

**AUDIT COMMITTEE - 21 APRIL 2010**

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report by Assistant Chief Executive & 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 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.
3. This report summarises the progress made so far with FMAP for review by the Committee and updates the position reported as at 23 September 2009. The detailed action plan, along with notes about progress to date, is attached as Annex 1.

**Budget Holders and Service Managers**

4. 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.
5. The previous report to Audit Committee on 23 September 2009, noted the position as at 1 September 2009. As at 31 March 2010 we have built on the previous progress as follows:

- Set up a reference group to seek views of managers on a range of finance issues. We used the manager survey to identify volunteers and have now had two constructive meetings chaired by a senior manager within the Council, and further meetings planned in 2010/11.
- The first three financial management modules went live in December 2009. Modules include: Hints and Tips on Forecasting, Understanding SAP Transactions, and Budget Setting & Maintenance and one of each of these has been running weekly since then. An additional module covering the role of managers at year end has also been made available in March 2010, along with a module covering forecasting payroll transactions. Subject to approval through the Provisional Outturn Report the ongoing provision of the training throughout 2010/11 will be funded from a one – off saving in Shared Services carried forward from 2009/10.
- The initial mandatory training provided to all managers with financial management responsibilities has been refreshed and piloted as “Managing Resources Effectively” with additional input from Performance Management in December 2009. The training is now live and has run twice so far with a further session in late April.
- Ongoing review of finance toolkits to improve and incorporate feedback. Changes to pages and forms requested by the Reference Group have been implemented and the Finance pages have been redesigned to improve signposting and user – friendliness for managers.

## **Training and Development of Finance Staff**

6. The development needs identified for finance staff centred 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.
7. 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
8. Key actions reported as outstanding in September 2009 were 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. Findings from profiling the Management Accountants’ activities were to be appraised to determine what this indicates about the current capabilities of Budget Holders and Service Managers to effectively manage their financial responsibilities.
9. As at 31 March 2010 the following progress has been made:
  - A meeting was held with Management Accountants on 29 January 2010 to review automation of completion of final accounts working papers using SAP and establishing best practice prior to closing the 2009/10 accounts.

Further meetings will be scheduled in relation to specific processes as ongoing work on business improvement identifies areas of focus;

- Management accountants' knowledge of business areas has increased since the move to Shared Services when some roles were reallocated and this has created an increased capacity to challenge as well as support. Annual appraisals have identified where further development is needed and the issue is considered as part of local induction processes.
- Ongoing reviews of Directorate budget risks inform allocation of management accounting resources and a review of management accounting activities has identified where most time is spent and maximum process improvement can be delivered.

### **Improved Communication**

10. 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.
11. As at 31 March 2010 we have made the following progress:
  - The visibility and signposting of finance pages for managers has been enhanced with further improvements made in response to feedback from the Financial Management Reference Group.
  - Compliance with e-procurement has improved from 52% of invoices having had a purchase order raised (July 2008) to 75% (June 2009) and 84% at January 2010. Where SAP purchase orders are not an appropriate option, payment of invoices is controlled through a list of authorised signatories.
  - The revision of the Accounting Manual was completed in March 2010 prior to the Policies & Procedures Officer moving to a new post in Shared Services. Whilst there is less resource available responsibility for ongoing maintenance is now part of the role of the Principal Financial Manager (Standards & Projects).
12. Completion of the SAP Organisation Management project and introduction of new SAP roles provides an opportunity to address control issues around the schemes of delegation. Service Directorates are being consulted on posts to which roles should be allocated and improved governance procedures put in place to facilitate and control updates.

### **Integration of Finance and Performance Information**

13. 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.

14. At the end of 2008 the Performance team were already working on developing Service and Resource Planning by:
  - Working with business plan owners to improve the unit costing information included in business plans ;
  - Ensuring future unit costing information for consideration in future business plans is activity based and outcome;
  - Working with Directorate Leadership teams to ensure benchmarking is being used and is evident in their business plans.
  - Delivering one to one 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.
  - Challenging services to explain how they actively use benchmarking to drive service delivery and business improvement
15. The format for 2010/11 business plans was reviewed and unit costs form a key part of the revised plan. The liaison officers from the performance and review team continue to work with directorates to support them in developing unit costs and to agree effective and appropriate cost/performance benchmarking information.
16. The initial financial management training provided to managers was relaunched as “Managing Resources Effectively” in early 2010 and now includes both performance and financial information and strongly reinforces the message that these need to be considered together.

### **User friendliness of SAP**

17. Issues with the user-friendliness of SAP R/3 have been apparent since it was implemented. Whilst some work has been carried out to improve the reporting and many managers are now using SAP for budget monitoring, it does still remain an area of concern. Corporate finance will continue to work with the SAP Development Board to keep informed of the SAP development plan and will use the Financial Management Reference Group to consult on developments including the implementation of Manager and Employee Self Service.

### **Arrangements for Monitoring**

18. The Chief Finance Officer has been monitoring progress with the Financial Management Action Plan on a six monthly basis using Annex 1 as a template. However, given that many of the original actions are complete or ongoing as business as usual the Committee is asked to consider whether they would like further updates.

## RECOMMENDATION

19. **The Committee is RECOMMENDED to note the progress to date, give any feedback on the monitoring report to the Chief Finance Officer, and consider whether they would like to see further updates.**

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Assistant Chief Executive & Chief Finance Officer

Background papers; Nil

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April 2010