

# Cabinet

14 OCTOBER 2010

**LEADER**

*Councillor Stephen Greenhalgh*

**WORLD CLASS FINANCIAL MANAGEMENT (WCFM) TRANSFORMATION PROGRAMME**

**Wards  
All**

The World Class Financial Management (WCFM) programme will transform financial processes and structures across LBHF, to achieve the following key aims:

- Ensure that finance provides an excellent level of service across all areas of the Council
- Ensure that service managers can manage their finances effectively and produce accurate and timely forecasts
- Make net general fund efficiency savings of £1million pa, by 2012/13

**CONTRIBUTORS**

All Departments

<p><b>HAS A EIA BEEN COMPLETED? YES</b></p>
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**Recommendations:**

1. That the WCFM programme to deliver the objectives outlined in section 2 of this report be approved.
2. That the reorganisation of LBHF finance staff, as set out in section 6 of this report, be approved.
3. That one-off funding of £385k is allocated to the WCFM programme, from the Invest to Save fund.

## **1. BACKGROUND**

- 1.1. If LBHF is to achieve its aim to be “the most efficient council, delivering the best services at the lowest possible cost to our residents”<sup>1</sup>, it will need a finance function that operates above the generally accepted measure of good practice. That ambition requires a finance function that can provide excellent levels of support, insight and challenge to the wider organisation; one that exceeds the current expectations of best practice in local government and the wider public sector.
- 1.2 However, within the current climate of significant reductions in public sector funding and the need to continuously strive for greater efficiency, this excellent level of finance support needs to be provided at a reduced cost to the Council. Over recent years, LBHF’s finance function has made significant savings by changing processes and structures within departmental teams. However, the scale of the further efficiencies which are required, has led to the formation of a transformational programme which will challenge and re-organise finance as one function.
- 1.3 The World Class Financial Management (WCFM) programme aims to deliver an improved standard of financial service across the Council, whilst also making significant reductions in the cost of finance and changing the role of the service manager.
- 1.4 The key aims of the WCFM programme are to:
- Ensure that finance provides an excellent level of service across all areas of the Council
  - Ensure that service managers can manage their finances effectively and produce accurate and timely forecasts
  - Make net general fund efficiency savings of £1million pa, by 2012/13
- 1.5 In meeting these aims, WCFM will be working closely with other Council programmes, such as Customer Transformation and Workforce Development, to ensure that changes made by WCFM are beneficial to other programmes too.

## **2. DELIVERING EFFICIENCIES AND MEASURING SUCCESS**

- 2.1 The changes proposed by the WCFM programme will ensure efficiencies are delivered in the following ways:
- Reducing the frequency at which some processes are carried out, by taking a risk-based approach to the activity

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<sup>1</sup> Hammersmith & Fulham Council's Corporate Performance Plan 2008/11

- Automating elements of key processes to remove some current activities completely
- Using economies of scale to carry out processes more quickly and with fewer staff
- Increasing the span of control of management posts by raising expectations of the abilities and responsibilities of staff below them.
- Service managers are more self-sufficient through receiving well structured reports directly, and being supported in developing their finance skills

2.2 The programme has set itself 6 objectives which will be used as the measures of whether WCFM has been successful. These are:

- Achievement of the agreed MTFS efficiencies for both 2011/12 and 2012/13
- Accurate, relevant and timely finance information is available on-line for managers
- The majority of finance staff time is spent producing analytical information for managers to support decision-making and strategic development
- Accounts will be produced and audited within four months of the financial year end
- The amount of finance staff time spent on transactional processes has reduced by 50%, due to greater automation
- Service managers are analysing their financial information directly, and are producing timely and accurate forecasts
- Service managers and auditors regard finance as an excellent service

### **3. BUSINESS CONTEXT**

There are several key business drivers behind the decision to initiate the WCFM programme:

#### **3.1 Customer Need**

3.1.1 Feedback from service managers and departments has been positive about the finance service they currently receive, but there were suggestions for further improvement:

- Quicker access to financial information
- More analytical management information

- Access to finance support who understand their business

### **3.2 Scope for Further Efficiencies**

3.2.1 Over recent years finance teams have made significant efficiencies through re-designing processes, introducing new technology and reducing FTEs. However, there is still the potential to make further efficiencies if a coordinated, transforming approach is taken.

### **3.3 Supporting the LBHF Change Agenda**

3.3.1 The WCFM programme has been aligned with other corporate initiatives and transformation programmes to ensure that it is supporting them fully:

- **ABC** - The programme has been shaped around delivering stronger budgetary control by managers, cost reductions across finance, and greater analytical support for managers when making commercial and business decisions.
- **Slicker Business** - WCFM is part of the wider Slicker Business programme, and therefore all process and structural changes are developed to ensure that they compliment the changes proposed by the other Slicker Business support functions.
- **Workforce Development** - Many of the efficiencies to be made are dependent upon the skills and flexibility of both finance staff and service managers to make new processes work - rather than on new IT applications.
- **Role of the Organisation** - By reorganising finance along functional lines which clearly split the transactional and business support work, WCFM will give the Council greater flexibility in the future around partnership working with other authorities and shared services providers, and considering if elements of the service should be outsourced.

### **3.4 Development of Finance Staff**

3.4.1 A more flexible finance structure with greater emphasis on strategic and decision-support work will give finance staff further opportunities to develop their skills and knowledge.

## **4. PROGRAMME SCOPE**

### **4.1 Areas out of Scope**

4.1.1 The WCFM programme aims to implement efficiencies, improvements and standardisation across all financial processes, and therefore has in scope all departmental and corporate finance staff, except for those in Internal Audit and Corporate Anti-Fraud.

4.1.2 As the programme is restricted to LBHF staff, Hammersmith & Fulham Homes and Hammersmith & Fulham PCT are currently out of scope.

However, both of these organisations have been kept informed about the WCFM work being undertaken, and the programme will have the flexibility to bring these areas into scope, should their status change.

## 4.2 Summary of FTEs in Scope

4.2.1 There are 128.7 FTEs within the programme's scope, spread across all departments and grades. Of these FTES, 8.7 are funded from sources outside the general fund, such as the HRA, grants and PCT contributions. Efficiencies will be sought from these roles, but they will not be able to contribute to the MTFs general fund saving which has been assigned to this programme.

4.2.2 The table below shows the split of finance FTEs across departments.

**Table 1: Summary of Finance FTEs**

Dept	CHS	ENV	FCS	RSD	CSD	HSD & Regen	Total FTEs	Total General Fund FTEs
Finance FTEs	25.5	17.5	40.7	8.5	27	9.5	128.7	120

**Table 2: Average Cost per Finance FTE**

Total General Fund Finance FTEs	120
Total General Fund Budget for Finance FTEs (2010/11)	£6,100,000
Budget per Finance FTE (incl on-costs)	£50,833

## 4.3 Dependencies with Other LBHF Programmes and Projects

4.3.1 There are currently a number of programmes and projects underway which may affect financial processes and the role of finance staff. We have regular communications with their project boards and managers, to ensure that we do not overlap and that decisions made support all programme objectives.

4.3.2 Some of the key areas of programme / project overlap are:

- **Customer Transformation Programme**

There is some overlap with WCFM around changes to the way in which customers are billed, income collected and debts recovered.

- **Workforce Development**

The WCFM programme has been working on ways of training and developing staff in line with corporate initiatives, such as the development of generic finance job descriptions and piloting of new corporate e-learning software

- **Supporting Your Choice**

As part of Supporting Your Choice, the way in which social care clients are charged for services and income collected is being reviewed, with the intention of simplifying the process from April 2011 onwards. Any changes to this process would impact upon WCFM, and therefore CSD finance staff are acting as a key link between the two programmes.

- **IT Strategy and Upgrade to the Cedar Financial System**

The WCFM programme is working closely with other projects related to the Council's IT strategy. Particular areas of overlap are with the Council's Business Intelligence project, and the upgrade of the Cedar financial system from version 5.1 to version 5.3 in summer 2011.

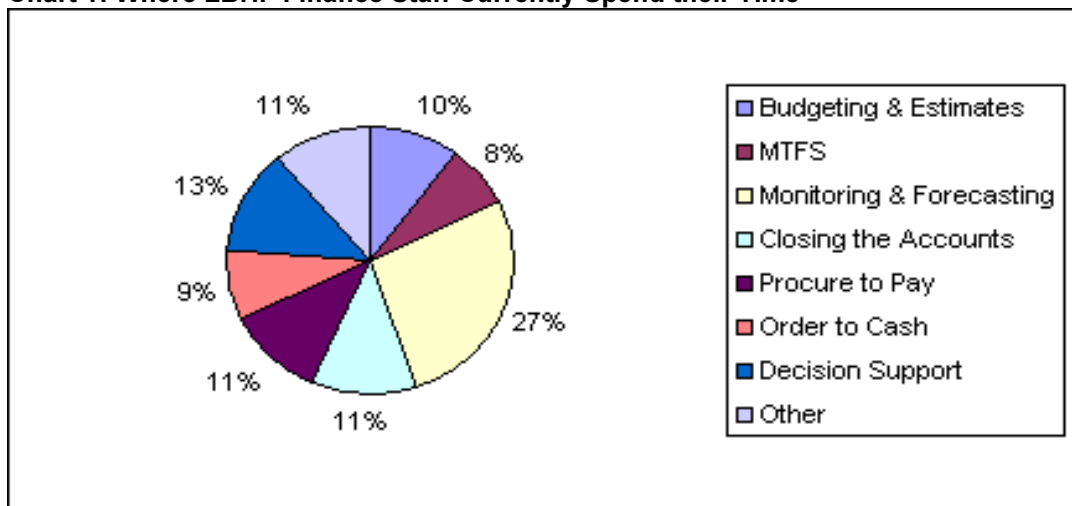
## 5. BENCHMARKING AND DATA GATHERING

5.1 A benchmarking and data gathering exercise was undertaken in 2009 to compare LBHF to other local authorities and private sector best practice. This work was carried out with Agilisys and Accenture (at no charge to the Council) to:

- Ensure there was a clear empirical understanding of finance practices
- Provide LBHF with benchmarks against both local authority peers and the Accenture scales for world class private sector performance.

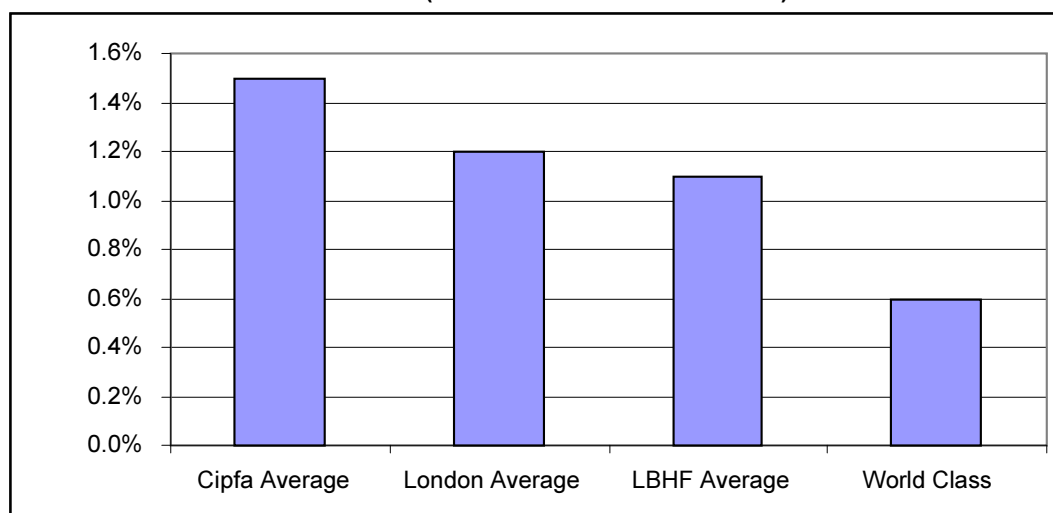
5.2 Some of the key findings are highlighted below:

**Chart 1: Where LBHF Finance Staff Currently Spend their Time**



5.3 Currently, 48% of staff time is spent on financial processing of budgets, monitoring information and accounts, whilst only 21% of staff time is spent on strategy and decision support. A further 20% of time is then occupied with transactional work on payments, systems and income. A best practice model would see a shift in these work patterns, away from transactional work and towards strategic and decision-making support.

**Chart 2: Relative Cost of Finance (Finance as a % of Turnover)**



5.4 To deliver the current net MTFs saving of £1million pa, LBHF will need to reduce finance staff numbers by 20%. This would leave LBHF with a finance cost which is 0.9% of current turnover. However, it is expected that further efficiencies would then be sought from cross-Council initiatives, which will allow LBHF to achieve the 0.6% of turnover benchmark. This may take another five years or so to achieve though, as it relies on shared platforms with other public bodies.

5.5 The WCFM programme is split into three efficiency phases:

**First Phase** = Reorganisation of finance structures, posts and processes during 2010/11

**Second Phase** = Embedding the new processes and culture with service managers in 2011/12

**Third Phase** = Working with cross-council projects to make further finance efficiencies, through the use of shared IT and services and possibly outsourcing.

## 5.6 Comparing Performance with the Private Sector

5.6.1 From the Use of Resources assessment we know that LBHF performs well in comparison with other public sector organisations. However, as part of the benchmarking work a comparison of LBHF's current functions was also carried out against Accenture's 'mastery' scales and benchmarking data.

5.6.2 The data gathering and benchmarking provided confirmation in many areas about the performance of finance processes and staff, and helped WCFM to focus its objectives on the key areas of change. However, it was challenging to gather a good range of benchmarking data, and meaningful quantitative comparisons with the private sector were difficult because of the differing services and financial practices. Appendix A gives further detail on the benchmarking outputs.

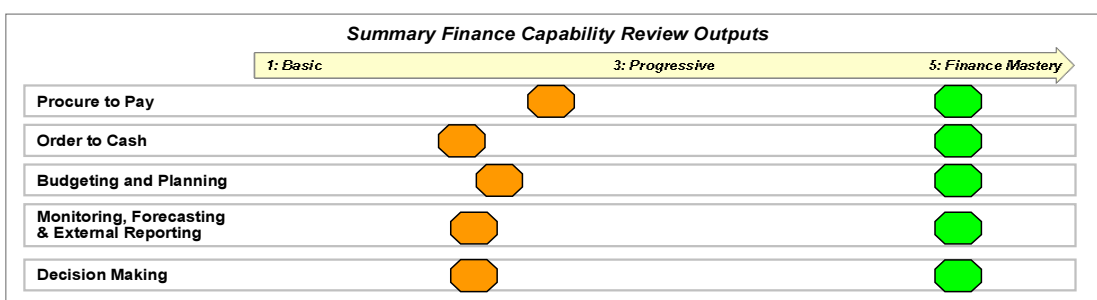
5.6.3 The assessment of LBHF against Accenture’s qualitative ‘mastery’ scales was of greater use to the programme. The scale ranges from a score of 1 which indicates basic financial controls, to a score of 5 which represents the best-performing private sector companies. A score of 3 is considered to represent a good, progressive standard of financial processes and controls.

5.6.4 The summary below reflects how LBHF currently ranks as solid and with areas of good practice. However, lack of automation and standardisation in processes kept the scores below mastery or progressive level. WCFM has taken the definitions of best practice to achieve levels 4 and 5, and incorporated these into the programme workstreams.



### Current Levels of Mastery by Functional Area

The Finance Capability Review (qualitative) has demonstrated that there are gaps to High Performance Finance across each of the pillars of Finance



● Overall LBHF consolidated macro rating for current level of capability by area

● Overall macro rating of 1<sup>st</sup> quartile private sector industries

- It is clear that there is a **gap between current performance of LBHF and high performance Finance**
- At a Group level there is significant room for improvement
- The **short, medium and long term initiatives** identified as part of the Capability Reviews are designed to drive the development towards future capability

## 6. DESIGN PRINCIPLES AND OPERATING MODELS

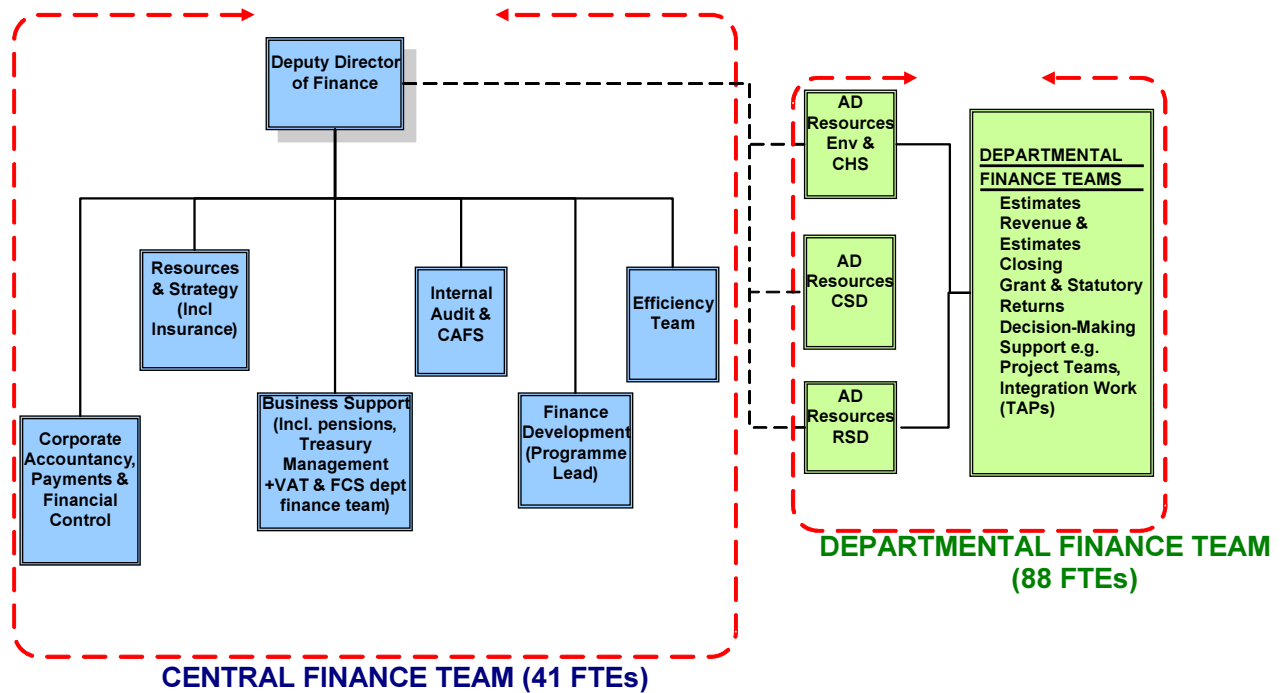
### 6.1 Current Operating Model

6.1.1 Finance currently operates on a devolved basis whereby each department has a finance team who are responsible for carrying out all key financial processes for that department.

6.1.2 The central finance team has responsibility for leading and coordinating financial processes at a corporate level, such as producing the year end Statement of Accounts and over-seeing the MTFs process. The team also has oversight of the corporate efficiency agenda, as well as leading on specialist accounting areas such as Treasury Management and Pensions.



6.1.3 The Deputy Director of Finance has direct line management responsibility for the central finance team, and indirect line management of departmental finance teams. The diagram below shows the current structure:



## 6.2 Design Principles

6.2.1 The programme board developed its own design principles which will underpin new processes and operating models. These are:

- Transactional processes will be carried out by central teams
- Decision-making support will remain with departmental teams
- There will be standardised financial processes and quality of service
- Service managers will have a strong understanding and responsibility for their services' finances.
- Finance staff will work flexibly and provide a more challenging, business-focussed support to managers
- Automated and on-line data and processes will be used where possible

## 6.3 Proposed Operating Model

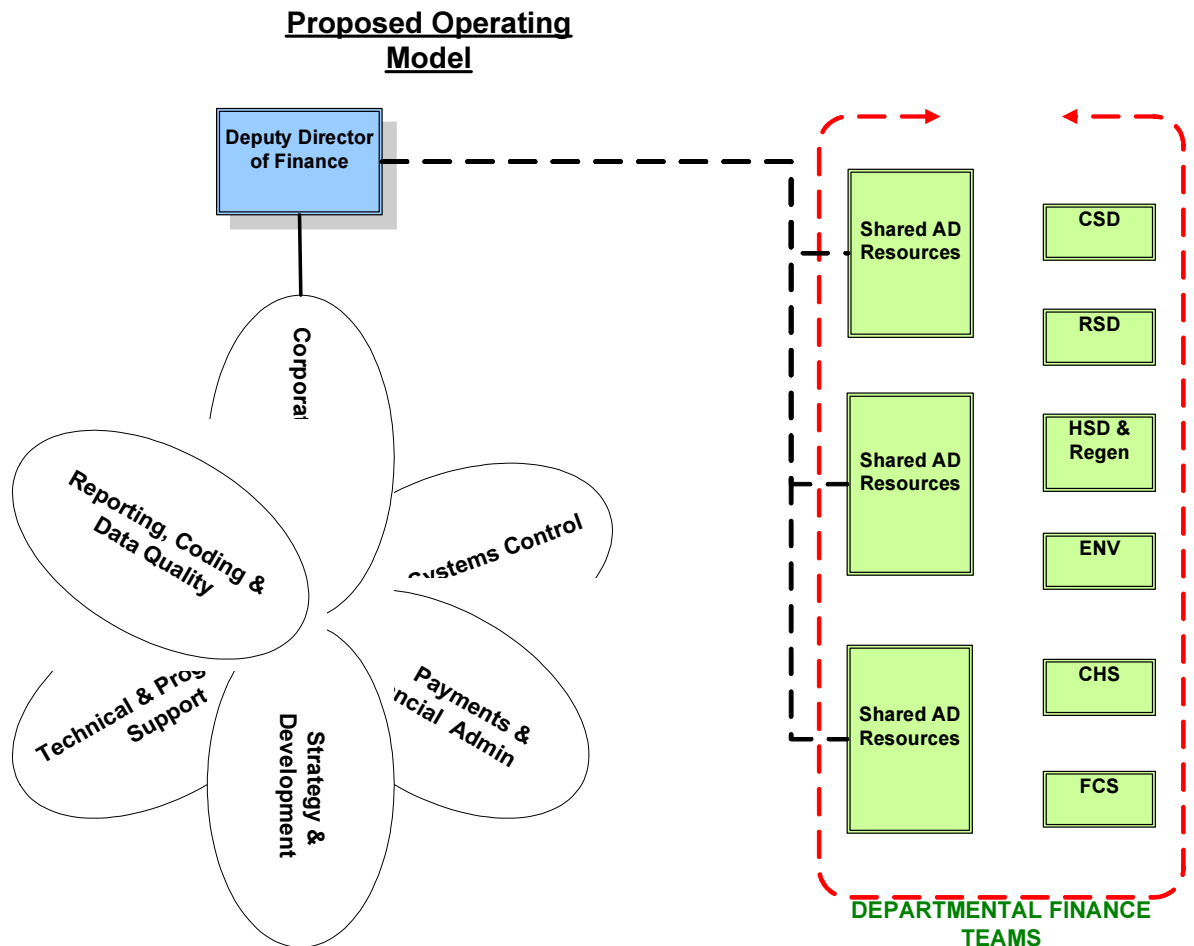
### 6.3.1 Role of the Central Finance Team

In the proposed operating model the central finance team will have responsibility for most of the key financial processes. However, the preferred structure for the central team is not a traditional, hierarchical structure with fixed roles. The central team would instead be a pool of finance staff within each grade banding, who can be assigned to areas of work and projects as they are needed.

### 6.3.2 Role of Departmental Finance Teams

A small finance team would remain in each department to carry out the following activities:

- Challenge and scrutiny of monitoring, closing and estimate figures
- Support for managers during budget preparation and the MTF5 process
- Producing financial analysis to support monitoring and decision-making
- Support on projects, tender appraisals, developing business cases etc
- Analysis on service specific legislation changes
- Liason with partner organisations on service specific issues
- Strategic advice for service managers



## 7. IMPACT ON SERVICE MANAGERS AND FINANCE STAFF

### 7.1 Impact on Service Managers

7.1.1 The new operating model will impact significantly on the role of the service manager, by changing their relationship with finance and increasing self-service expectations. The key areas of change for service managers will be:

- Using online information to generate and input monthly financial forecasts
- Providing accurate and timely information to central finance teams, to support financial processes and outputs
- Working closely with departmental finance officers to analyse and discuss strategic and decision-making financial advice and information

- Ensuring that their financial knowledge and understanding is up to date and of the required standard, through use of available training and support

## **7.2 Impact on Finance Staff**

- 7.2.1 Finance staff will be subject to significant changes in 2010/11, if a formal consultation process takes place on the new operating model and generic job descriptions are adopted. Whilst all efforts will be made to manage FTE reductions through vacancies and removal of temporary staff, there will also need to be redundancies amongst existing permanent staff.
- 7.2.2 However, the new operating model will also give staff greater opportunities to develop their skills, move easily around different areas of finance, and gain a broader range of experiences.
- 7.2.3 Informal discussions have been taking place with finance staff and union representatives between June and August 2010, about the proposed changes and how these might impact upon them. WCFM is also developing a communications plan which will continue to keep finance staff fully briefed on any changes to posts.

## **7.3 Support Arrangements and Training**

- 7.3.1 A protocol will be agreed between the finance function and DMTs, which will define the roles and responsibilities of finance, what is expected from service managers, and the support they will receive from finance. This sets an agreed standard for the relationship between finance and managers.
- 7.3.2 There will be designated contact officers in the central teams whose role will be to answer queries from customers and support them through to a resolution.
- 7.3.3 Each department will still have a small team of experienced finance officers who will be able to meet with managers to support them in finance processes which are focussed on local service knowledge.
- 7.3.4 Training forms a crucial part of implementing the new operating model, and comprehensive training plans will be developed by the project teams to address the changes being made in their area. It is expected that training will be delivered through a combination of on-line training and face to face training by finance staff
- 7.3.5 The WCFM programme will also be developing on-going training for managers, and are working with the Organisation Development team to develop a finance module for the new Management Development Programme.

## 8. PROGRAMME GOVERNANCE AND TIMESCALES

### 8.1 Programme Governance

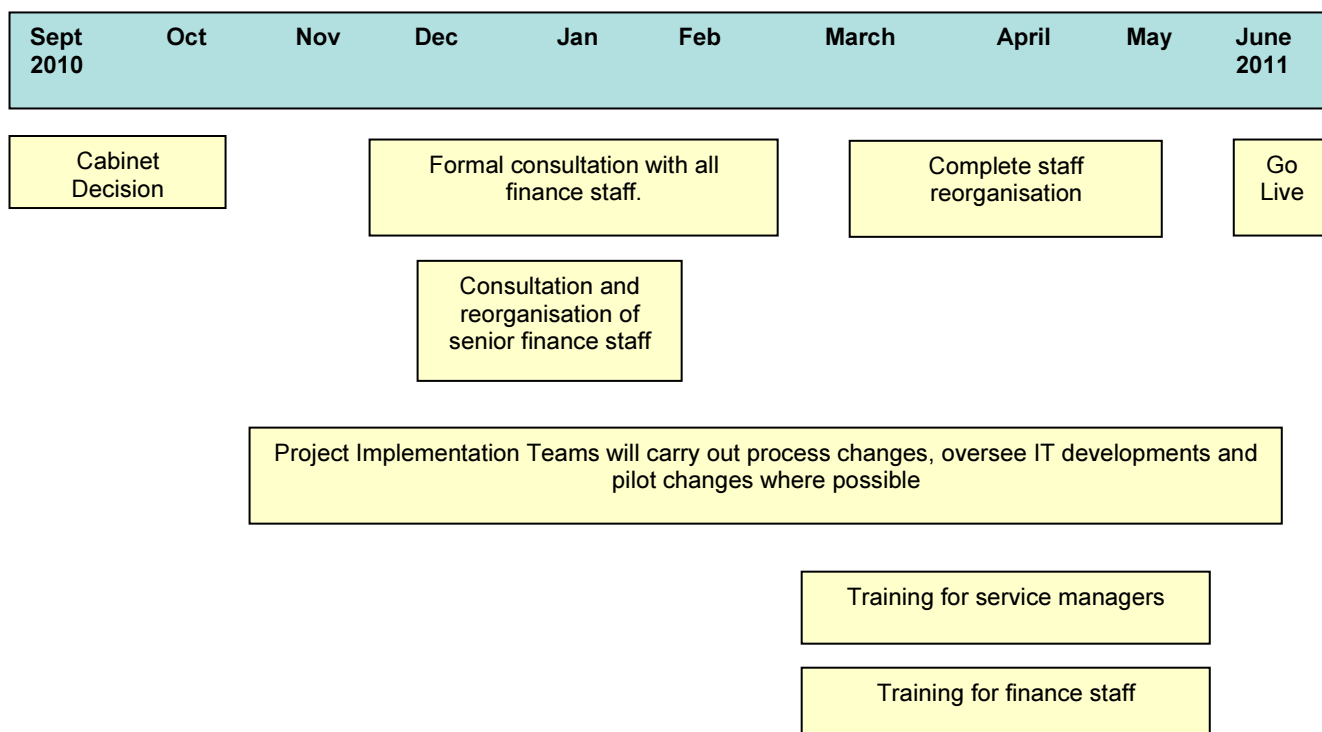
8.1.1 The WCFM programme is managed by a Finance Development Board (FDB) which is chaired by the Deputy Director of Finance, and includes the Assistant Directors of Resources and Corporate Finance heads of service. The programme board will provide leadership, oversee programme management, and make all key decisions about the new operating model.

8.1.2 The project team is responsible for the implementation of the WCFM projects, and is made up members of the Finance Development team, and part time secondees from other areas of finance. Therefore all WCFM work will be carried out by existing finance staff, with support from other areas of LBHF and HFBP/Agilisys. No external consultants are being used to deliver the programme.

### 8.2 Timescales

8.2.1 WCFM will deliver financial savings from 1<sup>st</sup> April 2011, but is expecting to go fully live with new structures and processes from June 2011, so as not to increase financial risks and disruptions during the year end closing process in April and May.

8.2.2 The diagram below shows the key milestones and workstreams, which will take place between September 2010 and June 2011.



## 9. FINANCIAL CASE

- 9.1 The WCFM programme is due to deliver net annual general fund savings of £1m by 2012/13. This total saving has been split into two tranches - the first £500k to be delivered in 2011/12 and the second tranche of £500k to be delivered in 2012/13. Any on-going increased IT costs and redundancy costs which result from the programme, will need to be funded from within the programme – not from reserves.
- 9.2 The proposed WCFM approach is to complete all process re-design and re-structuring of finance posts by the 31<sup>st</sup> March 2011. Programme efficiencies will be based on improving processes, the skills of staff, and using existing IT functionality. WCFM is not intending to purchase new IT applications to generate efficiencies.
- 9.3 It is proposed that all transformation work to implement the programme will be carried out by existing LBHF finance staff, with the support of the programme management office, HR, Business Transformation, and HFBP/Agilisys.

**Table 3: WCFM Costs and Savings**

<b>COST AREA</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Costs already funded from existing base budgets</b>						
<b>Project Team</b>	116	284	109	0	0	0
<b>Programme Board</b>	41	48	24	0	0	0
<b>Cumulative Costs already Funded</b>	<b>157</b>	<b>489</b>	<b>622</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Costs to be Funded</b>						
<b>IT Costs</b>	0	140	200	0	0	0
<b>Accommodation Costs</b>	0	15	0	0	0	0
<b>Business Transformation Support</b>	0	30	0	0	0	0
<b>Cumulative Cash Costs to be Funded</b>	<b>0</b>	<b>185</b>	<b>385</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CUMULATIVE TOTAL COST</b>						
	<b>157</b>	<b>674</b>	<b>1,007</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Staff Cost Savings (as per MTFS)</b>	0	0	(500)	(1,000)	(1,000)	(1,000)
<b>Cumulative Net Saving (Cash Costs)</b>	<b>0</b>	<b>185</b>	<b>(115)</b>	<b>(1,115)</b>	<b>(2,115)</b>	<b>(3,115)</b>

### 9.4 Redundancy Costs

- 9.4.1 To deliver the required efficiency saving it is expected that some redundancy costs will be incurred. All redundancy costs will be funded from within the programme, and no additional funding is being

requested to cover these costs. Therefore, no indicative redundancy costs have been included in Table 3 above.

## **9.5 IT Support Costs**

9.5.1 WCFM will deliver the £1m net annual saving using existing finance IT applications – Cedar (financial ledger), Collaborative Planning (budgeting and monitoring module) and Cognos (reporting application). Efficiencies will be delivered through understanding and enhancing the existing functionality within these applications

9.5.2 However, funding of £340k is being requested for a number of enhancement projects which will allow process efficiencies to be introduced. Descriptions of key IT improvements and indicative costs are given below:

- **Optimisation Study (£15k)** – Working with Cedar technical experts to understand the full functionality of our financial systems.
- **HFBP / Agilisys Programme Support (£70k)** – Technical experts will be seconded onto the WCFM programme board and project teams, to support decision-making on IT changes and implement agreed changes
- **Allowing managers to access their financial data and input forecasts online (£80k)** – This is a key IT change which will free up finance staff time, support stronger budgetary control by managers, and provide accurate and timely online data.
- **Setting up new on-line report templates (£20k)** - To ensure that information can be communicated to managers more quickly and in standard formats.
- **Linking electronic invoice images to Cedar (£30k)** – This would support the further centralisation of payment processing and allow managers instant access to spend information.
- **Integration review (£20k)** – A review will be carried out to assess options for improving and standardising IT integration.
- **Automating Council payments further (£70k)** – Further ways of automating and streamlining the payments process
- **Review of budgeting system & supporting the use of profiled budgets (£20k)** – This is essential to producing accurate quarterly accounting statements, and to help managers forecast outturns accurately.
- **Quarterly closing of financial ledgers & production of key statements (£15k)** – IT support will be necessary to ensure that system interfaces and reconciliations are taking place and running smoothly, on a more regular basis.

## **9.6 Accommodation Costs**

- 9.6.1 The WCFM programme is based on making all savings through reductions in FTEs, and this should lead to a reduction of more than 20% in desk space across several finance offices, from both the FTE reduction and the introduction of smart working across finance teams.
- 9.6.2 This business case has not included any assumptions about cashable accommodation savings, so as not to overlap with efficiencies in the Smart Working programme. However, the nominal value of office space per FTE if it were sub-let is £2,630<sup>2</sup>, and therefore it is expected that the WCFM programme could generate income of £63,000 per year if this free space were sub-let.
- 9.6.3 The costs reflected in the table above are based on the assumption that 50 FTEs may need to be moved into different offices, as part of the new operating model. The facilities team have provided an approximate cost of £300 per member of staff moved, based on previous experience. This would cover IT and removals costs, but does not include the purchase of any new office furniture.

## **9.7 Business Transformation Costs**

- 9.7.1 Funding has been requested for the Business Transformation team to provide support to the WCFM programme during the 2010/11 implementation phase. Their expertise is required in particular around the following areas:
- Developing the WCFM communications strategy and helping with the implementation of communication events
  - Supporting the roll-out of training to both finance staff and service managers, prior to the implementation of new processes.
  - Guidance and practical support in implementing significant process change and reorganisations

## **10. RISK MANAGEMENT**

- 10.1 The WCFM programme is reflected in the Corporate Risk Register in two areas:
- Project Management – This section addresses the risks related to implementing and embedding change, and focuses on areas such as IT changes, adequate project resource, training and changing expectations of finance staff and service managers.
  - Budgetary Control – This section addresses risks to maintaining strong budgetary control within the Council, when introducing new processes, structures and greater manager self-service.

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<sup>2</sup> As per the Smartworking business case

## 11. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 11.1 The WCFM programme will deliver on-going net general fund savings of £500k by 2011/12, and a further £500k by 2012/13, as per the efficiencies agreed in the Council's MTFS programme.
- 11.2 One-off cash funding of £385k has been requested to deliver these efficiencies. This funding will be made available from the Invest to Save fund, on the expectation that there will be a return on this cash investment within one year.

## 12. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 12.1 The Assistant Director (Legal and Democratic Services) has no legal comments.

## 13. COMMENTS OF THE ASSISTANT DIRECTOR (HUMAN RESOURCES)

- 13.1 The Assistant Director (Human Resources) agrees with the recommendations contained in the report, which are in accordance with Council HR procedures and guidelines.

### **LOCAL GOVERNMENT ACT 2000** **LIST OF BACKGROUND PAPERS**

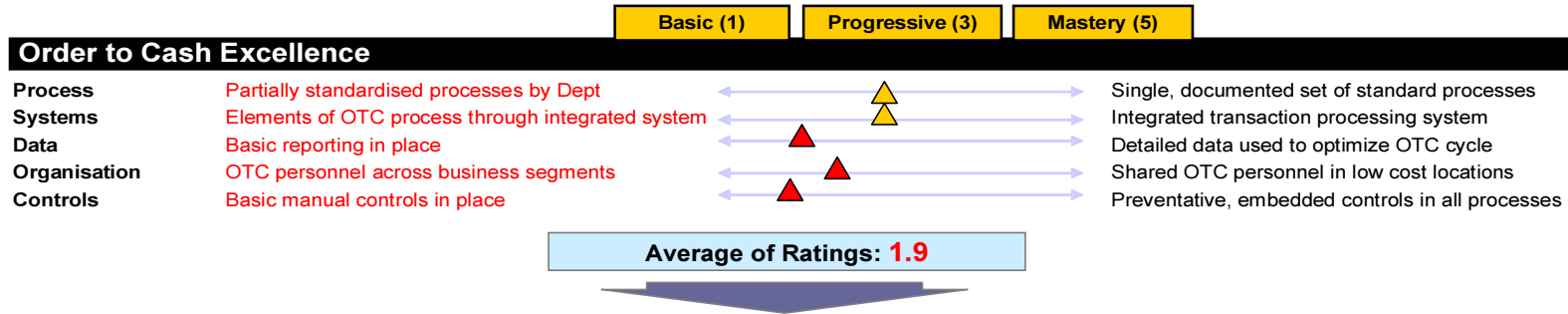
<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	WCFM – full business case	Caroline Wilkinson x1813	FCS, Rm 41 HTH
2.	WCFM benchmarking data and factbook	Caroline Wilkinson x1813	FCS, Rm 41 HTH
3.	WCFM programme board and project team minutes	Caroline Wilkinson x1813	FCS, Rm 41 HTH
<b>CONTACT OFFICER:</b> Head of Finance Development (FCS)		<b>NAME:</b> Caroline Wilkinson <b>EXT.</b> 1813	



# APPENDIX A – BENCHMARKING INFORMATION



## Current Capability – Order to Cash



• The rationale to support the rating is outlined below:

### Process: 2.4

- Fragmented, non-standardised processes utilised across the different Departments
- No end-to-end OTC owner
- Manual invoicing
- Lack of root cause analysis of debt
- No proactive management of Days Sales Outstanding (DSO)
- In house AR suspense accounts within each department; inconsistently and locally managed
- Good collection in some areas (council tax) but not in others
- Programme initiated to address net debt

### Systems: 2.4

- No single system utilised; specific to each Department; manually integrated with Cedar
- No central Query Management system

### Data: 1.4

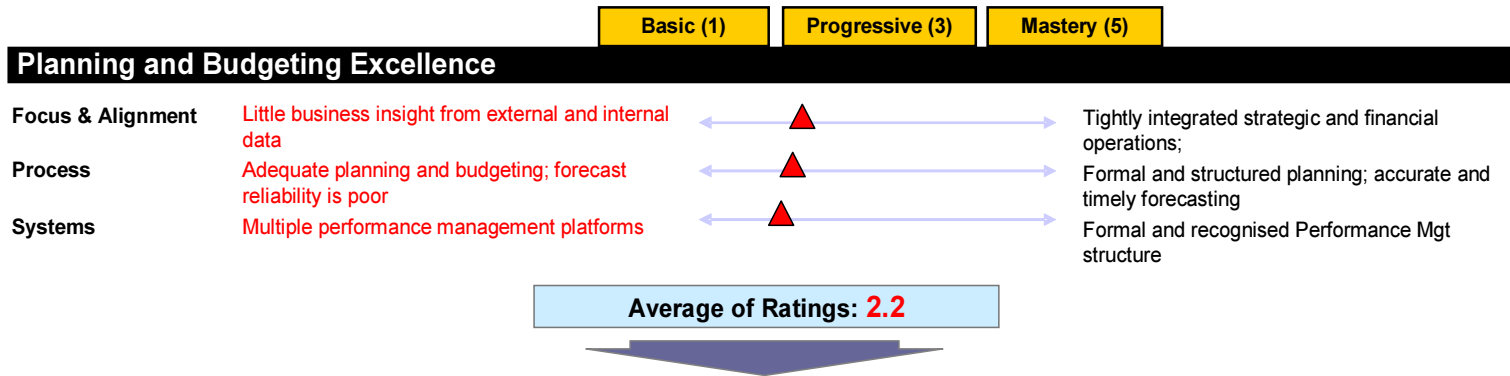
- Multiple data definitions across the different systems
- Multiple customer instances and sales IDs
- Limited drill down ability due to multiple customer and data definitions

### Organisation: 2.1

- Specialised personnel but based across the different departs and underpinned by separate governance and organisation
- Receipting (income distribution) in FCS so no linkage between those raising the invoices and those performing cash distribution

### Controls: 1.3

- Various reactive controls in place but few embedded, preventative controls
- No P&L impact to budget owners when collections are not made



• The rationale to support the rating is outlined below:

**Focus & Alignment: 2.3**

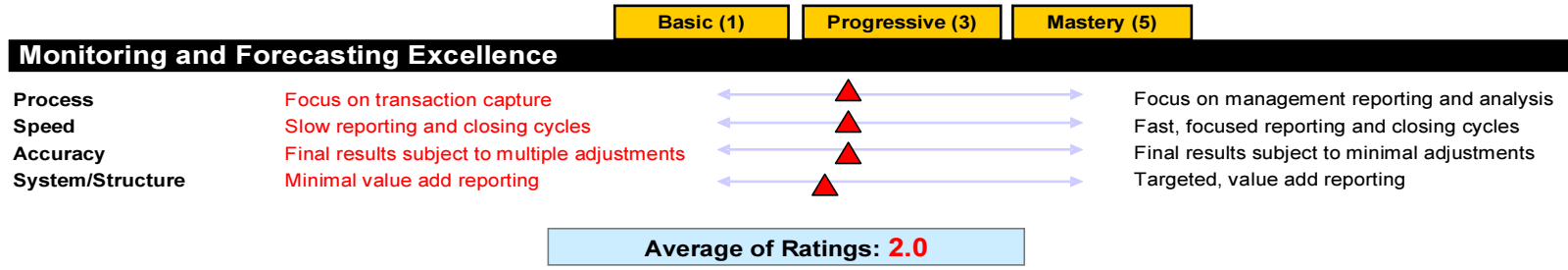
- Lack of a defined set of KPI's, linked to the achievement of the Business Strategy in place
- Reactive to overspend - picked up after the event
- Service manager knowledge (non-financial information) not intrinsically linked into financial budgeting
- Limited linking of cost and benefits of key change programmes into the MTFs process

**Process: 2.2**

- Planning at Corporate level and fed down; key stakeholders involved late in the process
- Budget setting is an annual process (as opposed to rolling)
- No budget profiling per month; only annual
- Material surprises at year end do occur
- Lack of scenario modelling capability

**Systems: 2.1**

- Budgeting is performed offline in excel and word and then input to Collaborative Planning at different stages of the process per Dept
- The budgeting tool is separate to the management/financial reporting structure/systems



The rationale to support the rating is outlined below:

<p><b>Process: 2.2</b></p> <ul style="list-style-type: none"> <li>No consistent month end close; results published as and when by each Department</li> <li>No prescriptive month end monitoring; no KPIs to measure success</li> <li>Large scale year end recs</li> <li>At least 40% of time spent on data capture rather than value add reporting</li> <li>Drive from business for 'value add' reporting does not currently exist</li> <li>Balance sheet management only performed at year end</li> </ul>	<p><b>Speed: 2.2</b></p> <ul style="list-style-type: none"> <li>Month end reports take 1.5-2 weeks to reach the SMs and then a further week to be reviewed with the ADs</li> <li>No flash reporting although any significant issues will be escalated prior to official report publication</li> <li>Year end results produced in line with peers in June and September</li> </ul>	<p><b>Accuracy: 2.2</b></p> <ul style="list-style-type: none"> <li>Departmental level results can show significant, unexpected variance to budget at year end</li> <li>Lack of systems controls in place to ensure data validation at point of entry</li> <li>Reports not constructed to target specific audiences</li> </ul>	<p><b>System/Structure: 1.9</b></p> <ul style="list-style-type: none"> <li>No single reporting system resulting in varied content and consolidation exercises</li> <li>Proliferation of offline, spreadsheet consolidation</li> <li>GL update commonly through manual journaling</li> <li>No standard management reporting pack or scorecard</li> <li>Little analytical reporting; focused more on transaction capture</li> <li>Lack of Drill down functionality</li> <li>Lack of a single data repository</li> </ul>
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Process	Cost as a % of Turnover	Rank
Finance Function Management	0.20%	4th Quartile
Accounts Payable	0.12%	4th Quartile
Order to Cash	0.09%	2nd Quartile
Finance Systems and Data	0.13%	3rd Quartile
Strategic Planning	0.16%	4th Quartile
Planning and Forecasting	0.65%	4th Quartile
Performance Reporting & Analytics	0.18%	4th Quartile
Internal Controls	0.03%	1st Quartile
Treasury	0.02%	1st Quartile
Tax	0.01%	1st Quartile
	<b>1.59%</b>	<b>4th Quartile</b>

### A Few of the Key Findings

- LBHF cost of Finance as % of Turnover (Gross Expenditure) – **1.59%**
- 1<sup>st</sup> quartile world class – **0.6%**

- LBHF Finance FTEs per Billion £ Turnover – **217.9**
- 1<sup>st</sup> quartile world class – **71.3**

- LBHF Days to close Year End Accounts – **90**
- 1<sup>st</sup> quartile world class – **23**

- LBHF % suppliers on e-Invoicing – **1%**
- 1<sup>st</sup> quartile world class – **50%**

- LBHF Days Sales Outstanding (average collection time) – **62.5 days**
- 1<sup>st</sup> quartile world class – **25 days**

- LBHF Finance System cost as % Turnover – **0.13%**
- 1<sup>st</sup> quartile world class – **0.06%**

- LBHF Reporting FTEs per Billion £ Turnover – **25.9**
- 1<sup>st</sup> quartile world class – **5.3**

- LBHF Strategic Planning cost per FTE – **£81,535**
- 1<sup>st</sup> quartile world class – **£69,704**

The Finance Capability Review (quantitative) has demonstrated that there are gaps to High Performance Finance across most of the pillars of Finance

