

Corporate Finance
Service Statement

April 2019



Service Director: Alison Elsdon
Executive Director: Vacant
Lead Member: Cllr Nick Oliver

Service purpose and functions

Purpose

To provide a range of effective, efficient, and high quality professional services which support Members, managers, staff, services, schools and a range of external partners in the delivery of the Council's objectives.

To work in partnership with other public authorities to deliver effective and efficient common back office functions.

We endeavour to ensure that we maximise the use of resources. We look to challenge all of our services on their delivery to be lean and efficient and to embrace new ways of working that both minimises waste and removes duplication.

Key themes for our service include a direct link with the values of the Council's organisational culture strategy:

- Ensuring our services are customer focused
- Supporting staff to embrace change and innovation
- Involving staff in decisions which affect them
- Creating a healthy and positive working environment for staff

Primary functions

- Corporate Finance including treasury management;
- Pension Fund investments, accounting and governance;
- Accounts Payable;
- Provision of insurance services to mitigate risks, handle claims, manage the internal insurance fund and reduce potential insurance losses;
- Payroll;
- Cashiers and Income Management;
- VAT accounting and the provision of general VAT advice to the Council;
- Systems administration of the Council's e-Business and travel expenses systems; including hierarchy maintenance, and ensuring that security rules are employed on spend and management of the online catalogues;
- Oversee NCC's interests in the pensions administration shared service

Service parameters

Key service facts and figures

Overall

- Provide a range of professional corporate services across the Council servicing an authority with 67 elected members, 4,500 centrally employed staff, 126 schools employing 5,200 staff, a gross annual revenue budget of £750 million and a medium term capital plan valued at £589 million over the next 3 years.
- Provision of Payroll services to external clients: Town and Parish Councils, Voluntary Sector organisations, Academies and Multi Academy Trusts and a Leisure Trust.

Corporate Finance

- Manage investments with an average value over the year of approximately £83 million; generating investment income of approximately £1.8 million per annum for the Council.
- Manage a debt portfolio of up to £1.0 billion; and secure estimated new borrowing of £450 million between 2019 and 2022 (including replacements for maturing loans).
- Manage £465 million of loans to in excess of 30 organisations, generating around £21 million per annum of income for the Council.
- Prepare the NCC Statement of Accounts with a gross asset value of over £2 billion at 31 March 2018.
- Manage investments and prepare the annual report and accounts for NCC (LGPS) Pension Fund, valued at £1.3 billion at 31 March 2018, with 44 participating employers.

Transactional Services

- Manage and pay the Council's 9,700 employees; and 54 external organisations; and, distribute in excess of 13,000 P60s; and 3,400 P45s per annum;
- Pay 152,000 supplier invoices; 162,000 housing benefit payments; and, 116,000 other payments per annum;
- Manage 1.7 million incoming transactions through the Council's bank accounts per annum;

- Manage schools' income and expenditure through the local accounts; process in excess of 3,000 local account reimbursements; and, approximately 3,000 income returns to the General Ledger per annum;
- Receive cash from schools 5 days per week prior to passing on to the Cash in Transit contractor;
- Deal with over 1,000 insurance claims each year; (1,200 in 2018/19)
- Recover £40 million annually from HMRC in relation to VAT.

Summary of the Corporate Finance Service Resources at 1 April 2019:

| | Number of FTE posts | Staffing Expenditure £'000 | Non Staffing Expenditure £'000 | Income £'000 | Capital Investment £'000 |
|------------------------------------|---------------------|----------------------------|--------------------------------|--------------|--------------------------|
| Strategic Finance | 1.00 | 192 | 1,778 | (18) | 0 |
| Corporate Finance | 32.57 | 1,704 | 276 | (551) | 0 |
| Pension Fund Accounting | 4.00 | 217 | 130 | (347) | 0 |
| Transactional Services | 69.56 | 2,072 | 360 | (1,049) | 0 |
| | 107.13 | 4,185 | 2,544 | (1,965) | 0 |
| Other Corporate Areas | | | | | |
| Corporate Items | 0.00 | 8,133 | 31,303 | (1,301) | 32,948 |
| Treasury Management | 0.00 | 0 | 375 | (26,985) | 0 |
| Capital Financing | 0.00 | 0 | (1,412) | (3) | 0 |
| Corporate Funding | 0.00 | 0 | 0 | (297,898) | 0 |
| | 0.00 | 8,133 | 30,266 | (326,187) | 32,948 |
| Total for Corporate Finance | 107.13 | 12,318 | 32,810 | (328,152) | 32,948 |

Contribution to the Corporate Plan

Our role is critical to the success of other services in achieving the relevant outcomes within the resource constraints. The services therefore support the achievement of all of the priorities outlined in the Corporate Plan.

External Validation

Inspections

- The External Auditor has given an unqualified audit opinion on the Statement of Accounts for a number of years. In each year the External Auditor has said that the financial statements give a true and fair view of the financial position of Northumberland County Council and the group; and, that they had been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- Each key financial system is subject to an annual inspection by the Internal Audit section, which, in turn, provides assurance to the Council's external auditors.
- During 2018/19, three Transactional Services audits were completed and the final audit reports were issued with assurance levels as follows:

| Audit | Assurance |
|---|-----------------------|
| Payment Card Industry Data Security Standards (PCI DSS) * | Limited Assurance |
| Creditors | Significant Assurance |
| Payroll | Significant Assurance |

- * The PCI DSS Controls in place for governance of the PCI DSS user base and key infrastructure managed by Income Management are operating effectively. Income Management maintain an accurate and up to date register of all PCI users, and liaise with Capita to ensure devices are updated and online systems are kept compliant.

However, limited assurance has been given for this audit due to a number of weaknesses in the corporate controls in place for the use of ICT which, although not specific to PCI DSS, are within the scope of PCI DSS requirements. We are working with our colleagues in Information Services to address the corporate issues raised. It is anticipated that they will be resolved by 31 July 2019. There is then scope for a follow up audit of PCI DSS to be undertaken, which should result in an improved overall audit opinion.

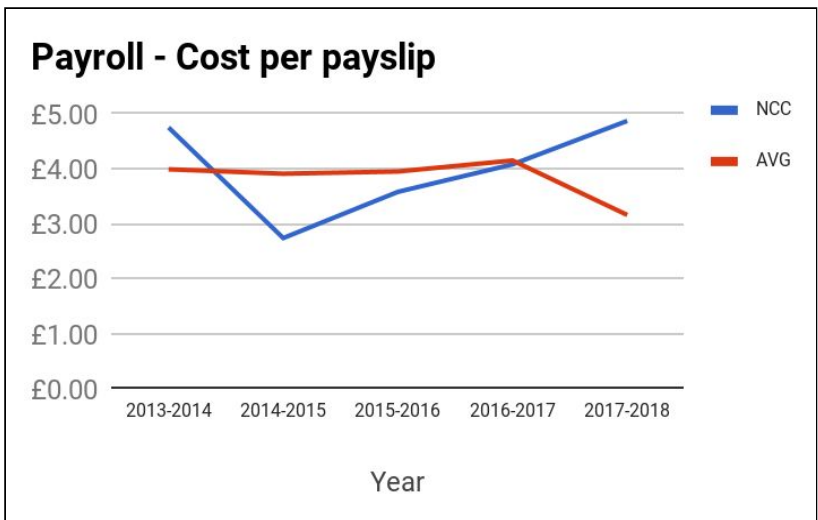
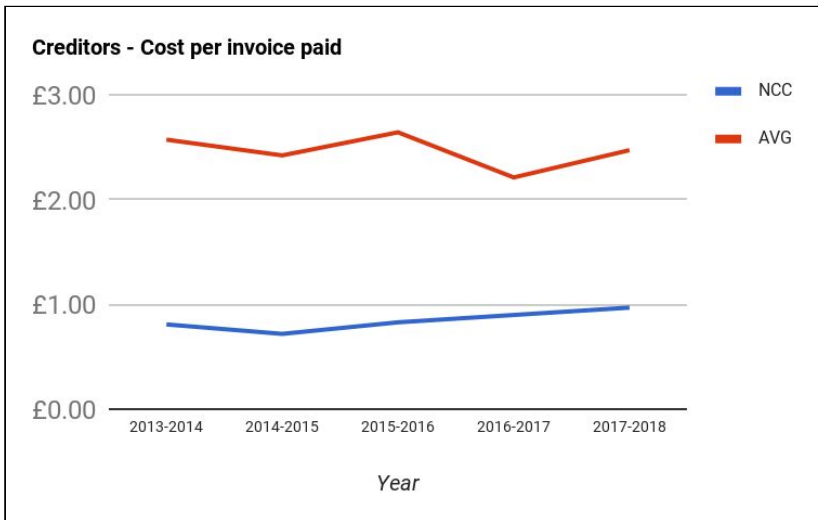
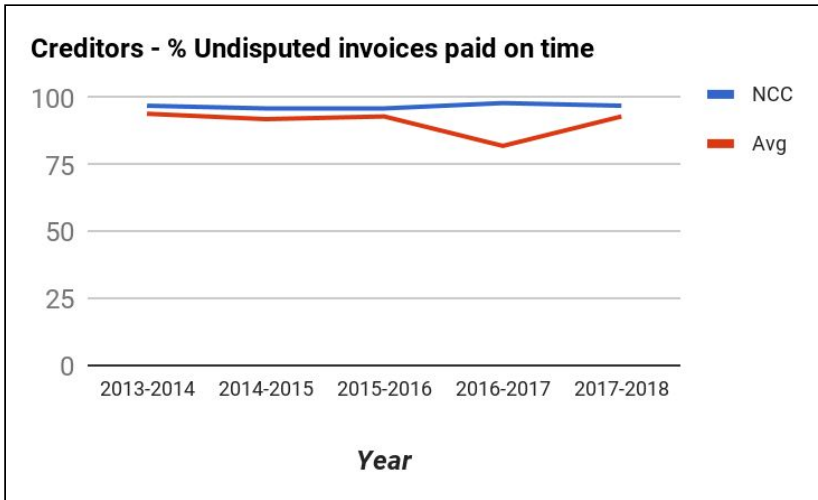
Corporate Finance Benchmarking

| Measure | NCC | Group Median |
|---|------|--------------|
| Total cost of Corporate Finance per £k of Gross Revenue Turnover (£) | 2.44 | 4.28 |
| Staff cost of Corporate Finance per £k of Gross Revenue Turnover (£) | 1.82 | 3.13 |
| Total FTE of Corporate Finance Staff per £100 million of Gross Revenue Turnover (£) | 3.4 | 6.7 |
| Average cost of borrowing (%) Weighted average rate of interest paid on external borrowing during 2017/18 (i.e. from 1 April 2017 to 31 March 2018) | 2.75 | 3.80 |
| Average rate of return on investments (%) Weighted average rate of interest received on external investments during 2017/18 (i.e. from 1 April 2017 to 31 March 2018) | 0.98 | 0.81 |

Source: CIPFA Accountancy Benchmarking Club 2018

Transactional Services Benchmarking

Both Accounts Payable and Payroll participate in Annual CIPFA Benchmarking Clubs. The most significant results are shown below: 2018/19 data will not be known until August 2019.



Priorities for 2019 - 2021

| | Priority area | Key milestones |
|-----|--|--|
| 1. | Oracle Cloud - reporting and budgeting. New system fully embedded and all required reports working. | 31 December 2019. |
| 2. | Update Financial Regulations in readiness for consideration by the Member Constitution Review Group. | 30 September 2019 |
| 3. | Oracle Cloud - Implement a capital solution for budget monitoring to replace the current manual process. | 30 September 2019 |
| 4. | Implement the new accounting requirements of IFRS 16 - Leasing. | 30 April 2020 |
| 5. | For NCC (LGPS) Pension Fund <ul style="list-style-type: none"> Work with Border to Coast pool (as owner and customer) to develop suitable sub funds and manage the transition of assets into BCPP Ltd Explore further joint working with Tyne and Wear Pension Fund | Ongoing 1 April 2020 |
| 6. | Develop Financial & Performance Dashboards. | 31 March 2020 |
| 7. | Implement a new Fixed Asset System. | 31 December 2020 |
| 8. | Implement 2018 staff survey Action Plan <ul style="list-style-type: none"> Circulate results of the 2018 survey Agree Action Plan with staff from the 2018 survey results Complete actions identified in the plan by the timelines set | Complete 31 May 2019 As per plan |
| 9. | Work collaboratively between the Fraud, Audit and Insurance Team to identify and reduce fraudulent insurance claims against the Council <ul style="list-style-type: none"> Establish a referral process | 30 September 2019 |
| 10. | Ensure the Council's VAT Partial Exemption Position remains below the 5% de minimis threshold set by HMRC. | 31 August 2019 |
| 11. | Implement a new Insurance Claims database; and as part of that implementation ensure that the system configuration allows for effective claims management, financial reporting and the provision of management information to departments, which in turn will assist with effective claims risk management. Stage 2 - Automation of claims handling service, production of standard letters and on-line claims. | 30 June 2019 31 March 2020 |

| | Priority area | Key milestones |
|-----|---|---|
| 12. | Complete a tendering process for Insurance cover - to be in place for 1 April 2020. | Commence: June 2019 End: 31 January 2020 |
| 13. | Develop and carry out a customer feedback survey. | 31 March 2020 |
| 14. | Target the remaining 73 suppliers (1.29% of current supplier base) that are still to provide bank details so we remove cheque payments to suppliers of the Council; and, at the same time reduce the transactional costs of paying by cheque. We aim to reduce this by 50% following a further supplier communication in June 2019. Work with Procurement to ensure that all new suppliers are created on NCC's systems with bank details with immediate effect. | Letter to suppliers June 2019 31 August 2019 to see a reduction in cheque payments. 20 May 2019 |
| 15. | Liaise with key high volume suppliers and request electronic and or PDF invoices rather than paper. This will support the drive to allow Agile Working in the team; and, there will be a reduction in post distribution tasks, post invoice input scanning by the team, and; will remove the possibility of invoices going missing in the post. | 31 July 2019 |
| 16. | Develop a business case for each of the Transactions Teams for agile working to include removal of paper, development of workflow, performance parameters and implementation dates. | 31 March 2020 |
| 17. | Investigate the Procurement potential for virtual shared services with Newcastle City Council for early payment discount systems with the Accounts Payable function. | Review by 31 December 2019 |
| 18. | Develop in conjunction with Information Services the ability to provide all NCC employees with an electronic payslip. | 30 September 2019 |
| 19. | Review of the Council's commercial payroll service. | 31 August 2019 |
| 20. | Review of the Council's cash handling services in conjunction with the Head of Customer Services and the Council's maintained schools and Information Services. | 31 December 2019 |
| 21. | Review the Council's recovery process in relation to third party insurance events | 30 September 2019 |
| 22. | Review Company governance arrangements | 30 June 2019 |

Performance Framework

| Measure | Outturn 2017-18 | Target 2018-19 | Target 2019-20 | Target 2020-21 | Target 2021-22 |
|--|--------------------|----------------------------|----------------------------|-------------------|-------------------|
| Draft Statement of Accounts published on the Council's Website | 31 May 2018 | 31 May 2019 | 31 May 2020 | 31 May 2021 | 31 May 2022 |
| Final Statement of Accounts presented to Audit Committee | 31 July 2018 | 31 July 2019 | 31 July 2020 | 31 July 2021 | 31 July 2022 |
| Set the Council Tax | 22 February 2017 | 21 February 2018 (Outturn) | 20 February 2019 (Outturn) | 11 March 2020 | 11 March 2021 |
| BVPI 8 payment of supplier invoices within 30 days of receipt of invoice | 97.0% | 97.5% | 97.5% | 97.5% | 97.5% |
| Cost per invoice paid (CIPFA benchmark) | £0.85 | £0.90 | £0.90 | £0.90 | £0.90 |
| Proportion of AP payments made by electronic means | 96.8% | 96.0% | 96.5% | 96.5% | 97.0% |
| Proportion of Payroll payments made by electronic means including Pensioners | 99.9% | 100% | 100% | 100% | 100% |
| Overpayments to employees as a percentage of the number of staff paid. | 0.04% | 0.05% | 0.05% | 0.05% | 0.05% |
| Percentage of ALL Insurance claims responded to within 10 working days. New for 2019-20. National protocols allow 21 days. | N/A | N/A | 100% | 100% | 100% |

| Measure | Outturn 2017-18 | Target 2018-19 | Target 2019-20 | Target 2020-21 | Target 2021-22 |
|--|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Number of budget monitoring meetings that have taken place in accordance with the agreed timetable | N/A | N/A | 100% | 100% | 100% |