

AUDIT COMMITTEE 23 SEPTEMBER 2009

FINANCIAL MANAGEMENT ACTION PLAN

Report by Chief Finance Officer

1. In the second half of 2008 Local Government Futures Ltd (LGF) reviewed financial management arrangements across Oxfordshire County Council. There were no particular weaknesses that the review was intended to address, the main purpose was to further improve and move towards best practice financial management. All services were included in the review, with the exception of schools.
2. The review concluded that Oxfordshire County Council scored well against the CIPFA Model, and compared to other authorities. As expected scope for improvement was identified in a number of areas. These include improving and enabling financial accountability at budget holder level, financial training and competencies for budget holders and enabling the finance function to move towards a challenge/business advisor role.
3. The key issues identified used to develop the Financial Management Action Plan (FMAP) whose actions are grouped around:
 - People – Budget Holders/Service Managers and Finance staff;
 - Improved Communication of Financial Policies, Procedures and Guidance;
 - Further integration of Finance and Performance information;
 - Improve the user friendliness of SAP, the Authority's Financial Management Information System.
4. This report summarises the progress made so far with FMAP for review by the Committee. The detailed action plan is attached as Annex 1.

Budget Holders and Service Managers

5. The areas identified for improvement were:
 - Further clarification of respective roles and responsibilities of finance staff and budget holders following the move to Shared Services;
 - Consideration of financial performance as part of the appraisal process and accountability of managers on process issues;
 - Tackling the perception that basic administrative tasks have been pushed down to managers;
 - Assessment of training needs to enable more tailored training for budget holders including improvement of forecasting skills;

- Improving level of involvement of budget holders in preparing and profiling their budget.
6. As at 1 September we have made the following progress:
- Issued revised Roles and Responsibilities paper (*insert date) to further clarify of responsibilities
 - The 2009/10 appraisal process now includes a requirement for all senior (level 1,2 and 3) managers and any managers managing a gross budget of more than £100,000 to have a financial objective included in their objectives for the year. Compliance with this will be sampled as part of the annual HR review of appraisals in October 2009.
 - We have surveyed all managers with financial management responsibilities. 350 managers (84%) responded, and we are now using the responses to plan and develop modular financial training for managers. Managers were informed of the results of the survey in the first week of September and further communication is planned to keep managers informed of the actions to be taken as a result of the survey.
 - Pilots of the first three training modules have been carried out. Currently we have budget to continue the roll out and development but have no identified person to do it.
 - Ongoing review of finance toolkits to improve and incorporate feedback.
7. However we have not yet completed these remaining actions:
- Setting up a focus group to seek views of managers on a range of finance issues and facilitating a joint meeting between managers and finance staff to clarify respective roles. We used the manager survey to identify volunteers and anticipate starting the focus group in October.

Training and Development of Finance Staff

8. The development needs identified for finance staff centre on the need to improve the skill set of finance staff to enable them to better meet the demands of their new roles post shared services.
9. Areas noted for improvement were:
- Training for finance staff on SAP to enable them to address more complex issues rather than current basic training
 - Need to improve the level of challenge given by management accountants
 - Need to improve business knowledge of some accountants
10. As at 1 September the following progress has been made:
- The Business Process Improvement Leader in Shared service Centre has scoped a plan for overall improvement in Financial and Management Accounting which incorporates the actions identified in FMAP.

- Work is underway to profile the activities undertaken by management accounting to identify what tasks management accountants currently undertake. Early results indicate that up to 20% of management accounting time is taken up by activities outside the service level agreement.
 - A separate Business Process Engineering exercise has been carried out to identify areas of management accounting that are overstretched.
 - All Finance Business Partners were asked to consider whether accountants within their team needed to improve business knowledge as part of the June 2009 appraisals.
11. The key actions that remain are to set up a finance SAP user group to promote better use of SAP and to document and implement what constitutes best practice for management accounting.
 12. The findings from profiling the Management Accountants' activities will be appraised to determine what this indicates about the current capabilities of Budget Holders and Service managers to effectively manage their financial responsibilities.

Improved Communication

13. Actions to improve the communication of financial policies and procedures were centred around further update and streamlining of financial procedures on the intranet. Further actions were planned to clarify guidance and monitor compliance at operational level in areas such as financial delegation and e-procurement.
14. As at 1 September we have made the following progress:
 - Compliance with e-procurement has improved from 52% of invoices having had a purchase order raised (July 2008) to 75% (June 2009).
 - Successfully appointed to the Policies and Procedures Officer Post (February 2009). The post holder is on track to complete the revision of the Accounting Manual by March 2010 and will be responsible for ongoing maintenance
15. The main actions remaining for completion are a review of the operation of the schemes of delegation and a revision of intranet finance information to signpost users clearly towards finance facing or manager facing information.

Integration of Finance and Performance Information

16. The Council had already identified the need for improved benchmarking and unit cost information prior to the issue of the report so the actions build on this. Improved, more consistent and embedded use of performance monitoring information will also help us to meet the requirements of the Comprehensive Area Assessment.

17. At the end of 2008 the Performance team were already working on developing Service and Resource Planning by:
 - Work with business plan owners to improve the unit costing information included in business plans ;
 - Ensure future unit costing information for consideration in future business plans is activity based and outcome;
 - Work with Directorate Leadership teams to ensure benchmarking is being used and is evident in their business plans. This work will be delivered through the Benchmarking Forum
 - Deliver training to business plan owners to help and encourage the use of benchmarking within their service. This will be supported by the Corporate Performance lead.
 - Challenge services to explain how they actively use benchmarking to drive service delivery and business improvement
18. The business plans have been revised and unit costs form a key part of the revised plan. As part of the revised service and resource planning process complete business plans need to go to star chambers, which means that unit costs will form a greater part of the debate. The liaison officers from the performance and review team are working with directorates to support them in developing unit costs.
19. Liaison officers from the performance and review team are working with directorates to agree cost/performance benchmarking information in advance of star chambers

User friendliness of SAP

20. The report recommends that managers are consulted to identify what improvements could be made to SAP to make it more user-friendly. These suggestions should be reviewed in the context of the overall SAP Development Plan to identify what improvements are feasible.
21. The SAP upgrade stage has now been completed. Corporate finance will continue to liaise with ICT to keep informed of the SAP development plan and will use the manager focus group and results from the survey where appropriate to consult on developments.

Arrangements for Monitoring

22. The Chief Finance Officer will be monitoring progress with the Financial Management Action Plan on a six monthly basis using Annex 1 as a template.

RECOMMENDATION

23. **The Committee is RECOMMENDED to note the progress to date and give any feedback on the monitoring report to the Chief Finance Officer .**

SUE SCANE
Chief Finance Officer

Background papers;

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