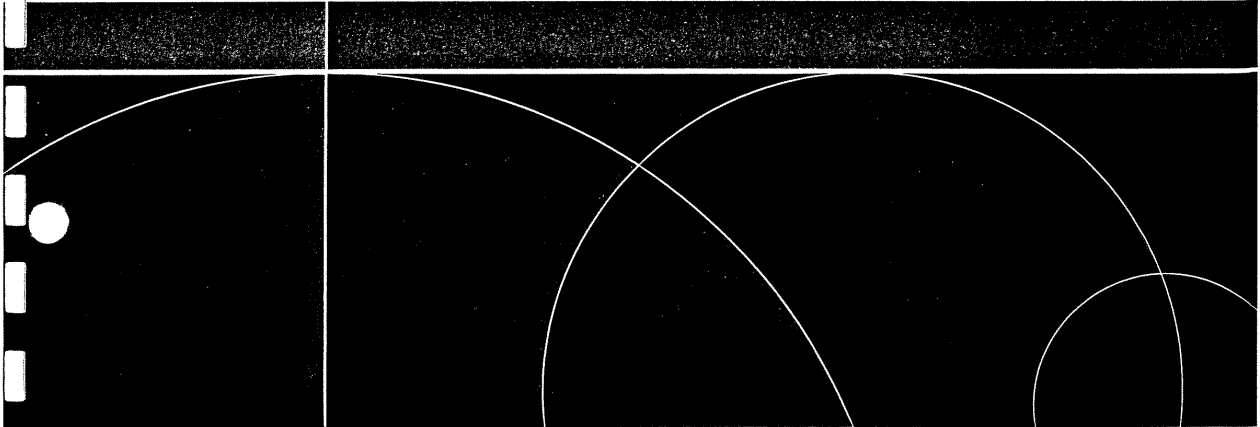
**4 APRIL 2003**



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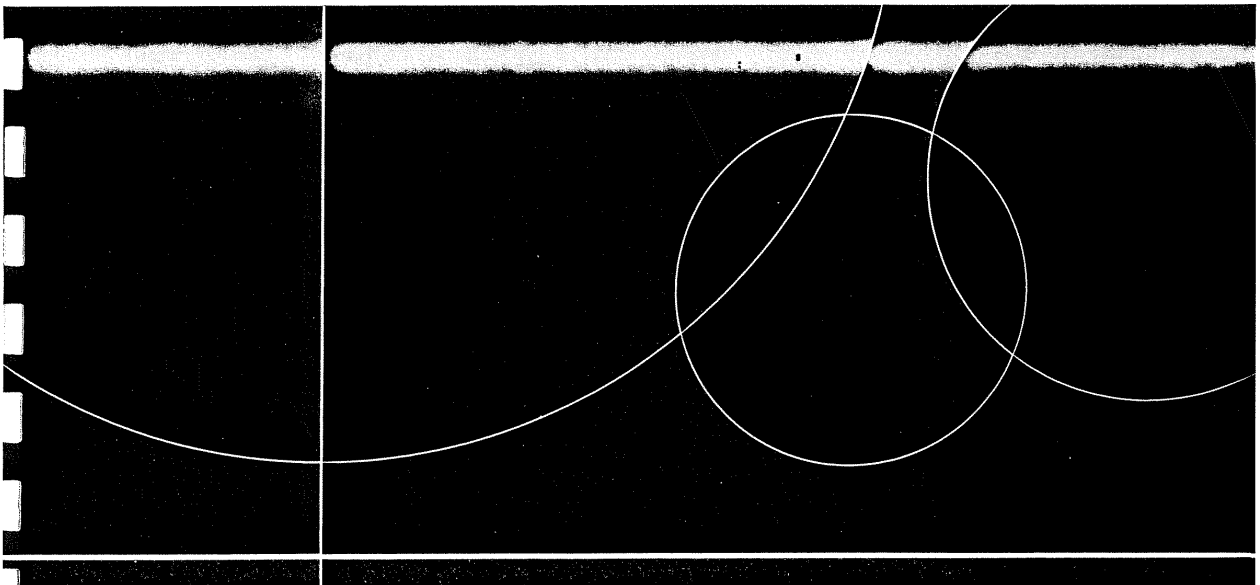
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26 March 2003



**DUNDEE CITY COUNCIL  
2002/2003 AUDIT**

**PERFORMANCE MANAGEMENT & PLANNING  
FINANCE DEPARTMENT: PROGRESS UPDATE**



## Executive summary

### Introduction

1. Best Value has been progressing in Scottish Councils since late 1997, with the Best Value Task Force's second report issued in July 1998 requiring Councils to develop a performance management and planning (PMP) framework, which delivers continuous improvement.
2. Part of the auditor's statutory responsibilities is to be satisfied that a local authority has in place appropriate management arrangements to secure value for money from the resources available to it. With the introduction of the Best Value regime, the PMP audit has been used to review the progress that Councils are making in implementing the framework set out by the Best Value Task Force.
3. A PMP audit was carried out in the Finance Department in 2001/02 and, as part of this process, the service identified a number of planned improvements to both the PMP framework and the method of service delivery. The 2002/03 audit is to assess the progress made towards implementing the improvement actions.

### Audit approach

4. The audit was carried out in accordance with guidance issued by Audit Scotland. This required the service to undertake a self-assessment of their progress to date and complete an Improvement Action Progress Report (appendix 1). The service was also required to submit a Best Value Achievement Report setting out tangible improvements, which have been achieved from February 2002 to December 2002 (appendix 2).
5. Our role was to:
  - review a sample of supporting evidence to verify the extent to which the service had implemented their agreed improvements and achieved what they set out to;
  - ascertain why the service had not implemented agreed improvements and remedial action planned to recover from any slippage in progress; ..
  - verify the service's achievements recorded in the Best Value Achievement Report through checking a sample of supporting evidence.

### Improvement action progress report

6. Eight improvement actions were identified by the service last year and we are pleased to report that seven of these have been or will shortly be completed. The relevant improvement actions are detailed below:
  - implemented a training programme for using Powersolve, and Business Objects to allow non-financial managers to improve their reporting of management information;

- improved collection rates on the Sales Ledger by implementing direct debits;
  - evaluated the performance of the Superannuation Fund and changed the Fund structure;
  - linked training more closely to performance measurement and work output;
  - increased the use of electronic transfer for inter-departmental billing resulting in a reduction in paper work;
  - evaluated payroll costs and performance indicators to reduce costs and improve efficiency;
  - produced information that improves communication between the authority and the public.
7. There is one improvement action where progress has been much slower than planned. This relates to formal staff appraisals for Revenue staff. It is expected to be completed by December 2003.
  8. In our view, the service's progress in implementing the agreed improvement actions has been good. The Improvement Action Progress Report is shown at Appendix 1.

#### **Best value achievement report**

9. The Best Value Achievement Report at Appendix 2 sets out the service's main achievements from February 2002 to December 2002. We are pleased to note that this report:
  - highlights various changes in processes and systems which are delivering continuous improvement in services both to the department and to other customers;
  - shows areas where outputs have impacted on the stakeholders in reporting the performance of the Superannuation Fund.

#### **Evidence base**

10. A key requirement of the PMP audit is that the process is evidence-based. We sample checked a range of evidence to verify the service's submission and found that, in general, the evidence supplied was satisfactory in terms of quality and scope.

#### **Conclusions**

11. The service is making progress in implementing Best Value and its PMP framework. The Improvement Action Progress report shows that seven of the eight agreed improvement actions from the 2001/2002 audit have been or will shortly be implemented. The Best Value Achievement Report summarises the improvements that have been achieved during 2002/2003.

#### **Acknowledgements**

12. The co-operation and assistance given by all officers contacted during the course of this review is gratefully acknowledged. There was a clear commitment given by officers at all levels within the service to the completion of the PMP submission.

## APPENDIX 1: IMPROVEMENT ACTION PROGRESS REPORT

Council                   Dundee City Council  
Service                   Finance Department  
Contact:                 Rod McKay

1. Agreed improvement action from the 2000/01 PMP audit.	2. Agreed key milestone dates from the 2001/02 PMP audit.	3. Brief description of what the improvement was intended to achieve.	4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-C OR N/A as per Key.	5. Evidence that can be made available to the auditor to support the assessment.	6. Dates for further follow up work agreed with auditor.
1. Development of financial management information for non-financial managers.	Training of accountants in the use of the package. Briefing of non-financial managers of the output. By December 2002.	Provide users with Financial management information that is easily understandable and meets their needs.	(B)	Sample reports. Memo re in-house user group.	Consultation exercise on Business Objects outputs to be completed by March 2003 for departments and staff.  No further follow up action required
2. Improve collection rates for Council Tax and Sales Ledger.	April 2002, the collection rate for 2001/02 will be calculated. Targets will be set for subsequent 3 years in the Service Plan in June 2002.  Re-designed regular Sales Ledger reports. Introduction of Direct Debits by September 2002.	Improved collection rates will assist the working capital and cash flow of the authority.	(B)  (A)	Not available  Best Value Report, sample reports, direct debit statistics	New Targets to be set by June 2003.  <i>Follow up action required</i>  No further follow up action required

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AUDIT SERVICES – AUDIT SCOTLAND

1. Agreed improvement action from the 2000/01 PMP audit.	2. Agreed key milestone dates from the 2001/02 PMP audit.	3. Brief description of what the improvement was intended to achieve.	4. To what extent has the improvement action been implemented ? Please describe and allocate a letter A-C OR N/A as per Key.	5. Evidence that can be made available to the auditor to support the assessment.	6. Dates for further follow up work agreed with auditor.
3. Evaluate the performance of Superannuation Fund.	Appointment of Custodian June 2002.  Recommendations of any changes in structure as a result of the analysis will be made to the Superannuation sub-committee by January 2003.	Improve the efficiency of the Fund and the returns received on investments and capital growth of fund.	(A)	Agreement with Northern Trust.  Committee minutes of changes to fund structure.	No further follow up action required
4. Training to be more closely linked to performance measurement and work output.	System introduced September 2002.	Ensure that all areas of Finance are trained to undertake their work and thus enhance the work of the department.	(A)	Sample reports of weighted outputs.	Revenues staff only using workflow system.  No further follow up action required
5. Reduction of paper work generated by inter-departmental transactions.	Work completed by September 2002.	Increased use of electronic transfer of inter-departmental billing.	(A)	Recharge sheet. Statistical information.	No further follow up action required.

1. Agreed improvement action from the 2000/01 PMP audit.	2. Agreed key milestone dates from the 2001/02 PMP audit.	3. Brief description of what the improvement was intended to achieve.	4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-C OR N/A as per Key.	5. Evidence that can be made available to the auditor to support the assessment.	6. Dates for further follow up work agreed with auditor.
6. Formal staff appraisal for Revenues staff.	Staff appraisals completed February 2003.	Introduce formal staff appraisals to all Revenue staff.	(B)	Not applicable	To be timetabled and completed by December 2003.  <i>Follow up action required</i>
7. Evaluate payroll cost performance indicators.	Identification of departments to have payroll provided by Finance Department. To be completed by March 2003.	Presently considered too high. More departmental payrolls will be centralised within the Finance function reducing costs and improving efficiency.	(B)	Schedule of Transferring departments. Minutes of payroll working groups.	Revision of calculation of payroll indicator to be completed by June 2003.  <i>Follow up action required</i>
8. Improve communication between authority and public.	Preparation of the financial aspects of the leaflet. Incorporation of advertising spaces to generate revenue to reduce net cost of publication by April 2002.  Publication of report August 2002.	Produce a leaflet to inform the public of the extent of the Services funded by Council Tax.  Produce a Public Performance Report	(A)	Copy leaflet.  Copy report.	No further follow up action required

**Key**

- (A) The council manager can demonstrate that implementation has progressed as planned in the original improvement action template ie action complete or planned milestone met and on target.
- (B) Progress is less than intended in the original improvement action plan template. The council manager can demonstrate they have plans in place to complete the action.



## APPENDIX 2: BEST VALUE ACHIEVEMENT REPORT

Council **Dundee City Council**  
Service **Finance Department**  
Contact **Rod McKay**

### Best Value Achievement Report

Please tick the PMP audit to which this self assessment refers.

PMP1 follow up service audit  
PMP2 follow up service audit ✓  
PMP2 follow up corporate audit

For service assessments, please name the service: *Financial Services*  
**Dundee City Council**

Period covered **February 2002**

to **December 2002**

### **POLICY IMPACT**

<ul style="list-style-type: none"> <li>Brief description of achievement 1</li> </ul>	<p>The authority adopted an Anti-Fraud and Corruption Strategy in September 2002. The strategy provides detailed guidance on the authority's position including its commitment to the seven Nolan principles of objectivity, openness, leadership, accountability, honesty, selflessness and integrity.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>It is considered too early to assess the impact the above policy has had on the authority. However, the prevention and detection of fraud and corruption within this local authority context is intended to reflect the seriousness with which this issue is treated at national level.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>The policy draws on information streams held at other levels within the organisation such as Fraud Guidelines, Disciplinary Procedures, and Code of Conduct etc, which may be reviewed to support the assessment.</p>

<ul style="list-style-type: none"> <li>Brief description of achievement 2</li> </ul>	<p>The authority adopted a Local Code on Corporate Governance in May 2002, which is designed to ensure that the authority complies with best practice.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>An initial review of the documentation covered by the Code was carried out and a number of areas were identified for improvement over the year.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>Information which could be used to consider the impact of the implementation of this policy are:-</p> <ul style="list-style-type: none"> <li>Local Code on Corporate Governance</li> <li>Schedule of items identified for improvement.</li> </ul>

### CUSTOMER FOCUS

• Brief description of achievement 1	The authority made a conscious decision when preparing its Corporate Plan to hold increases in Council Tax below the rate of inflation. This has been achieved in the last two years with a reduction in Council Tax in 2001/02. The increase for 2002/03 has also been kept minimal and is below the Scottish Average.
• The information used to assess that there has been an improvement	Council tax rates are published each year and circulated to citizens in the Council Tax Leaflet. A commentary on Council Tax trends is included in the Performance Report 2002.
• Evidence that could be made available to support the assessment	Main sources of evidence are the Council Tax Leaflet, the Performance Report and Council Minutes.

• Brief description of achievement 2	The department is keen to speed up the process of reporting to its stakeholders. This year for the first time the department has produced the Superannuation Fund Annual Report and the "Extracts from the Annual Report" in the same calendar year as the accounts to which the documents relate. The report has also been put on the Internet.
• The information used to assess that there has been an improvement	It is evident that there has been an improvement as the more quickly performance is communicated to the stakeholder the more relevant it becomes in assessing how well the organisation is performing.
• Evidence that could be made available to support the assessment	The documents can be accessed in hard copy or from the Internet. The minutes of the Superannuation Sub-Committee and the production timescales are also available for assessment.

• Brief description of achievement 3	Finance Revenues implemented a new system during the year called I-World. This system will greatly improve the efficiency and effectiveness with which the main functions of the section are carried out.
• The information used to assess that there has been an improvement	All set up work and training have been carried out and the system is now operational. It is not possible at this time to assess the extent of improvements made by the introduction of the system but this is expected to become evident in the new year.
• Evidence that could be made available to support the assessment	Evidence available consists of minutes of working groups and those of the Finance Management Team. Manuals for the new system are available in hard copy and are also on the Finance Revenues section of the Intranet.

### EXTERNAL RELATIONSHIPS

<ul style="list-style-type: none"> <li>Brief description of achievement 1</li> </ul>	<p>During the year the department developed an ICT Strategy through the use of a working group which drew on the expertise of employees from the Information Technology Department which is the biggest supplier of goods/services for the Finance Department.</p> <p>This was implemented in November 2002.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>The strategy document drawn up is effectively a three year plan which sets priorities for the development work to be carried out by Information Technology and has as its main objective ensuring that a co-ordinated approach to development is taken with the result that resources are used efficiently and effectively.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>There is a substantial amount of evidence available to demonstrate improvement including:-</p> <ul style="list-style-type: none"> <li>the strategy document</li> <li>working group minutes</li> <li>reduction of inter-departmental invoicing</li> <li>Business Objects reports</li> <li>development of the Intranet/Internet</li> </ul>
<ul style="list-style-type: none"> <li>Brief description of achievement 2</li> </ul>	<p>The department places a high priority on working with other agencies to improve the service whenever the opportunity presents itself. This year the department has taken part in the National Fraud Initiative which involves using data matching techniques to identify fraud and irregularities. A computer file of pensioners' payroll data was produced to make this possible.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>The above process has two main benefits. Firstly the authority will be able to identify pensions which are being paid inappropriately. Secondly, it will enable the authority to replace the life certification process for UK residents with a more effective control, thereby saving both time and resources.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>Copies of the computer files created to take part in the National Fraud Initiative are available and there is various documentation on file to support the authority's initiative. Results of the exercise will not be available until late January.</p>

**RESOURCE USE**

<ul style="list-style-type: none"> <li>Brief description of achievement 1</li> </ul>	<p>The authority approved the Dundee Schools PPP Project in September 2002. This is a very important initiative for the authority and involved the preparation of a number of possible options for educational development which were contained within the Outline Business Case.</p> <p>A Schools PPP Project Team has been established with a representative from the Finance Department who advises on all financial issues. The project has a total capital investment value of £80m with revenue support up to a maximum of £5.73m per annum for 30 years.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>The authority had to evaluate a number of options and consider which option would lead to the biggest improvement in education provision in the city as regards improved school buildings, facilities, community impact and health and safety of school children.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>Education Department minutes, the Outline Business Case and various working group minutes and documentation may be used to support the assessment.</p>

<ul style="list-style-type: none"> <li>Brief description of achievement 2</li> </ul>	<p>In November 2002 the department decided to place the authority's Banking Services out to tender. This has been done as it is thought that savings could be made on the charges levied by the Royal Bank of Scotland.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>Comparative figures from other authorities may be examined to assess the potential benefit to the authority of putting this work out to tender.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>The Finance Committee minute and the Bank Tender Timetable to July 2003 may be examined to support the assessment.</p>

### INTERNAL MANAGEMENT PROCESSES

<ul style="list-style-type: none"> <li>Brief description of achievement 1</li> </ul>	<p>The Treasury and Investment Section implemented the CIPFA Treasury Practices schedules in August 2002. A major part of the schedules relate to procedures designed to ensure that the authority minimises the risk of either losing money or not having sufficient money to service payments.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>No formal assessment of improvement has been made as yet although feedback from staff is positive.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>Sample copies of the working schedules may be obtained and an assessment made of the working papers files.</p>

<ul style="list-style-type: none"> <li>Brief description of achievement 2</li> </ul>	<p>In November 2002 the Finance Committee agreed to purchase a document imaging system for use within the Pensions Section. This will replace an ageing microfilming system in use since 1988.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>The system will be installed in January 2003 and will greatly improve the management and retrieval of documentation.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>The system is similar to the Workflow system introduced in Finance Revenues. It is anticipated that the implementation of Pensions document imaging will bring about similar improvements to those in evidence in Finance Revenues. ..</p>

### **LEARNING AND DEVELOPMENT**

<ul style="list-style-type: none"> <li>Brief description of achievement 1</li> </ul>	<p>The department puts a high priority on effective communication and a meeting of senior staff took place during the year to progress improvements in this area. The meeting identified a number of issues which were the key to improved communication, the main one being a developed Internet and Intranet facility.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>Prior to the above initiative there was very little information available on the Finance Department site. Also, staff could not access the Intranet site. There is now a large volume on information consisting of key documents which can be accessed by everyone in Finance General.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>The Internet and Intranet site may be accessed and an assessment made of the extent of the information included and the ease with which key documents may be accessed by all Finance Department staff.</p>

<ul style="list-style-type: none"> <li>Brief description of achievement 2</li> </ul>	<p>In a Finance Department, computer skills are essential to ensuring that work is carried out efficiently and effectively. To that end, this year staff have been encouraged to obtain the European Computer Driving Licence (ECDL). So far two members of staff have gained this award and more are expected to follow.</p>
<ul style="list-style-type: none"> <li>The information used to assess that there has been an improvement</li> </ul>	<p>The improvement is demonstrated by staff achieving a widely recognised qualification.</p>
<ul style="list-style-type: none"> <li>Evidence that could be made available to support the assessment</li> </ul>	<p>Summary information on this initiative is held on the Internet and Intranet. More detailed information is held on hard copy.</p>