

## Performance and Financial Benchmarking

### Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

#### 1 Purpose of Report

This report demonstrates the position for our finance function, should we take part in the Chartered Institute of Public Finance and Accountancy (CIPFA) and KPMG Support Services Benchmarking exercise.

#### 2 Recommendations

The Committee is:

- a) Recommended to ask Managers to undertake the work they consider essential to an understanding of the effectiveness and value for money of their Service; and
- b) Asked for its views on what performance and cost information on the finance function they would find useful and how this should be reported.

#### 3 Background

The Committee decided that it wished to consider whether there were any performance indicators that would enable it to benchmark 'back office' services effectively.

The Committee was concerned that the effort involved in measuring value for money performance would not be repaid in terms of benefit to the Authority. Officers were, therefore, asked to quantify the national indicators and report back on the value of taking the matter further.

This report deals with one of the five 'back office' services – Finance, the others being Human Resources, Information and Communications Technology, Estates Management; and Procurement.

## 4 Finance Value for Money

The finance function is defined as:

- i Business Decision Support, i.e. financial analysis, funding issues, risk management and financial planning, budgeting and forecasting
- ii Reporting and Control, i.e. accounting and reports
- iii Transaction Processing, i.e. payments and income collection, travel expenses and payroll

CIPFA/ KPMG then define questions they think would identify a modern, value-for-money finance department:

- a) Is the finance function cost effective?
- b) Is there a correct balance between transaction processing, compliance, and providing interpretation and advice on the financial results?
- c) Is the finance function pro-actively supporting decision making?
- d) Are transaction processes operated efficiently and effectively?
- e) Is technology used appropriately?
- f) Is relevant, accurate and timely management information provided to support financial planning and management?
- g) Are internal customers satisfied?

## 5 Primary Indicators

The primary indicators designed to help answer these questions are:

- 1 Total cost of the finance function as a percentage of organisational running costs and, within this, the proportionate cost of transaction processing, business decision support and reporting and control

Total Revenue expenditure	£21,125,000
Total finance costs	£221,000 (1%)
of which:	

- Transactions Processing 37%
- Business Decision Support 45%
- Reporting and Control 18%

- 2 Cycle time in working days from period-end closure to the distribution of routine financial reports to all budget managers and committees
- 11 working days  
Already reported regularly to the Committee
- 3 The percentage of variation between the forecast outturn at month 6 and the actual outturn at month 12
- 4.2% in 2008/09
- 4 The percentage of spend for which there are fully costed outputs which are measured by key performance metrics, and for which a named individual is accountable
- To date few outputs are tested.
- 5 Senior managers and internal staff satisfaction index
- No formal measures of satisfaction are made.
- 6 Management practice indicator – based on a CIPFA model.  
The model requires answers to:
- i a self assessment has been completed;
  - ii an improvement plan has been implemented;
  - iii subsequent self assessments have been completed; and
  - iv improved performance has been demonstrated in previously identified problem areas
- This is not done formally.
- 7 Management Practice Indicator. Number of practices adopted of ten listed good practices.
- These are:
- i Budget holder responsibilities clearly understood. Yes
  - ii Service levels and expectations have been set out formally. No
  - iii A rolling programme of reviewing and benchmarking the authority's costs is in place. No
  - iv Standard organisation-wide integrated software is in place. Yes
  - v Stream-lining of processes is in place using IT.  
*The processes quoted are not generally appropriate to the size of this organisation.*
  - vi Fully automated accruals are available. Yes
  - vii Budget holders have on-line, real-time access to their budgets.  
No

- viii A needs based budget, based on activity levels, rather than historic baselines is prepared at least every three years.  
*An equivalent process is in place.*
- ix Customer satisfaction surveys are conducted at least annually.  
*No*
- x A comprehensive professional development programme is in place for finance staff that ensures they receive at least five days continuing professional development a year. *Yes*

## 6 Secondary Indicators

These are more detailed and can be summarised as below:

Indicator No.	Description	Fire Authority
1	Professionally qualified staff as a percentage of staff involved in reporting, controls and decision support processes	100%
2	a) Working days from year-end closure to submission of audited accounts b) Were the accounts qualified by external audit?	47 days  No
3	Cost of customers invoicing per invoices processed	£14
4	Debtor days. Average number of days to receive payments	X days
5	Credit notes as a percentage of invoices raised	Few (Mainly write-offs)
6	Cost of processing an invoice	£5
7	Proportion of all payments made by electronic means	96%
8	Proportion of debt outstanding more than 90 days	3.2%
9	Percentage of invoices paid within 30 days to agreed payment terms	99%
10	Payroll administration costs per employee paid	£78

## **7 Conclusions**

A thorough review of the indicators shows that:

- i We could do more work to identify the data seen as significant by CIPFA/ KPMG.
- ii However some primary indicators would not necessarily help an understanding through comparison with other, much bigger, and more complex organisations.
- iii Some of the secondary indicators are already reported to the Committee on a regular basis, and these reports could be aligned to the 10 listed by CIPFA/ KPMG.
- iv The Committee is already looking at the volume of performance data it receives, and may wish to ask managers to report only when performance deteriorates.
- v Discussions with a neighbouring brigade, which was in the initial pilot work for CIPFA/ KPMG benchmarking, indicate that they are not a member of the national benchmarking club, because of the wide disparity of results from types of authority in the scheme (to date 140 have joined nationally). However they are very keen to work with us and, hopefully, others in the Region, to use much more targeted inter-authority comparisons.

## **8 Financial Implications**

There are no direct financial implications, unless the Authority joins the national benchmarking scheme.

## **9 Legal Comment**

There are no direct implications arising from this report.

## **10 Equality Impact Assessment**

Officers have considered the Service's Brigade Order and have decided that there are no discriminating practices or differential inputs on specific groups arising from this report. An initial assessment has not therefore been completed.

## **11 Appendices**

There are no appendices attached to this report.

## **12 Background Papers**

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	

