



**East Ayrshire Council**  
**Department of Corporate Support**  
**Finance Service**  
**Best Value Service Review**

## Local Government (Scotland) Act 1973 Section 95

Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs

### ***Finance Service by Numbers***

*The numbers below indicate the annual level of activity in the Finance Service*

**321 million** pounds of gross expenditure

**192 million** pounds loans portfolio

**95 million** pounds worth of council tax and rates bills

**182 thousand** council tax bills and reminders issued

**160 thousand** suppliers invoices processed and paid

**153 thousand** wages & salary payments calculated and paid

**92 thousand** items of mail about council tax and benefits

**58 thousand** telephone enquiries about council tax & benefits

**28 thousand** amendments to benefits details

**15 thousand** public counter calls about council tax & benefits

**9 thousand** new claims for benefits

**4 hundred** insurance claims

**3 hundred** possible fraud cases investigated

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## EXECUTIVE SUMMARY

- ✦ The Service Review has been undertaken in accordance with published internal and external guidance.
- ✦ The objectives include reducing costs by £0.400m per annum, streamlining the structure and maintaining the capacity necessary to discharge the Proper Officer responsibilities of the Executive Head of Finance.
- ✦ Stakeholders' views of the service are very positive although staff within the Service identified areas where further improvements could be made. All of these have been taken account of in the improvement action plan.
- ✦ Comparison of performance with other councils is favourable in all areas of the Service.
- ✦ Outsourcing is not recommended for any part of the service but opportunities to improve efficiency and reduce costs by working with other councils are actively being sought.
- ✦ The implementation of Verification Framework within Benefits is estimated to require 9 additional staff. The review proposes achieving efficiencies by merging Benefits with Revenues which would reduce this number to 0.4 Full Time Equivalent (FTE).
- ✦ The review proposes bringing both management and financial accounting functions under one manager. The number of staff in these areas will reduce by 3.6 FTE. An associated consolidation of Exchequer functions would reduce staffing by a further 2.0 FTE.
- ✦ The gross staffing impact would be a reduction of 16.2 FTE staff who would otherwise be required over the three year period.
- ✦ The net financial impact is savings of £0.402m per annum by 2007/08 and £0.825m over the three year period.

## 1 INTRODUCTION

- 1.1 Over recent years, the pace of change in local government has continued to increase and bring a steady stream of fresh challenges for councillors and officers alike. Whilst continuous improvement of front-line services remains the ultimate goal there is now a renewed focus on local authorities' underlying structures and processes and an expectation that there will be a sound governance framework and effective approach to financial management underpinning all that an authority does.
- 1.2 The relationship between local and central government is also changing with a growing tendency to link financial freedoms and other powers with the achievement of specific outcomes and targets. In seeking to meet these targets, the Council needs to look for innovative solutions both in the way services are provided and in their funding. Partnership working with a wide variety of public, private and voluntary bodies is now common place and leading edge projects such as the North West Area Centre and the Building Learning Communities Schools PPP projects are significant current examples of this.
- 1.3 The heightened expectations of service users are also having a considerable impact. The public demands exemplary standards of behaviour and high quality, good value services. External audit and inspection regimes have also been expanded and given a new profile to monitor progress, assess achievement levels and provide feedback to councils and their stakeholders.
- 1.4 As authorities strive to meet these challenges and branch out into new areas, the role of the Finance Service becomes ever more critical – not only in assessing risk and ensuring probity in the use of public money, but also in securing sound financial management and effective controls. In covering this ground the Finance Service is expected to make an important contribution to the effectiveness of the organisation and help the council to demonstrate openness and transparency in the way it operates and conducts its business.
- 1.5 At the same time, the Executive Head of Finance has an absolute and overriding responsibility to discharge his statutory duties as the authority's 'Proper Officer' for the administration of its financial affairs. In practice this means that the Executive Head of Finance carries a responsibility for managing the totality of the authority's financial affairs in all of its dealings. In addition he has a fiduciary responsibility to local citizens.

1.6 The key responsibilities of the Finance Service can be summarised as

- ✦ Facilitating strong financial management by implementing effective financial controls
- ✦ contributing to corporate management and leadership
- ✦ supporting and advising democratically elected representatives
- ✦ supporting and advising officers in their operational roles
- ✦ providing efficient front line Revenues and Benefits services

1.7 Whilst taking account of the need to deliver these key responsibilities, this Review also takes cognisance of the expenditure reduction targets set by the Council in the budget for 2005/06 to 2007/08 and has been undertaken in line with the Council's Guide to Carrying out a Best Value Service Review.

## 2 SCOPE OF THE REVIEW

- 2.1 The Review covers all areas of activity currently undertaken by the Finance Service with the exception of Payments. A Service Review covering the Payments Section was approved by Members in June 2004.
- 2.2 The objectives of the Review are;
- To reduce the net costs of the Finance Service by a minimum of £0.400m per annum by 2007/08
  - To ensure that appropriate capacity to discharge the “Proper Officer” responsibilities is available
  - To ensure that services being provided are valued and relevant to service users
  - To maximise the efficiency and effectiveness of services which are provided
  - To streamline the structure of the service to enhance management accountability
- 2.3 The Review has been carried out in accordance with guidance issued by the Head of Corporate Development and Communications for Best Value Service Reviews and the EFQM pathway process.
- 2.4 The Review takes account of the provisions of the Local Government in Scotland Act 2003 which confirms that in demonstrating Best Value an authority should be able to demonstrate;
- Commitment and Leadership
  - Responsiveness and Consultation
  - Sound Governance at a Strategic, Financial and Operational Level
  - Sound Management of Resources
  - Use of Review and Options Appraisal
  - Competitiveness, Trading and the Discharge of Authority Functions
  - Sustainable Development
  - Equal Opportunities Arrangements
  - Joint Working
  - Accountability

### **3 CHALLENGE**

#### **3.1 Revenues Service Profile**

The Revenues Service exists –

- To bill and collect Council Tax, Non-Domestic Rates & Sundry Debt
- To bill and collect water & sewerage charges on behalf of Scottish Water
- To collect arrears of Council Tax, Non-Domestic Rates, Water & Sewerage charges and Community Charge (Poll Tax) & Sundry Debt
- To maintain and update the relevant databases and effect all material changes in liability
- To calculate and award all forms of local taxation relief
- To comply with the relevant statutory legislation

The Revenues Section is responsible for billing over 53,000 domestic dwellings and over 4,000 business premises. The gross amounts levied for Council Tax, Water Charges and Non-Domestic Rates for 2005/06 is over £95m per annum.

##### **3.1.2 Statutory Requirement**

There is a statutory duty for each authority to bill and collect Council Tax, Non-Domestic Rates and Sundry Debt together with all associated arrears including Community Charge (Poll Tax). In addition, each authority is required by law to include Water & Sewerage charges in their Council Tax bills on behalf of Scottish Water and to bill, collect and remit those charges to Scottish Water in an agreed manner and timescale. Although it is possible for operational aspects of these services to be contracted out, each authority retains responsibility for the service and for ensuring that all legislation is adhered to and that all financial and statistical returns are made.

##### **3.1.3 Service Description**

The Revenues Service provides for the following -

- Maintenance of the Council Tax, Non-Domestic Rates and Sundry Debtor databases
- Billing and collection of Council Tax, Non-Domestic Rates, Sundry Debt
- Collection of arrears of Council Tax, Non-Domestic Rates, Sundry Debt and residual Community Charge (Poll Tax)
- Front-line customer service
- Liaising with external stakeholders and agencies
- Liaising with internal departments regarding service delivery

There is a continuing need to provide all of these services arising from unavoidable legislative requirements and each part of the process is closely integrated.

### **3.2 Benefits Service Profile**

The Benefits Service exists –

- To make accurate and timeous payments to customers in respect of Housing and Council Tax Benefit
- To ensure compliance with the relevant statutory legislation
- To minimise the level of fraud entering the system and to investigate and where appropriate, prosecute cases where fraud has occurred
- To ensure all benefits are processed in line with the Council's internal control procedures
- To maximise benefit take-up among East Ayrshire residents

The section has over 12,000 Housing Benefit claimants and over 15,000 Council Tax Benefit claimants and processes in excess of 40,000 amendments each year. It is responsible for making payments totalling £35m to customers for Housing and Council Tax Benefit.

#### **3.2.1 Statutory Requirement**

There is a statutory duty for each authority to administer Housing and Council Tax Benefit. Each Local Authority is responsible for this service and for ensuring that all legislation is adhered to and that financial and statistical returns are provided. Although it is possible for operational aspects of the service to be contracted out, each authority retains responsibility for ensuring that all legislation is adhered to and that all financial and statistical returns are made.

#### **3.2.2 Service Description**

The Benefits Service provides for the following -

- Processing and payment of Housing and Council Tax Benefit claims
- Prevention and detection of benefit fraud
- Recovery of overpayments
- Front-line customer service
- Liaising with external stakeholders and agencies
- Liaising with internal Departments in the delivery of benefits

There is a continuing need to provide all of these services arising from unavoidable legislative requirements.

### **3.3 Strategic & Operational Accounting Service Profile**

The Strategic & Operational Accounting section exists to provide a cost effective professional accountancy function to meet the needs of stakeholders and to ensure proper stewardship of East Ayrshire Council funds.

The section is responsible for the provision of financial services to elected members and service department clients. This includes budget preparation, monitoring of the Council's capital and revenue budgets and advice and guidance in respect of financial control and accounting standards. Treasury management, Risk Management, leasing and VAT advice are also included within the remit of the service.

#### **3.3.1 Statutory Requirement**

Section 95 of the Local Government (Scotland) Act 1973 refers to the financial administration of the Council and states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs". Consequently, Strategic & Operational Accounting provides the support necessary to ensure that these responsibilities can be carried out by Executive Directors within each service.

#### **3.3.2 Service Description**

Accounting staff carry out the following functions;

- Prepare the Revenue Estimates, HRA Estimates and Capital Programme in accordance with agreed strategy for approval by the Council.
- Monitor departmental revenue and capital budgets and report financial performance and relevant variances to officers and elected members and receive the necessary explanations and assurance from officers on budgetary control matters;
- Provide financial information and advice to budget holders and departmental directors to enable them to operate on a sound financial basis;
- Support the Corporate and Democratic Core of the Council by providing information to assist corporate policy and decision making;
- Consolidate and compile statistical and financial returns to Scottish Executive and other bodies;
- Undertake key tasks in the preparation and completion of the annual Abstract of Accounts;
- Undertake cashflow management ensuring that revenue and capital expenditure can be met whilst maximising investment opportunities to take advantage of the external factors;

- Ensure compliance with the relevant legislation, accounting standards and Council regulations;
- Risk Management & Insurance

The Section provides a specialist in-house insurance, risk management, and claims handling facility which is available to;

- Provide operational risk management advice, assistance and support to all Council Departments including routine fire, security and liability surveys and post loss investigation
- Provide immediate support and advice in the event of major losses such as fire losses to ensure that impact of any loss is kept to a minimum and that the correct insurance recovery is made
- Assist client departments in identifying innovative opportunities that might arise following a major loss and has had many successes in this respect.
- Provide input into each of the Departmental Risk Management Group Meetings as well as the Fire and Security Working Group and drive the agenda for the Corporate Risk Management Group. Provide training in Risk Management to client departments as well as in claims administration.
- Interact with corporate Health and Safety colleagues by sharing information on issues such as near misses including attempts at malicious fire-setting.
- Assist in developing the corporate approach to embedding Risk Management within the business decision-making processes through the development of Corporate and Departmental Risk Registers.
- Chair and provide support for the Corporate Risk Management Group
- Provide ad hoc insurance advice to External Bodies;
- Work closely with Procurement and Legal Services to identify and control risks arising from the many contracts entered into by the Council, and to generally protect the Council's interests and reputation. This is a rapidly developing area;
- Advise the Executive Head of Finance of all insurance related matters, including but not limited to programme design;
- Process all claims including Group Life and oversee the negotiation and settlement of self-insured losses i.e. losses falling within the policy excess;
- Administer the issue of statutory engineering insurance reports within the Council

## **Statutory Requirement**

A Local Authority generally has the right to determine the risks it wishes to retain and those it prefers to transfer to the Insurance Market. There are 3 Compulsory Classes of insurance and inspection service governed by Statute:-

- Motor Vehicle Insurance
- Employers Liability Insurance
- Engineering Inspection of “Statutory Items of Plant” – governed by the Health and Safety at Work etc Act 1974, and related legislation.

There is no requirement to insure against any other class of risk such as these risks can be self-insured subject to there being a sufficient insurance fund created to meet the value of future potential losses. At present many of these risks continue to be insured and the decision to transfer key risks to insurers remains the correct one.

### **3.4 Financial Accounting & Control Service Profile**

The Section exists to provide a Financial Accounting & Control service to the council. This includes ensuring that adequate operational systems, procedures and controls are in place as well as providing financial data and reporting to comply with all legislative and statutory requirements.

The Section maintains the Financial Ledger, controlling all transactional processing and ensuring the integrity of relationships between all financial systems. In addition, the Section provides income management services, a rent accounting service, and provides financial data and performance indicators.

#### **3.4.1 Statutory Requirement**

The council is obligated to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. It must also make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs under S95 of the Local Government (Scotland) Act 1973, namely the Executive Head of Finance.

Additional responsibilities include complying with appropriate accounting practices and general legislation with regard to taxation and other financial matters.

### **3.5.2 Service Description**

The Financial Accounting & Control Section provides for the following:-

- Statutory and Financial Reporting
- Financial Ledger Control
- Revenue Ledger Control (including Council Tax, Community Charge, Non Domestic Rates, Rents and Sundry Debtors)
- Rent Accounting
- Income Management
- Systems Management and Administration
- Cash Collection

## 4 CONSULTATION

Key stakeholders were identified as users of the above services -

- The Council
- Members of the Public
- Landlords
- Department for Work and Pensions (DWP)
- Pensions Service
- Inland Revenue
- Rent Registration Service
- Finance Service Staff
- The Business Community
- Ayrshire Joint Valuation Board
- Registrar's Office
- Executive Directors and Heads of Service
- Budget Holders
- The Scottish Executive
- HM Customs and Excise
- Zurich Municipal Insurance
- Scottish Water

### 4.1 The Council

There is a requirement on the part of the Council that the Finance Service will provide effective controls to ensure that obligations in terms of securing the proper administration of its financial affairs are appropriately discharged. Any deficiency in this area would be flagged up by the External Auditor. Recent audit reports have been on the whole complimentary.

In determining policies and strategies for service delivery, Council decisions can impact on the services provided by Finance in a variety of ways. The Council should expect the service to be positioned in a way that provides maximum flexibility to react to future changes and initiatives. The recommendations of this service review will have regard to that.

### 4.2 Members of the Public

Members of the public have been consulted on the service provided to them. The survey results have indicated a high level of satisfaction. There is a very low level of substantiated complaints through the Council's complaints process which is a further indication of the quality of service that is provided. Comments have been received however about the level of telephone access which can be difficult depending on the timing and level of debt follow up mailings.

### **4.3 Landlords**

There are regular liaison meetings with landlords, through a forum for Registered Social Landlords and a forum for private landlords which is run by Neighbourhood Services. Feedback from both indicates a high level of satisfaction with the service being provided and continued close working with these groups are key to this success.

### **4.4 DWP/Pensions Service/Inland Revenue/Rent Registration Service**

The Benefits Service has Service Level Agreements with these agencies and the service provided is monitored rigorously through this. Quarterly meetings are held with each to discuss service and operational matters. The meetings indicate that there is a high level of satisfaction with the service being provided.

### **4.5 Council Departments**

Daily contact with other departments indicates a high level of satisfaction with the service provided. There are regular liaison meetings with specific service areas within departments where close integration is required.

### **4.6 Finance Service Staff**

Within the Finance Service annual internal staff surveys have taken place and action plans devised for addressing areas for improvement. The results of the last survey indicated that staff felt that services have improved significantly. The main areas for further improvement highlighted by staff related to the poor quality and dispersed nature of accommodation available. Whilst some improvements have been made there would be financial and operational advantages from moving to centrally located office accommodation which could house all Finance Service staff.

All staff are consulted and informed at regular weekly/monthly team meetings and points raised are actioned wherever possible.

Although significant changes in systems, procedures, legislation and controls have arisen over the last few years whilst at the same time the level of financial resources available for back office services has reduced, all divisions are nevertheless able to demonstrate improvements. The current structures have a number of vacancies which provides an opportunity to consider the structure with a view to more joined up working, as well as to increase efficiency and reduce costs.

As part of the service review process the team were asked to complete an EFQM assessment of the service using the EFQM Pathway software. The results have been fed into an EFQM action plan which will be included in the overall service improvement plan. The exercise and consensus discussions revealed that the staff are aware of the strategic direction of the service and are keen to assist in further enhancing the service provided to clients.

#### **4.7 Executive Directors**

Each Executive Director was interviewed and asked to take time, outwith the interview setting, to complete a consultation document aimed at assessing the effectiveness of the service provided to them by Finance. All questionnaires were returned. The responses indicate a very high level of satisfaction with the service and demonstrate the added value that the outposted teams deliver within service departments. The consultation document contained a final section which asked for any improvements which they would like to see to the service. Again, comments such “a first class service”, “any improvements must be in the context that the service is starting from a relatively high level” and “the team have fostered good working relationships with managers and staff” were made.

#### **4.8 Heads of Service and Budget Holders**

A random sample of Heads of Service and budget holders was identified and asked to take part in the consultation process. It demonstrated the respect in which the service is held when all agreed to take part with very positive feedback being received.

#### **4.9 Elected Members**

The high quality of data and financial information which is provided for elected members at service committees and through the Budget Scrutiny Group (BSG) is designed to provide the necessary levels of assurance and also serves to highlight any areas which require action and further investigation. The comprehensive nature of the reports and the level of scrutiny exercised by elected members tend to indicate a high satisfaction level with the process.

#### **4.10 Scottish Executive**

Detailed returns are issued by the Scottish Executive and grant funding bodies. These are compiled and complete in line with designated time scales and to a high level of detail and no adverse comments have been received.

#### **4.11 Customs & Excise**

Customs & Excise are in regular contact with the Council on VAT matters. The relationship has been very positive and has included VAT inspection visits with no adverse comments being made.

#### **4.12 Zurich Municipal**

An excellent relationship exists with Zurich Municipal and facilities negotiated with them including reduced premiums in return for equivalent investment in risk reduction and control and flexibility in optimising reinstatement opportunities have not generally been afforded to other councils.

#### **4.13 Scottish Water**

The Service liaises with Scottish Water in respect of the 'Water Services Billing & Collection Service Level Agreement'. This includes the provision of all data, and the calculation and remittance of any sums payable to Scottish water. Regular liaison meetings are held at which Scottish Water has expressed a high level of satisfaction with the service provided.

#### **4.14 General**

As part of this review, consultation by means of specifically targeted surveys was also carried out and disclosed a 96.25% satisfaction rating.

## 5 COMPARISON

### Benefits Section

Comparison of Performance Indicators against similar sized authorities

Council	Population	Caseload	Caseload per 1000 Population
East Ayrshire	119,530	16,200	136
North Ayrshire	136,030	17,300	127
South Ayrshire	111,580	11,700	105
Falkirk	145,920	15,200	104
West Lothian	161,020	16,800	104
West Dunbartonshire	92,320	14,900	161
Dumfries and Galloway	147,210	14,100	96

### Average Time to Process New Claims

Council	2002/03 Days	2003/04 Days	YTD 2004 Days
East Ayrshire	59	40	28
North Ayrshire	111	117	70
South Ayrshire	57	55	73
Falkirk	32	33	28
West Lothian	35	36	36
West Dunbartonshire	84	56	44
Dumfries and Galloway	40	46	41

### Average Time to Process Change of Circumstances

Council	2002/03 Days	2003/04 Days	YTD 2004 Days
East Ayrshire	12	9	5
North Ayrshire	30	27	14
South Ayrshire	16	12	15
Falkirk	13	11	9
West Lothian	11	11	11
West Dunbartonshire	10	5	4
Dumfries and Galloway	11	11	8

### Percentage of New Claims Processed Within 14 Days

Council	2002/03 %	2003/04 %	YTD 2004 %
East Ayrshire	32	62	86
North Ayrshire	41	43	57
South Ayrshire	43	55	60
Falkirk	70	72	73
West Lothian	32	46	56
West Dunbartonshire	78	84	94
Dumfries and Galloway	74	72	80

### Percentage of Accurate Claims

Council	2002/03 %	2003/04 %	YTD 2004 %
East Ayrshire	96	96	98
North Ayrshire	97	-	95
South Ayrshire	97	98	96
Falkirk	95	93	90
West Lothian	94	95	93
West Dunbartonshire	98	99	97
Dumfries and Galloway	95	96	98

These statistics show that East Ayrshire has the second highest caseload per 1000 population but is first or second in terms of performance in all of these areas. Further improvement is evident for 2004/05.

The Benefits Section is currently participating in a pilot with 9 other Local Authorities which will allow benchmarking and exchange of good practices.

The Section will continue to develop and monitor internal and external Performance Indicators.

## Revenues Section

The Revenues Section has achieved sustained increases in Council Tax collection since 1999 and the figure for 2004/05 will continue this trend and exceed last year's rate. The Council's percentage Improvement in collection is bettered only by West Dunbartonshire who remain 2.6% behind.

### In Year Collection of Council Tax

Council	1999/00	2003/04	Improvement %	Cost of Collection per Dwelling £
East Ayrshire	83.2	90.1	8.3%	15.32
North Ayrshire	85.2	89.8	5.4%	20.32
South Ayrshire	91.5	94.3	3.1%	12.28
Falkirk	92.3	94.6	2.5%	7.62
West Lothian	88.5	92.7	4.7%	8.41
West Dunbartonshire	80.4	87.5	8.8%	15.79
Dumfries and Galloway	92.0	94.1	2.3%	9.84

The average cost of collection for the seven councils is £12.80 and East Ayrshire is £2.99 above this level. It is noticeable however that those councils with the highest collection rates also tend to have the lowest costs and this may be more to do with the ease of collection in less deprived areas. To bring costs down to the average level would require cost reductions of over £155,000 per annum. Whilst cost reductions will accrue from this service review it will be important that these do not affect the continuing improvement in collection rates as this would have a knock-on effect for overall Council income levels.

## Strategic & Operational Accounting

### Costs of Closure of Accounts

- (a) Cost of completion of closure of Abstract of Accounts  
 (b) Cost expressed as a percentage of gross expenditure

Council	2002/03		2003/04	
	£	%	£	%
East Ayrshire	118,296	0.03	121,001	0.03
North Ayrshire	115,300	0.03	118,800	0.03
South Ayrshire	399,765	0.11	141,736	0.04
Falkirk	130,187	0.04	103,080	0.03
West Lothian	181,840	0.04	192,484	0.04
Dumfries & Galloway	90,539	0.03	100,903	0.02

### Completion of Key Financial returns within Timescales

Council	LFR	POBE	VAT	CPR	Rating Review
East Ayrshire	100%	100%	100%	100%	100%
North Ayrshire	100%	100%	100%	100%	100%
South Ayrshire	91%	100%	74%	82%	57%
Falkirk	100%	100%	100%	100%	100%
West Lothian	100%	100%	100%	100%	100%
West Dunbartonshire	100%	100%	100%	100%	100%
Dumfries & Galloway	100%	100%	100%	100%	100%

#### Key

*LFR – Local Financial Returns (Scottish Executive)*

*POBE – Provisional Outturn Budget Estimates (Scottish Executive)*

*VAT – Value Added Tax – (HM Customs & Excise)*

*CPR – Capital Payments Return – (Scottish Executive)*

*Rating Review – CIPFA Publication*

(a) **Revenue Budget Preparation and Monitoring Process**

- (a) Actual v Budget (in final accounts)
- (b) Projected Actual v Budget
- (c) Actual v Projected Outturn

Council	2002/03 (%)			2003/04 (%)		
	(a)	(b)	(c)	(a)	(b)	(c)
East Ayrshire	98.52	100.00	99.46	98.24	100.10	98.64
North Ayrshire	99.20	98.90	100.30	99.70	99.00	100.70
South Ayrshire	97.88	97.04	100.85	97.99	98.91	99.08
Falkirk	99.70	100.28	99.42	99.40	100.60	100.00
West Lothian	99.20	99.52	99.68	99.42	99.98	99.44
West Dunbartonshire	99.26	99.74	99.52	n/a	n/a	n/a
Dumfries & Galloway	98.00	98.00	100.00	98.00	98.00	100.00

The above tables show that the costs and performance associated with Strategic & Operational Accounting compares well with other local authorities. Furthermore, outposted teams based within service departments add further value to the Finance Service and the Council as a whole.

**Treasury Services**

The CIPFA headline performance indicators for Scottish Local Authorities show the following indicator for treasury management.

- (a) Loans Fund Interest rate (the "pool" rate)
- (b) Loans Fund Expenses Rate

Council	2002/03		2003/04	
	(a)	(b)	(a)	(b)
East Ayrshire	6.27%	0.08%	5.89%	0.11%
North Ayrshire	7.05%	0.12%	7.00%	0.12%
South Ayrshire	6.67%	0.09%	6.34%	0.10%
Falkirk	6.24%	0.10%	6.00%	0.10%
West Lothian	7.58%	0.14%	6.81%	0.16%
West Dunbartonshire	7.45%	0.05%	7.08%	0.07%
Dumfries & Galloway	5.33%	0.03%	5.16%	0.03%

## Insurance Risk Management Services - Claims Ratio by Class of Insurance

- (a) Ratio of Employers Liability Claims to FTE (e.g.1:500)
- (b) Ratio of Public Liability to Head of Population
- (c) Ratio of Motor Claims to Number of Vehicles

Council	2002/03			2003/04		
	(a)	(b)	(c)	(a)	(b)	(c)
East Ayrshire	1:385	1:385	1:3.0	1:544	1:526	1:4.0
North Ayrshire	1:493	1:373	1:1.5	1:389	1:405	1:0.9
South Ayrshire	1:478	1:311	1:2.9	1:380	1:366	1:1.6
Falkirk	1:536	1:333	1:2.5	1:595	1:322	1:2.4
West Lothian	1:176	1:239	1:3.0	1:354	1:272	1:2.4
Dumfries & Galloway	1:278	1:297	1:2.5	1:391	1:524	1:2.0

The tables relating to Risk Management & Insurance shows that the ratio of claims compares favourably with other local authorities.

### Combined Claims Experience Summary 1999-2004

Year	Frequency	Paid	O/s	Total	Loss Ratio
1999/00	439	£1,182,583	£321,188	£1,503,771	126%
2000/01	395	£523,445	£430,388	£953,833	79%
2001/02	427	£2,565,242	£489,452	£3,054,694	232%
2002/03	354	£693,512	£694,964	£1,388,476	<b>66%</b>
2003/04	256	£90,488	£707,262	£797,750	<b>32%</b>
<b>Total</b>	<b>1,871</b>	<b>£5,055,270</b>	<b>£2,643,254</b>	<b>£7,698,524</b>	

*(Insurers seek to achieve a loss ratio of less than 66%)*

Evidence shows that the efficiency of the section has resulted in the number of claims reducing and the loss ratio improving year on year.

### Improvement Opportunities

The Strategic & Operational Accounting functions compare favourably with other local authorities both in terms of performance and cost. It is crucial that both factors are continuously monitored to ensure that an efficient and effective service is provided. It is intended therefore to continue to monitor and develop internal performance indicators to facilitate continuous improvement.

## **Financial Accounting & Control**

The nature of the services provided and methods of provision make direct comparisons between the section and other bodies impractical or inconclusive. In addition there is no published data available. This section assesses the current operations in respect of Financial Systems Infrastructure and Receipt of Income process

## **Financial Systems Infrastructure**

In recent years the section has undertaken an extensive new systems implementation programme. This has delivered a number of benefits including a reduction in the number of systems requiring support and simplified interrelationships in addition to enhanced efficiency and effectiveness gains. A core optimum structure in terms of number of systems and interfaces now forms the basis of the services.

Further developments have been identified and it is important for the council to continue to pursue an effective systems development and maintenance programme to enhance the benefits gained. The Service Improvement plan will require to include developments not only in the context of improved service delivery but in relation to mandatory supplier support including upgrade deadlines and viability and external events such as the impending introduction of BACSTEL-IP and Chip & Pin credit cards.

The technology used by the section has enabled new working practices to be adopted. These have led to significant efficiency savings in time taken to undertake individual tasks.

## **Receipt of Monies Process Evaluation**

The section tries to develop and apply consistent financial processes which can be applied across all areas of the organisations' business. This is demonstrated in the area of Receipt of Income and comparison with two neighbouring authorities and with an external supplier has been carried out. This area was chosen, as being a service available to the public where it was possible to obtain comparable information from the other organisations.

The comparison showed that East Ayrshire Council offered more customer options particularly in respect of telephone and internet payments both of which are offered in house. The key area for improvement was confirmed as the facility of direct debit facility for rents and debtors. This facility is in progress for rents and provision for debtors will be included in the specification of a new system.

The main strength of East Ayrshire was the operation of the back office processes which are synchronised to facilitate consistency of data between systems and ease of reconciliation. This processing occurs overnight each night also improving the quality and integrity of information to users.

This strength was further evidenced on enquiries in relation to bank reconciliation procedures. Both comparison authorities had non-uniform procedures for income bank accounts and the staff were dispersed throughout the finance function with time delays in update of transactions and reconciliations of up to four weeks. East Ayrshire has centralised these procedures and has developed an integrated procedure which fully processes and reconciles accounts on a daily basis based on the previous day's bank statement.

The service provided by East Ayrshire Council was compared to that offered by an external provider. The results of this comparison are shown below. The Council currently provides all services offered by the external supplier and also delivers a quicker and more efficient service. The use of an external supplier would not eliminate the need for the section to provide its current processes and procedures and would involve the council in increased transactional costs. The only service improvement would be the availability of a more extensive network of payment points than that provided by the local area network. Local area offices provide a range of services in addition to payment facilities however. The Council would still need to process transactions through the income management system, reconcile all payments to the bank account, offer banking services for ad-hoc payments and there would be a significant time delay between customer payment and receipt in the Council's bank account.

## **Conclusion**

The comparisons carried out above indicate that the general approach undertaken by the section is effective in providing a robust and efficient service. The related processes and procedures offer customer choice as well as efficient financial control.

## Comparison of Service with Allpay (Private Sector provider)

		ALL PAY	EAC
<b>Payment Options</b>			
	In Person	45 listed Kilmarnock /Cumnock	EAC Area Offices
	Telephone	N	Y
	Automated telephone	Y	Y
	Internet	Y	Y
	Direct Debit	Y	Y
	Standing Order	N	Y
	BACS/Homebanking	N	Y
	Post	N	Y
	Payroll Deduction	N	Y
	Bank Lodgement	N	Y
<b>Types of Payment</b>			
	Rent	Y	Y
	Council Tax	Y	Y
	Rates	Y	Y
	Poll Tax Arrears	Y	Y
	Debtors	Y	Y
	Other	Y	Y
<b>Method of Payment</b>			
	Cash	Y	Y
	Cheque	Y	Y
	Debit Card	Y	Y
	Credit card	Y - Internet	Y
<b>Receipt at time of Payment</b>		Y - allpay ref	Y - EAC ref
<b>Balance Information to Payer</b>		N	Y
<b>Account update</b>		overnight+1	overnight
<b>Ledger update</b>		overnight+1	overnight
<b>Cashbook update</b>		overnight+1	overnight
<b>Bank statement</b>		10 working days	lodgement + 1
<b>marginal cost - assumes area offices exist &amp; excludes cost of securicor uplifts</b>			
	Cash	47p per trans	6p per £100
	Cheque	47p	7p
	Debit Card	47p	17p
	Internet Credit card	2.25%	nil
	Direct Debit	40p	0.012p
<b>Batch processing/ e-returns</b>		N	Y

## **6 CONSIDERATION**

This section considers whether there is scope to make changes to how the service is provided and managed which would lead to improvements for stakeholders taking account of issues raised under the Challenge, Consultation and Comparison sections.

### **6.1 Outsourcing**

#### **6.1.1 Revenue and Benefits**

Benefit payments in excess of £35m are made by the Council and annual Council Tax and Non-Domestic Rates bills in excess of £95m are due to be collected by the Council. Outsourcing of these services would result in increased levels of risk in terms of financial control and reputation. Whilst market testing has not been carried out there are few companies equipped to deal with these services and there are certain statutory duties that must remain with the Council. Whilst current collection costs are above average this reflects the degree of difficulty in collection in areas of deprivation and poverty. The experience of other authorities who have outsourced these functions to save money is not encouraging. There may be scope in the future to join with other councils in operating these functions as part of the Efficient Government initiative, but approaches made to others by East Ayrshire so far have not been met with much enthusiasm by the other councils.

#### **6.1.2 Accounting**

The accounting sections are responsible for preparing, monitoring and reporting on the Council's revenue and capital budgets of £278m and £31m respectively. Staff regularly provide financial information to managers, budget holders and elected members. The link between the advice given by staff within the outposted teams and operational decision making within each service could not be replicated if the service was outsourced. Outsourcing of the service would result in increased levels of risk in terms of financial control and reputation. Whilst a market testing exercise has not been undertaken, the fact that the costs tend to be lower than the other comparable local authorities suggests that any savings would be minimal and the level of service could be reduced. In addition, the results from the consultation exercise show that the vast majority of those sampled rate the current service as excellent.

### **6.1.3 Risk Management**

Risk Management is an area which will grow in importance in the coming years with the need to demonstrate efficient and effective risk identification and control measures. The current arrangements for risk management within the Council are well established and highly respected. Departmental clients consider that it delivers added value to their services and the Council is well placed to respond to urgent requests and emergency situations. The excellent working relationship between the section and the Council's insurer produces tangible results and efficiencies. It would be difficult to replicate this if the service was outsourced.

### **6.1.4 Systems Development**

Due to the constant changing of regulations in respect of Benefits and Revenues there is a need for robust internal controls over system versions and upgrades. Benefits legislation and policy is continually changing and in the last year the Benefits Service received over 70 circulars from the DWP regarding new and amended benefits regulations. Many of these require significant changes to processes and procedures. Changes to legislation also require system enhancements and amendments and in the last year there were 12 major software releases all of which require extensive testing and training before being put into a live environment. This is in addition to minor patch releases to fix incidents and system errors.

The SAP System is designed to provide a range of organisation wide functionality including such elements as budgeting, costing, purchasing, asset management, payroll processing and human resource management. At present only a very small proportion of the total functionality is being utilised. Experience elsewhere indicates that further development would be extremely costly however. A mandatory upgrade of the system which may involve significant cost must be carried out within the next two years and there is a need to critically review whether substantial expenditure on such an upgrade is appropriate or whether replacement with a less comprehensive product would be a more cost effective option.

The system used to manage sundry debtors was inherited from Strathclyde Regional Council and replacement is long overdue. There is a need to ensure that any new system achieves optimum integration with Legal Services in relation to debt follow up actions.

Given the range, complexity and inter-relationships between systems, and the resulting need for a close relationship with the Council's IT Service, outsourcing systems management and development could only be undertaken as part of a wider IT Service outsourcing.

## **6.2 European Foundation for Quality Management (EFQM)**

In conjunction with the Service Review each section completed the EQFM pathway exercise. This highlighted a number of areas for improvement including a need for more systematic consultation and communication with stakeholders.

## **6.3 Staffing Structure**

### **Verification Framework**

Regardless of the Service Review, the Benefits Service must introduce the Verification Framework. This framework is designated by the Department for Work and Pensions and although currently voluntary, there are now only a few authorities in Scotland who are not compliant and it has always been the Council's intention to become compliant when conditions were right. Additional funding for set-up is available to authorities only until March 2006. Councils signing up after that date will receive no financial assistance. The Verification Framework is intended to enable Local Authorities to secure their benefits systems by minimising the level of fraud entering the system and helping to identify any that does. One of the main requirements is for claimants to be visited at home. The additional duties and processes involved in this will require adding 6 Visiting Officers and 1 Clerical Assistant to the section to support the team. Additional management and supervisory effort will also be required to enable the necessary training, support and mandatory reporting functions. This is estimated at 2 additional Full Time Equivalent staff. The significant additional effort is recognised in the level of ongoing grant made available to councils to implement the scheme. The Service Review provides an opportunity to re-configure the structure to ensure that the implementation can be carried out at least cost without affecting entitlement to the additional ongoing grant income.

### **Accounting**

The service review has led to a re-examination of the service and it is clear that amendments to the current structure are desirable both to secure the required level of savings and to ensure that financial control is not compromised.

The Financial Accounting & Control section has continually evolved in a challenging and ever changing environment over the past few years. This has included the need for staff to be flexible in terms of duties, lines of reporting and introducing operational changes.

A comparison of tasks with duties indicates that each key task area is now essentially undertaken by one postholder. Care is needed in determining appropriate staffing levels to ensure that proper controls and procedures can be maintained at all times.

This comparison process also identified that staff grading inconsistencies and differentials were preventing proper cover and optimum working arrangements to be operated.

The fact that two accounting sections exist covering Strategic/Operational Accounting and Financial Accounting can result in a blurring of responsibilities and the opportunity should be taken to resolve this as far as possible.

### **Risk Management**

The importance of Risk Management in Corporate Governance of the organisation has grown significantly over the last few years and demands upon the section for advice and training will continue to grow. The merger of Management and Financial Accounting may result in a reduction in managerial support available in the current structure. It may be that a higher profile should be given to this area with the function being part of a new section encompassing risk, treasury and income management.

### **Cash Collection**

During consultation on the review of Local Offices carried out by the Executive Director of Neighbourhood Services it was apparent that consolidation of responsibility for cash collection within one department could bring efficiencies and it was agreed that transfer of responsibility for the Collecting Hall and the outdoor rent collectors to Neighbourhood Services to compliment the Local Office network should be proposed. This was subsequently approved by members with effect from 1 April 2005.

## **6.4 Option Appraisal**

The main areas where front line direct external contact with individuals is evident are Revenues, which includes Council Tax and Non-Domestic Rates, and Benefits. There appears to be merit in combining these functions under a single manager to ensure consistency of approach both to customer service and to the application of financial control procedures. This would also allow a combined customer services approach with a single telephone enquiry team. One challenge in this is the physical location of the services and whilst cost savings will accrue from amalgamation, further savings would be possible if a single office building could be identified. These additional savings could contribute to the rental or debt charges for a single location for the service and this may be helpful to any future town centre regeneration strategy.

In order to maximise external funding, the Benefits Service requires to be compliant with the Department for Work and Pension's (DWP) Verification Framework during 2005/06. Among other additional burdens this involves the employment of Visiting Officers. In line with the budget strategy it is intended that re-configuring of some existing posts may ensure optimum use of this ring-fenced funding.

The current division of Strategic & Operational Accounting and Financial Accounting & Control can result in a blurring of responsibilities between the two divisions. At the same time there is a need to devote skilled technical accounting resources to service and systems development and performance management bearing in mind that further efficiency savings will be required on an ongoing basis beyond the existing three year budget period.

There are merits in bringing all cash related functions including payments and income control together with treasury management under the control of a single manager. This should lead to better cash management and forecasting to minimise net loan charges.

There continues to be a major challenge in embedding risk management into the decision making process of the organisation and this should be recognised in the management structure. The current arrangement where risk management and insurance is included with accounting tends to relegate its priority.

In common with the proposal to co-locate Revenues and Benefits staff the co-location of the whole Finance Service would deliver further savings if a suitable town centre building could be identified.

## **7 CONCLUSIONS AND RECOMMENDATIONS**

The Service Review of Finance has been a rigorous process aimed at reducing the costs of the service whilst improving efficiency and effectiveness. All evidence shows that significant and sustained performance improvement has been achieved over the last five years which has been appreciated by clients of the Service and the recommendations of the review are designed to ensure that this continues.

### **7.1 Organisation Structure**

The Finance Budget shows that Salaries represent 85% of total expenditure. It is inevitable therefore that savings must come mainly from reduced staff numbers and consequent realignment of duties and responsibilities.

It is proposed that the Service will be managed in three divisions namely;

#### **Revenues & Benefits**

This division will bring together the two front line service elements which already use the same software.

#### **Corporate Accounting**

This will bring financial and management accounting under one manager.

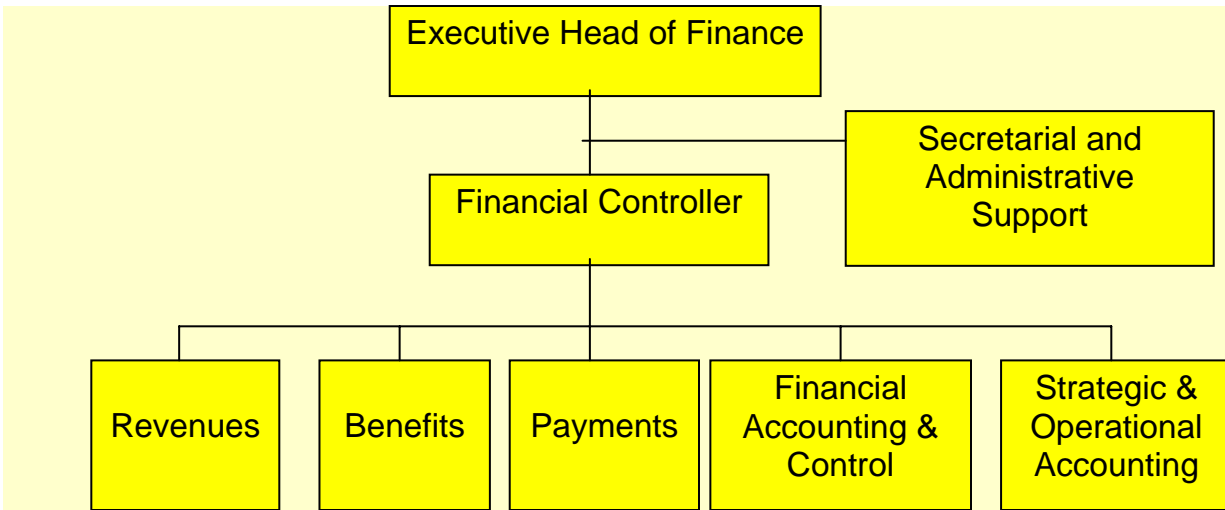
#### **Exchequer**

This will encompass Payments, Banking, Treasury and Risk services.

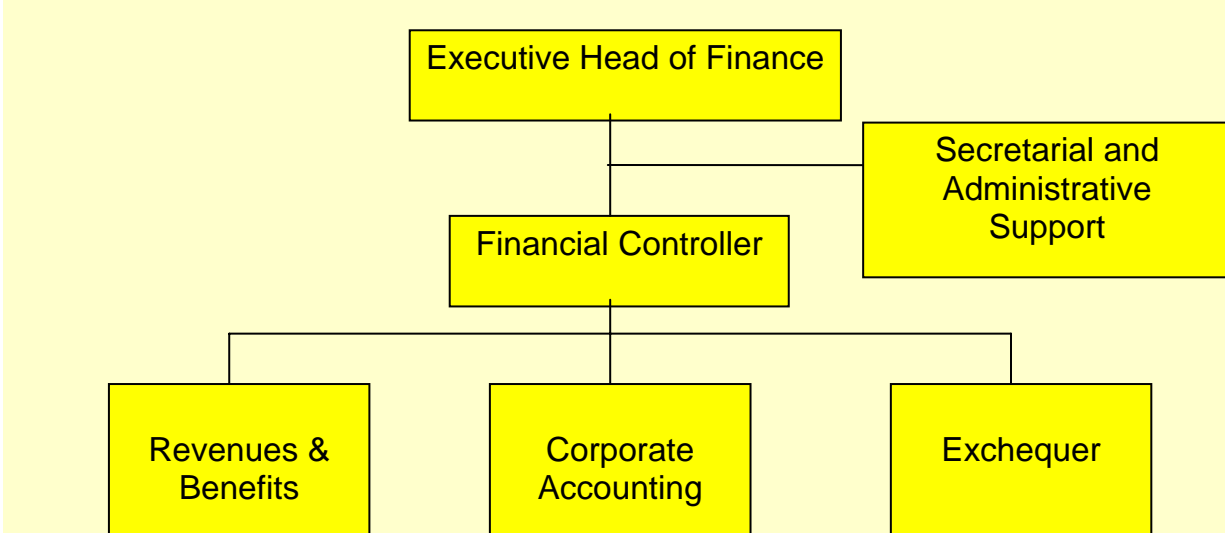
Administrative support to all staff throughout the department will continue to be provided by the Secretarial and Administrative Support section which will from 1 April 2005 also be required to accept additional responsibility for Finance and Roads reception at the Greenholm Street office including mail services, front counter service, office administration and security. These duties were previously carried out by Greenholm Street Local Office staff. In order to achieve efficiency savings by minimising staffing numbers in the section all of the staff need to be interchangeable and be able to perform all of the duties and responsibilities including secretarial support for the Executive Head of Finance.

In implementing the necessary change management to achieve this position cognisance will be taken of the aspiration to provide training and development opportunities for existing staff wherever possible.

## Current Structure



## Proposed Structure



## 7.2 Systems Development

The proposed new Revenues and Benefits Section will use software provided by CIVICA and opportunities should be available to reduce duplication in internal systems management and support. It is intended that one of the early gains will be the extension of Document Image Processing to the Benefits Section provided adequate support from CIVICA can be made available.

The fact that a relatively small proportion of the total functionality of the current very complex financial management system is being utilised suggests that a review of future needs, costs and benefits should be carried out at an early stage. The proposed merger of accounting areas in the same section together with the systems development function should facilitate this. This should allow a target saving of £60,000 per annum to be achieved from 2007/08 and provide a basis for further savings in the future.

## 7.3 Implementation

The implementation of the proposals is governed by a number of factors including the Verification framework timetable, the existence of vacancies and the need to ensure early flexibility between posts. Savings in Supplies and services take account of the likely recruitment timetable and the Service Improvement Plan.

## 7.4 Financial Implications

The financial objective of the review was to reduce the costs of the Finance Service by £0.400m by 2007/08. This is in line with the Council's efficiency savings targets for the Department of Corporate Support.

A comparison between target in year savings with the actual savings which this review would generate is shown below. It can be seen that over the three years a total of £825,413 would be saved.

	<b>2005/06</b> £	<b>2006/07</b> £	<b>2007/08</b> £	<b>Total</b> £
Target Cumulative	125,867	264,779	391,826	782,472
Proposed	221,371	202,507	401,535	825,413
<b>Difference</b>	<b>+95,504</b>	<b>-62,272</b>	<b>+9709</b>	<b>+42,942</b>

Detailed costings are shown in Appendix 2. Proposed grades would be provisional pending formal job evaluation and arrangements for recruitment would be subject to consultation with the trade unions.

## **7.5 Service Improvement**

The main improvement issues to emerge from the Service Review and EFQM processes will be addressed and are included in the Service Improvement Action Plan in Appendix 3.

### **7.5.1 Benefits Processing**

Although processing accuracy is currently 98% staff feel that this needs to be sustained and improved by reviewing recording and monitoring and training arrangements and the processes will be critically examined to raise the standard still higher.

### **7.5.2 Document Handling**

The volume of documentation involved in Revenues and Benefits is very high and the nature of the work means that there is a requirement to retrieve and re-file documents on a continuous basis. Document image Processing has been successfully installed in Revenues and it is clear that significant efficiency improvements could be made by a similar implementation in Benefits. This will require appropriate support from CIVICA the software provider and the timescale will be largely dependent on the availability of that expert support.

### **7.5.3 Telephone Enquiries**

In order to improve call handling and to provide better protection for both staff and public it is proposed to implement telephone call recording. This will enable a record to be kept of all calls and will allow review and coaching with regard to customer service. This will also allow direct debit instructions to be accepted by phone.

### **7.5.4 Verification Framework**

The Verification Framework is a DWP initiative designed to minimise the level of fraud entering the Benefits system. It will require recruitment and training of visiting officers and support staff and is funded by the Department for Work and Pensions. As indicated above it is intended to maximise the use of these external funds whilst ensuring that the conditions attached to them are met.

### **7.5.5 Direct Debit**

Payment by direct debit reduces the effort required by the payer and by the council in terms of debt follow up and has played a big part in improving collection performance. Whilst the numbers paying by this method has increased by 10% in the last year and by 100% in the last six years people are increasingly more comfortable with it and it is intended to implement new telephone and paperless direct debit facilities to increase the proportion still further.

### **7.5.6 Risk Management**

Risk Management needs to be embedded in both strategic and operational decision making processes. This needs to be supported by the Finance Service through the implementation of risk registers and the necessary training to support the creation and maintenance of these.

### **7.5.7 Financial Management Systems**

The SAP Financial management System is much more complex and functional than is now required by the Council. Whilst it has the capacity for example to provide Payroll, Asset Management and e-procurement facilities, alternative arrangements for these have been made and users are happy with them. Implementation and development costs for SAP are extremely high and there are two or three key staff in IT and Finance whose skills are relied upon. There is a requirement to upgrade the system and failure to do so within the next two years will result in the supplier charging additional support costs. In the longer term support may be withdrawn entirely if the upgrade is not undertaken. It may be that the level of functionality required could be secured from a less complex and more cost effective system and this will be investigated with a view to either proceeding with the upgrade or replacing the system over the next two years.

### **7.5.8 Communications**

The staff survey indicates that they feel that communications within the department and the service could be improved. This is exacerbated by the wide distribution of staff in various locations. Options will be explored with a view to providing increased opportunities for vertical and horizontal communication throughout the section.

### **7.5.9 Working Environment**

The staff survey also highlights significant dissatisfaction with the working environment. Whilst the medium term solution is consolidation of staff in a single good quality location, progress will be made in resolving a number of long standing health and safety and wind and watertight items.

### **7.5.10 Management Development**

There is a need to improve the level of management skills available within the Section and a structured management development programme possibly in conjunction with an external supplier should be implemented.

### **7.5.11 Consultation**

There is a need to implement more systematic consultation with both internal and external stakeholders and options for this will be examined.

### **7.5.12 Service Planning and Budgeting**

As with all councils a challenge exists to improve the integration of planning within services and for the Council as a whole with the budgeting process. The Finance Service should lead the development of this.



## **APPENDIX 1A – Service Descriptions – Current Structure**

### **Revenues Service**

- Maintain and update the Council Tax, Non-Domestic Rates and Community Charge databases
- Liaise with the Ayrshire Valuation Joint Board regarding changes to the Council Tax List and Valuation Roll
- Process any changes and deliver weekly billing thereafter
- Process personal, written and telephone enquiries
- Conduct home and business visits as required
- Conduct property inspections as required
- Process death notification forms from the Registrar
- Process credit/debit card payments via telephone and securely maintain the records of card payments
- Prepare and deliver Payment Cards (where appropriate) and Direct Debit mandates
- Process, maintain and update the Direct Debit protocol in accordance with our sponsoring bank's guidelines
- Administer Council Tax and Non Domestic Rates Reliefs in accordance with Council Policy
- Check, verify and authorise Council Tax and Rates overpayments for refund including interest due and tax payable as appropriate
- Set up and monitor 'in-house' repayment arrangements
- Liaise with Sheriff Officers in respect of unpaid Summary Warrant debt
- Liaise with Citizens Advice Bureau regarding debt repayment arrangements
- Liaise with service departments regarding departmental invoices
- Liaise with Scottish Water regarding relief from the Council Tax Water & Sewerage charges
- Liaise with the Benefits Section on a daily basis and via formal bi-monthly Service Review Meetings
- Liaise with the Council's Information Technology Section throughout the year and in detail at financial year-end
- Liaise with the Council's Press Office regarding newspaper enquiries
- Respond to individual enquiries by Elected Members, Members of the Scottish Parliament and Members of Parliament
- Maintain, manage and update on-line training manuals
- Design, prepare and deliver training for staff
- Conduct staff meetings in accordance with the Finance Service communications strategy
- Make appropriate internal and external statistical returns
- Deal with 'High-Level' complaints and enquiries via the Scottish Local Authority Ombudsman
- Prepare briefing notes and draft policy papers for the Executive Head of Finance

- Submit and monitor applications for Income Support/Jobseekers Allowance direct deduction to the Department for Work and Pensions
- Liaise with the Treasury & Insurance Sections regarding the offset of arrears against insurance payments
- Liaise with the Payments Section regarding direct deduction of Council Tax from employees' salaries & wages
- Actively manage the contractual relationship with Sheriff Officers
- Liaise with Legal Services regarding recovery of Sundry Debt arrears
- Liaise with Legal Services regarding 'Right to Buy' Council House applications
- Liaise with the Department for Work & Pensions regarding Benefit Arrestment
- Design, draft and proof the annual statutory information leaflet for inclusion with Council Tax and Non-Domestic Rates bills
- Liaise with Stortext regarding printing requirements
- Actively manage the contractual relationship with CIVICA, our software provider.
- Install software updates and amendments
- Test new software to ensure system and legislative compliance
- Develop and enhance existing operating systems
- Manage and maintain Document Imaging Program (DIP) and Workflow
- Maintain and update billing and arrears recovery documentation
- Represent the Finance Service on the Freedom of Information Working Group and arrange for appropriate staff training
- Deal with all finance-related requests for information in terms of the Freedom of Information (Scotland) Act 2002 and respond timeously

## **Benefits Service**

### **Processing Section**

- Receive and verify the accuracy of information supplied by customers to the standards laid down by the Verification Framework
- Cross-check identity and income information to ensure no fraud enters the system
- Check rent and Council Tax liability and ensure that all customers, where appropriate, are on the Council Tax System
- Apply and cancel single person council tax discount where necessary
- Calculate entitlement to benefit in accordance with Department of Social Security Regulations and in line with procedures laid down within the section
- Maintain computerised and manual data files of relevant information
- Apply the value of the Rent Rebate calculation to the Council Tenants' rent accounts
- Issue payments in respect of Rent Allowances

- Apply the value of the Council Tax Rebate calculation to householders' Council Tax accounts
- Advise customers in writing of the outcome of the calculation together with details of the appeals procedure
- Liaise with the Rent Registration service and request rent referrals and pre-tenancy determinations
- Deal with rent abatements and check rent accounts
- Through the Outposted Benefits Team, to supply a frontline Benefits service within Housing Offices for staff and members of the public
- To recalculate benefit entitlement on the application of Council Tax discounts, exemptions and disability reductions
- Award Discretionary Housing Payments to appropriate cases
- To liaise with Welfare Rights, Citizens Advice Bureau, Tenancy Support Workers, solicitors and other third parties with regard to benefit claims
- To check and gather evidence using the remote electronic access to data held by the Department for Work and Pensions (DWP)

### **Fraud Section**

- Investigate cases where fraud is suspected
- Receive information from the DWP Matching Service, and investigate appropriate cases
- Gather evidence, interview customers and process cases as appropriate
- Interview claimants under caution and apply cautions and administration penalties in appropriate cases
- Carry out surveillance following guidelines and legislation
- Prosecute fraudulent claims where appropriate
- Attend and give evidence on cases which are at court
- Liaise with DWP in cases where other benefits are involved
- Liaise with other external agencies, e.g. NAFN
- Maintain computerised and manual data files of relevant information

### **Overpayments Section**

- Check calculations of overpayments and decide where overpayment recovery is appropriate
- Issue appropriate notification to customer advising them of any overpayment together with details of the appeals procedure
- Recover overpayments from the most appropriate person – using various methods
- Liaise with DWP and other external agencies regarding recovery
- Arrange repayments and negotiate rates with customers
- Monitor arrangements, follow up non-payment and pass cases to Sundry Debtor Section/Legal Services for additional action

## **Systems Section**

- Manage the operation of the Civica benefits system on a day to day basis
- Deal with all reports and exceptions from the system
- Test and implement all new software releases
- Arrange training for all users for new releases and ongoing issues
- Liaise with Stortext on bulk printing

## **Policy Section**

- Develop and implement office procedures
- Co-ordinate and maximise benefit take up
- Prepare and submit all statistical and financial returns
- Deal with reconsiderations of award and appeals submissions and attendance at Tribunals
- Ensure compliance with Housing and Council Tax Benefit legislation
- Implement the Performance Standards laid down by DWP
- Produce and monitor Service Level Agreements with external agencies
- Ensure that all Personnel policies are adhered to
- Work in partnership with other Departments and Agencies in the Community Plan

## **Training**

- Develop and implement training plans based on EAGER
- Train all new staff thoroughly in all aspects of Housing and Council Tax Benefit
- Train staff on changes to legislation
- Train external agencies and internal Department on elements of Housing and Council Tax Benefit
- Deliver SVQ in Benefits to staff
- Give advice and answer queries from Benefits Staff
- Distribute circulars/guidance manuals and updates regarding legislation

## **Customer Service**

- Provide a front-line direct customer service giving advice and assistance to customers who call into the office
- Provide checks on Council Tax accounts and Rent Accounts
- Provide a comprehensive telephone service to all East Ayrshire Council residents for advice or information regarding Housing and Council Tax Benefit
- Direct liaison with the Council Tax Service to make arrangements to pay debts, apply for discount or exemption or query accounts

- Liaise with other internal and external agencies to provide a good quality Benefits Service
- Arrange private interviews for claimants
- Host a Pension Credit advisory service
- Prepare a wide range of leaflets and posters for claimants on all types of benefit

### **Administration**

- Deal with all correspondence and enquiries from Councillors, MPs, MSPs and Chief Officials
- Deal with complaints through the Council's formal complaint procedures
- Ensuring that personnel records are maintained and appropriate returns completed
- Keep a valuables register and ensure all mail is dealt with in a secure environment
- Maintain and update the Mail Database

## **Strategic & Operational Accounting**

### **Budget Preparation**

The Revenue Estimates and Capital Programme are prepared for a three year period. It is an exercise that requires significant resources and detailed discussion with service departments and culminates in the setting of the Council tax for the forthcoming year.

A summary of the work required is as follows;

- Recalculation of all budgets based on the continued delivery of existing services;
- Payroll costs for every member of staff are calculated and inflated for increments and pay awards;
- Contract inflation is calculated for all Council contracts using local and industry indices;
- Income is increased to reflect inflation and adjustments made to departmental budgets to reflect additional services that have evolved during the year;
- The cost of any new departmental work or services are calculated;
- Comprehensive exercise undertaken to monitor and reconcile all external funding from the Scottish Executive, and adjusting departmental resource allocations where appropriate;
- Departmental capital programmes are compiled in line with previously approved allocations and option appraisals completed by service departments;

- Housing Revenue Account budget compiled taking into account all relevant factors;
- Compiled budgets are presented to elected members to enable them to decide on service priorities;
- Council Tax is set and information provided for the completion of statutory documents for stakeholders.

### **Budget Monitoring & Budgetary Control**

This is a key management tool at all levels of decision making and is a crucial part of the service. Staff within the outposted teams regularly revise budgeted forecasts and compile financial data and budgetary control reports on a four weekly basis.

This information has a twofold purpose, firstly it is used by the Finance Service to highlight areas of significant variances and issues within departmental budgets. Secondly, the information provides invaluable information to the departmental management team allowing them to highlight potential service delivery issues.

A summary of the work required is as follows;

- Monitor and report on the departmental budget globally and at a local cost centre level in order that the financial position of the Council is continually monitored;
- Ensure that income and expenditure entries are coded correctly and that the financial ledger holds accurate information of the budgeted and actual position;
- Identify and investigate any variances and where necessary ensure that action is taken to correct;
- Discuss significant movements and variances with appropriate budget holders and update projections where necessary to reflect a true and fair view of the financial position of the department;
- Compile reports for elected members within the appropriate timetable in conjunction with the Executive Directors;
- Ensure that items identified which have a future impact are highlighted during the budget setting process;
- Ensure that virement of budget is carried out where necessary
- Reconcile budgets and update for changes to government grant receivable

## **Treasury Management**

Financial planning and cashflow forecasting are the key functions carried out by staff within the Treasury Management Section. This includes the development of the Prudential Indicators, the management of investments and revenue and capital expenditure plans, and the resultant capital charges. A summary of the work undertaken by the section is as follows;

- Calculation of the Council's cashflow position and ensure that there are sufficient funds to meet current expenditure profiles;
- Investment of surplus funds in the money market in line with the Treasury Management Policies & Practices and the List of Counterparty Institutions;
- Management of the debt portfolio ensuring compliance with the Council's Treasury Management Policies & Practices and identify opportunities for debt rescheduling in conjunction with the Council's treasury advisors;
- Assisting in the compilation of the Prudential Indicators;
- Loans Funds accounting for Annual Accounts and budgetary control;
- Ensuring that the accounting entries associated with the maintenance of the cashflow position are carried out;

## **Leasing**

Staff within the Accounting Section also arrange to lease vehicles or other assets for service departments. Prior to the introduction of the Prudential Framework a large proportion of the Council's assets were leased. However Councils now have the flexibility to base financing decisions on sustainability, affordability and prudence. The tasks involved in leasing are summarised below:

- Provide advice to service departments on the most favourable funding option for the asset and discuss with service department staff their anticipated leasing / procuring requirements;
- Maintain the database of all leases and update for new leases and those terminating;
- Ensure that departments manage their leasing portfolio in a way which maximises operational effectiveness and is most cost effective.

## **VAT and Statutory Compliance**

The Council, like other local authorities, enjoys a favourable VAT position in that it can reclaim all VAT incurred due to the statutory nature of the supply. Accounting Services provides VAT advice to service departments on a range of VAT issues, from relatively small operational issues to strategic projects. It is important to ensure that appropriate advice is secured in relation to the complex VAT status of partnership schemes which provides financial incentives to the Council while still maintaining compliance with the VAT regulations.

## **Financial Returns**

The Service is required to compile and complete financial returns on a regular basis. Details of the type of returns are given below:

- Scottish Executive Provisional Outturn Budgeted Expenditure (POBE)
- Scottish Executive Local Finance Returns (LFRs)
- CIPFA Rating Review
- Scottish Executive Capital Payment Return (CPR)
- Loan Charge Support returns
- Revenue and Capital Grants returns

## **Professional Advice**

Staff from the outposted teams provide high quality financial and budgetary advice to Executive Directors and departmental budget holders. The Financial Services Manager attends the departmental management team as part of their role to service department staff and budget holders. These tasks include:

- Provide assurance to officers and elected members on budgetary control matters;
- Provide assistance and advice to Executive Directors and budget holders on matters of budgetary control and finance
- Provide financial information and advice to budget holders and departmental directors to enable them to operate on a sound financial basis;
- Provide assistance and advice to Executive Directors on operational and strategic finance matters;
- Assist the departmental Executive Director in presenting details of their departmental projections to the Budget Scrutiny Group and the Executive Head of Finance;
- Produce all budgetary control reports relevant for their service department and present the reports to the Service Committee(s);
- Provide financial training to non-finance staff on all matters relating to finance and budgetary control;
- Provide Executive Directors with financial advice in respect of proper accounting practice.

## **Risk Management & Insurance**

Staff from the Risk Management & Insurance Section provide the following functions;

- Provide on a daily basis routine advice. Typically the section can receive some 40-50 new enquiries per day from client departments seeking insurance, risk management or claims advice on any matter;
- Provide statistical information on claims;
- oversee the administration of Health and Safety compliance within Finance;
- Provide ad hoc insurance advice to External Bodies;
- Work closely with Procurement and Legal Services to identify and control risks arising from the many contracts entered into by the Council, and to generally protect the Council's interests and reputation. This is a rapidly developing area;
- Advise the Executive Head of Finance of all insurance related matters, including but not limited to programme design;
- Provide Risk Management Guidance via the Finance web-site where the Risk & Insurance Guide can be accessed by all client departments;
- Manage the arrangement of the Council's Mortgaged Property and Tenants Contents Schemes ;
- Process all claims including Group Life and oversee the negotiation and settlement of self-insured losses i.e. losses falling within the policy excess;
- Administer the issue of statutory engineering insurance reports within the Council.

## **Financial Accounting & Control**

### **Statutory and Financial Reporting**

- Ensures that the maintenance of the council's financial books and records is in accordance with all statutory requirements
- Ensures that accurate and reliable financial data is available to the council at all times
- Co-ordinates the production of financial data for the annual Abstract of Accounts
- Maintains the council's Accounting Policy Bulletins
- Ensures the council is aware of and up to date with all relevant accounting guidance and legislation
- Ensures the integrity of the council's financial ledger and the procedures applied

- Maintains the reporting and coding structures within the financial ledger
- Develops the financial ledger
- Develops and promotes efficient and effective processes and procedures, for example for the processing of generic items such as electricity and telephone payments across the council.
- Operates as the main contact point for external audit
- Monitors that appropriate controls are operating throughout the section

### **Financial Ledger Control**

- Ensures that balance sheet codes on the council's financial ledger are valid and reconciled each financial period.
- Ensures that appropriate procedures exist and are consistently applied in relation to the reconciliation of the financial ledger.
- Reconciles all payroll and creditor payment control accounts between subsidiary systems and the financial ledger.
- Is responsible for the interface configuration between the payroll system and the financial ledger
- Prepares and distributes analyses of employee payroll ledger code postings.
- Ensures that the council's payment bank accounts are fully reconciled and that all related proper processes and procedures are maintained
- Ensures that all bank direct payments are properly authorised and administered
- Prepares the council's VAT return
- Ensures that the council's responsibility for the accurate reporting of all VAT related matters are met
- Provides financial data and reports to various services on recurring and ad hoc basis
- Reviews and develops processes and procedures throughout section to ensure consistently developed and proper financial controls are maintained.

### **Revenue Ledger Control**

- Monitors all balances on the council's revenue systems and ensures that statistics are available on a daily, periodic and ad hoc basis as appropriate
- Ensures that the overall balances on the council's revenue systems are valid and reflected in the financial ledger
- Reconciles all cash collection and related postings to the revenue systems and the financial ledger.
- Ensures all payments posted to suspense accounts are identified and cleared accurately and timeously
- Administers all internal council tax and non domestic rates liabilities

- Administers the council's direct payroll deduction facility for payment of council tax and sundry debtors
- Is responsible for the reporting of key performance indicators in relation to revenue collection and statutory performance indicators applicable to the Finance Service
- Compiles and submits statutory returns to Scottish Executive and Scottish Water
- Ensures that all data, statistics, processes and procedures are applied and reported consistently.

### **Rent Accounting**

- Has a specific responsibility for the operational maintenance of all transactions on the council's rent system and all related information
- Ensures that all tenancy management changes are processed and that all rent charges are properly applied
- Applies the annual rent charge changes and administers all related correspondence to tenants
- Ensures that overall balances on the council's rent system are valid and that appropriate supporting documentation exists
- Ensures the integrity of the rent system and its reporting functionality
- Assists in the development of the functionality of the council's Orchard rent system in conjunction with Housing IT and software suppliers
- Administers the council's tenants' insurance scheme, involving the collection and payment of premiums and the maintenance of client accounts
- Operates a standing order payment scheme for housing rents
- Administers the council's direct payroll deduction facility for payment of rent and all other internal rent liabilities
- Provides a customer enquiry for both council tenants and operational housing staff
- Ensures that appropriate procedures exist and are consistently applied in relation to the rent accounting function
- Administers a former tenancy recovery scheme

### **Income Management**

- Manages and develops the council's income management system
- Supports the cash receipting functionality to all cash collection offices
- Administers all income returns and lodgements including electronic returns
- Provides a generic payment card facility for all council tenants and customers
- Provides a full payment method portfolio, which includes payment by debit/credit card, internet, intranet and an automated telephone payment service

- Ensures postings to suspense accounts are identified and posted accurately and timeously
- Provides an internal enquiry service for council staff in relation to all income transactions
- Is responsible for the operation and configuration of the interface between the income management system and the financial ledger and all revenue systems
- Provides a bank reconciliation process and all related cashbook maintenance
- Operates the electronic processing of bank, sheriff officer and giro bank transactions
- Monitors cash banking and the allocation of overs and shorts
- Maintains income collection procedures and applies appropriate cash handling and related controls across the council
- Arranges the secure transfer of all cash from council premises to the council's bank.

### **Systems Management and Administration**

- Ensures that all financial systems are fully operational and all overnight processing has been successful, with transfers completed and outputs distributed
- Processes all electronic and manual transactions to the council's financial ledger
- Downloads bank files for the export and import of data to various financial systems
- Processes and maintains all interfaces between all financial systems
- Transmits BACS files and collates and distributes all related reports
- Manages the transmission of data to external printers for processing and distribution
- Administers all daily, weekly and annual processing schedules for all financial systems
- Develops and operates appropriate controls in relation to the movement of data between systems
- Operates system security checks and user ID administration
- Communicates with IT in relation to all network and system support requirements of the Finance Service
- Liaises with IT with regard to all hardware and software needs of the Finance Service
- Ensures that all system suspense accounts are monitored, cleared and effectively managed
- Provides an electronic scanning service for all invoice payments and other financial transactions
- Project manages system implementations and developments on behalf of the Section

## **APPENDIX 1B – Service Descriptions – Proposed Structure**

### **Revenues & Benefits**

All services currently listed under Benefits plus those currently listed under Revenues in Appendix 1A *excluding* responsibility for Sundry Debtors

### **Corporate Accounting**

Services currently listed in Appendix 1A under;

- Budget Preparation
- Budget Monitoring & Control including Loans Fund Accounting and Budgeting
- VAT and Statutory Compliance
- Financial Returns
- Professional Advice
- Statutory and Financial Reporting
- Financial Ledger Control *excluding* bank reconciliation and associated processes
- Revenue Ledger Control
- Rent Accounting
- Systems Management and Administration

### **Exchequer**

Services currently provided by the Payments Section plus Services currently listed in Appendix 1A under;

- Treasury management and *excluding* Loans Fund Accounting and Budgeting
- Leasing
- Risk Management & Insurance
- Income Management *including* all bank reconciliation and associated processes
- Sundry Debtors

**APPENDIX 2 - FINANCIAL IMPLICATIONS**

Grade	Existing	Proposed	Difference	Unit Cost	Year 1 Full Year	2005/06 Half Year	2006/07	2007/08
<b>Revenues &amp; Benefits</b>				£	£	£	£	£
SO21	0.0	1.0	1.0	44,985	44,985.00	22,492.50	44,985.00	44,985
SO15	1.0	0.0	-1.0	39,162	-39,162.00	-19,581.00	-39,162.00	-39,162
SO11	1.0	0.0	-1.0	35,748	-35,748.00	-17,874.00	-35,748.00	-35,748
SO8	0.0	3.0	3.0	33,423	100,269.00	50,134.50	100,269.00	100,269
SO5	2.0	0.0	-2.0	31,068	-62,136.00	-31,068.00	-62,136.00	-62,136
SO3	2.0	2.0	0.0	29,541	0.00	0.00	0.00	0
AP5/SO1	5.0	5.0	0.0	26,379	0.00	0.00	0.00	0
AP4/5	1.0	0.0	-1.0	23,739	-23,739.00	-11,869.50	-23,739.00	-23,739
AP3	9.0	12.0	3.0	19,545	58,635.00	29,317.50	58,635.00	58,635
AP2	9.0	8.0	-1.0	17,436	-17,436.00	-8,718.00	-17,436.00	-17,436
GS3/AP1	32.0	40.0	8.0	15,063	120,504.00	60,252.00	120,504.00	120,504
GS1/2	28.6	20.0	-8.6	12,501	-107,509.00	-53,754.50	-107,509.00	-107,509
	90.6	91.0	0.4		38,663.00	19,331.50	38,663.00	38,663
<b>Corporate Accounting</b>								
SO21	1.0	1.0	0.0	44,985	0	0	0	0
SO18	0.0	1.0	1.0	41,946	41,946	20,973	41,946	41,946
SO15	4.0	6.0	2.0	39,162	78,324	39,162	78,324	78,324
SO11	3.0	0.0	-3.0	35,748	-107,244	-53,622	-107,244	-107,244
SO8	12.0	10.2	-1.8	33,423	-26,738	-26,738	-26,738	-60,161
SO5	2.0	1.0	-1.0	31,068	0	0	0	-31,068
SO3	3.0	5.0	2.0	29,541	59,082	29,541	59,082	59,082
AP5/SO1	13.5	13.5	0.0	26,379	0	0	0	0
AP3	4.0	4.2	0.2	19,545	3,909	1,955	3,909	3,909
AP2	2.0	0.0	-2.0	17,436	-34,872	-17,436	-34,872	-34,872
AP1/2	2.0	2.0	0.0	16,515	0	0	0	0
AP1	3.0	0.0	-3.0	15,699	-47,097	-23,549	-47,097	-47,097
GS3/AP1	4.0	10.0	6.0	15,063	75,315	37,658	90,378	90,378
GS3	2.0	1.0	-1.0	14,730	-7,365	-3,683	-7,365	-14,730
GS2/3	2.0		-2.0	14,466	-14,466	-7,233	-28,932	-28,932
GS1/2	1.0		-1.0	12,501	-12,501	-12,501	-12,501	-12,501
	58.5	54.9	-3.6		8,293	-15,473	8,890	-62,966
<b>Exchequer &amp; Risk Management</b>								
SO21	1.0	1.0	0.0	44985	0	0	0	0
SO15	0.0	1.0	1.0	39162	39,162	39,162	39,162	39,162
SO11	1.0	0.0	-1.0	35748	-35,748	-35,748	-35,748	-35,748
SO8	0.0	1.0	1.0	33423	33,423	16,712	33,423	33,423
SO5	1.0	0.0	-1.0	31068	-31,068	-15,534	-31,068	-31,068
AP5/SO1	3.0	2.0	-1.0	26379	-26,379	-26,379	-26,379	-26,379
AP3	3.0	4.0	1.0	19545	19,545	9,773	19,545	19,545
AP1/2	1.0	0.0	-1.0	16515	-16,515	-8,258	-16,515	-16,515
AP1	1.0	0.0	-1.0	15699	-15,699	-7,850	-15,699	-15,699
GS3/AP1	1.0	3.0	2.0	15063	30,126	15,063	30,126	30,126
GS3	1.5	0.5	-1.0	14730	-14,730	-7,365	-14,730	-14,730
GS1/2	1.0	0.0	-1.0	12501	-12,501	-12,501	-12,501	-12,501
	14.5	12.5	-2.0		-30,384	-32,925	-30,384	-30,384
<b>Secretarial and Administrative Support</b>								
AP3	1.5	1.5	0.0	19,545	0.00	0.00	0.00	0
AP2/3	0.0	1.0	1.0	18,381	18,381.00	9,190.50	18,381.00	18,381
AP1	1.0	0.0	-1.0	15,699	-15,699.00	-7,849.50	0.00	-15,699
GS3/AP1	0.0	1.0	1.0	15,063	15,063.00	7,531.50	15,063.00	15,063
GS3	1.0	0.0	-1.0	14,730	-14,730.00	-7,365.00	-14,730.00	-14,730
GS1/2	1.0	0.0	-1.0	12,501	-12,501.00	-6,250.50	-12,501.00	-12,501
Trainee	3.0	2.0	-1.0	29,541	-29,541.00	-14,770.50		-29,541
	7.5	5.5	-2.0		-39,027.00	-19,513.50	6,213.00	-39,027
<b>Total</b>	<b>171.1</b>	<b>163.9</b>	<b>-7.2</b>		<b>-22,455</b>	<b>-48,580</b>	<b>23,382</b>	<b>-93,714</b>
Employers Costs at 23%					-5,165	-11,173	5,378	-21,554
Verification Framework Compliance Grant					-219,467	-149,818	-219,467	-219,467
Supplies & Services					-967	-11,800	-11,800	-66,800
<b>Total Savings</b>					<b>-248,054</b>	<b>-221,371</b>	<b>-202,507</b>	<b>-401,535</b>

### APPENDIX 3 – SERVICE IMPROVEMENT PLAN

Para	Issue	Action	Responsibility	Target Date
7.5.1	Improve accuracy of Benefits Processing	Implement new recording, monitoring and training arrangements	David Rudden	September 2005
7.5.2	Improve mail handling, recording and retrieval	Implement DIP	Karen Ironside	December 2005
7.5.3	Improve telephone enquiry handling and response	Implement telephone call recording system and provide appropriate training for staff	Karen Ironside	March 2006
7.5.4	Reduce Fraud in the Benefits system	Implement Verification Framework Modules 2 and 3	Karen Ironside	September 2005
7.5.5	Increase numbers paying by Direct Debit	Implement AUDDIS for Council Tax	Joan Campbell	February 2006
7.5.6	Embed Risk Management in Council policy and decision making	Provide training necessary to implement Risk Registers in each department and at a corporate level	David Hunter	August 2005
7.5.7	Determine optimum Financial Management System strategy	Review costs and benefits of the current SAP Financial Management System and implement upgrade or replacement	Robin Baker	March 2007
7.5.8	Improve communications with staff	Provide additional opportunities for communication including Finance Staff Intranet Page	Alex McPhee	September 2005
7.5.9	Improve workplace environment	Progress essential building repairs	Robin Baker	September 2005
7.5.10	Improve management skills within the Service	Implement Management Development Training plan	Alex McPhee	March 2006
7.5.11	Implement a systematic approach to consultation with both internal and external stakeholders	Develop questionnaire and analysis tools	Alex McPhee	March 2006
7.5.12	Improve integration of service planning and budgeting across the Council	Examine options and develop template to integrate planning and budgeting processes	Alex McPhee	September 2006