

Finance News



News and views for
everyone interested
in finance

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New Improved Financial Regulations

In April of this year Cabinet agreed to the adoption of new financial regulations for all of the council's officers, members and (sometimes) third parties. This rewrote the existing framework in a more user - friendly document.

How and why did this come about?

Financial regulations provide the framework for the county council to manage its financial affairs. From time to time the former rules were amended over the years to deal with specific issues and to update the financial values set in them to take account of inflation and changes in the pattern of spending.

These rules were written in fairly legalistic terms and occasionally even the accountants needed a lawyer to help them understand what the regulations actually meant. Over time as the nature of the county council changed, those rules became increasingly difficult to interpret in the world that we operated in.

The new financial regulations have been written to conform to current best practice guidelines, both in their form and content. You can find them on the finance - pensions part of the NCC intranet site by following the 'Financial Regulations NCC' link dated 6/8/03.

If you do not have access to the web please contact Angie Yeomans on 01603 223488 and she will arrange for a paper, or electronic copy, to be sent to you.

A team is currently working on Financial Procedures that will assist in interpreting the financial regulations on day to day issues. Please take the time to read these new rules as they are indispensable reading for both finance staff and all those who spend NCC money.

Harvey Bullen 01603 223330
Corporate Revenue Manager

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Spotlight on

Risk and Insurance Section

Insurance Fund

The County Council began self insuring certain risks way back in 1992 following the demise of the main local authority insurer Municipal Mutual.

It set up an insurance fund at that time to meet the costs that it expected to incur. Departments were then charged a premium that went in to the fund which subsequently would pay for external insurance premiums, costs of handling claims and the claims themselves.

The Council now, through the fund, pays the first £250,000 of all claims, whether they be fires, motor accidents or liability/negligence claims brought against NCC.

Despite these high levels of self insurance, costs to departments have risen steeply over the last few years. There are a number of reasons for this but the major one is the decline in insurers who want to do business with local authorities, especially councils that have responsibility for schools risks.

A good example of the increases in costs can be seen in the rise in cost of our external buildings insurance policy, which has increased by more than 400% in the last 3 years. Motor and liability premiums have also increased in the insurance market although the County Council has been tied in to a fixed agreement since 2001 and has not felt the pain of this yet. When this agreement runs out in 2004 external premium costs are likely to increase significantly.

The loss of competition in the insurance market is one of the reasons for increases in premiums but not the only one. The cost of claims in the public sector has risen dramatically in the last few years - brought about mainly by a change in culture in the population at large. The 'claims culture' has resulted in increased numbers of claims being brought against public bodies, with increased costs in settlements. Even those claims that are successfully defended cost NCC money in both investigation time and legal advice.

Here in Norfolk we have worked hard to manage risks as effectively as we possibly can. Areas of high claims numbers have been reviewed and significant changes in processes have occurred. We have managed to keep the increase in claims numbers down to a minimum and have improved our defence rates on claims.

Further work still needs to be done though to avoid incidents happening in the first place. Where they do occur we need to ensure that we can, where possible, draw all relevant information together to defend claims and where we have made mistakes to settle claims as quickly as possible.

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FIMS latest....latest....latest....

Process Transformation Teams

One of the aims of the FIMS Project is to ensure that finance staff throughout the County Council work consistently —whether it be sending out an invoice to a customer or service user, chasing up an outstanding debt or making payments to suppliers.

This work of developing standard processes is being carried out by 'process transformation' teams, made up of staff from all departments.

They are now working very hard in a series of workshops, going back to their departments to let colleagues know what is going on, finding out potential problems and



The process transformation team for purchasing, accounts payable and grants pictured at one of the workshops. From left to right: Alan Chappell, Phil Aldous, Karen Hunter (Capita), Richard Chapman, Neil Leeds, James Stanford, Sarah Blyth Alison Watts, Anton Bull, Janet Debbage (standing in for Pam Townsend) and Peter Shackley. Lester Allinson (PT) is not shown.

gathering extra information as needed, then back to the workshops....

Change agents

'Change agents' are currently being appointed to help each department to implement the new standard processes. We will explain more about their work in the next issue.



The invoice, income collection and debt process transformation team—back row l-r: Sara Huggins (Capita), Bob Batterham, Linda Knights, Richard Chapman, John Newsome, Michelle Brasier, Mervyn Spinks; front row Carol Dawson, Wendy Sawyer, Alison Watts, Paul Harker.

New kids on the block

Malcolm Jones
FIMS Project Manager

Jo Quarterman
FIMS Business Manager

Phil Ballard
The data management man. Phil will work out what information NCC needs to transfer to Oracle to meet its present and future business needs

Peter Shackley
Training co-ordinator

Susanne Baldwin
Assisting Darren de Lara with budgeting

Doris Piper
Responsible for newsletters and other communications

Contacts - If you have any queries about business transformation, please contact Jo Quarterman on 01603 223950, or pop in to see her in Mobile 6, next to the Annexe, where the BT team is now based. For general FIMS queries contact Malcolm Jones on 01603 223208.

Risk Management Update

What we've already done

In April of this year the Risk Management Section began implementing the Council's new Risk Management Strategy. The Strategy sets out the process by which the Council will systematically manage risk across the organisation.

Over the last six months the section has worked with each of the Council's departments to identify, evaluate and prioritise their significant risks. In this context, significant risks are those that could prevent a department from providing a necessary service or those that could cause injury to a member of staff or a service user.

In order to make sure we identified all the risks, we spoke to a wide range of people (either in one-to-one sessions or in workshops), undertook site visits and carried out some work shadowing.

What we will do next

Each departmental management team will be presented with a report detailing our findings. The report will include a risk register, which lists all identified risks in order of severity. From this report the management team will be expected to draw up an action plan to deal with the most significant risks.

In addition, a copy of each report and register will be given to the Chief Officer Risk Management Group (CORMG) and they will then identify the major corporate risks (i.e. issues that occur in all departments or issues that could have a serious impact on the Council as a whole). An action plan will then be drawn up to deal with these risks.

Information from the risk registers will also be fed into the overall process of prioritising the Council's resources.

Future work

Risk Management is an on-going process so we will be revisiting the departments next year to see what improvements have been made and whether any new risks have emerged.

Chloe Drew 01603 224424
Senior Risk Consultant

If you would like this newsletter in large print, audio, Braille, alternative format or in a different language, please contact the helpline, 01603 222820.



Who's who and what's what in auditing

Many different checking activities are described as audits. However, to be accurate, the term should only be used for the two main types of audit we see at the County Council - external audit and internal audit.

Our external auditors are currently the Audit Commission (AC), formerly known as District Audit. Their main aim is to carry out an audit which meets the Audit Commission's Code of Audit Practice. They design a programme of work to address the significant operational and financial risks faced by Norfolk County Council which impact on their responsibilities. In addition, they have to review whether there are adequate arrangements for:

- ◆ ensuring the legality of transactions with a significant financial consequence
- ◆ ensuring that financial standing is soundly based
- ◆ ensuring that systems of internal financial control are both adequate and effective
- ◆ ensuring proper standards of financial conduct and preventing and detecting fraud and corruption
- ◆ securing economy, efficiency and effectiveness in the use of resources.

Most of these are self-explanatory however a few words about financial standing may be helpful. It has four main elements:

- ◆ the Council's financial performance during the financial period
- ◆ reporting arrangements in place to prevent or detect the onset of financial problems and the monitoring of corrective action proposed
- ◆ the effectiveness of budgetary control arrangements
- ◆ the ability of the Council to meet known financial obligations and to respond to known developments which might have an impact on the audited body's financial standing

They must also give an opinion as to whether our accounts present fairly the financial position of the Council. Over the past two years they have worked closely with other inspectorates to produce a joint audit and inspection plan which ensures that work is co-ordinated and targeted at our key areas for improvement.

By law the authority has to ensure that there is an adequate internal audit. From 2002 - 03 the DF must also sign a report every year on the adequacy of financial controls. Internal audit work is mainly focused on giving an opinion on the effectiveness of internal controls over risks. This will include the processes and procedures that are put in place by managers to control risks.

The work of the internal auditors (Norfolk Audit Services) helps the DF fulfil these legal requirements. Internal and external auditors liaise regularly to see where they can use each other's work to obtain reassurance and to minimise the situations where one set of auditors arrives just as the first set is leaving.

Although responsibility for risks remains with management, the audit process (internal and external) helps ensure that controls are in place and operating to prevent and detect losses and that exposure to risks is managed.

The Council, its chief officers and line managers need to get the balance right between the perceived risk together with its consequences and different control options and their cost.

Controls cost money so there is always a tension between the cost of control and the tolerance of risk. If properly designed, controls ensure that the NCC's objectives are achieved within the resources allocated.

Phil Ballard, NAS

01603 223445

David Riglar, AC

eProcurement or iProcurement?

We recently reported that NCC had signed a contract with Oracle for an iProcurement package. You may have heard of eProcurement (electronic procurement), but Oracle (who are also supplying the core FIMS systems) call their product iProcurement – the “i” being “internet”.

You will no doubt see both terms used, but don't worry, they both mean the same thing – a software package that will allow us to raise and approve purchase orders, send them and receive invoices electronically via the internet.

The contract that has been signed with Oracle includes the software and licences, support, training and consultancy for implementation.

Pre project planning work has begun and it is likely that technical work will begin early in 2004 ready for the first 200 users to start using the system from the end of June 2004. The system can then be rolled out to the other 800+ people that have been identified as raising purchase orders.

The key to successfully implementing iProcurement will be to ensure that the system can be used for any type of purchasing, although initially we will concentrate on high volume ordering and the main suppliers. The first piece of work will be to confirm user details and the suppliers/contracts that your departments regularly use to make sure that these will be available for use on the system.

Anton Bull 01603 224429
Purchasing Process Manager

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Insurance Fund

Financing claims can be volatile with as much as £5m being paid out in one year and as little as £2m the following year. The insurance fund attempts to even out these large fluctuations for departments to allow for some certainty in budgeting. This has been more difficult in the last few years because of the rise in the cost of external insurance premiums. The fund has an actuarial valuation each year that values total losses that the fund is expected to suffer. This enables the Council to manage any increased contribution requirements relating to claims in a controlled manner.

As mentioned earlier, the premiums that departments and schools are charged make up the total income of the insurance fund. These premiums are now much more based upon the level of risk the department or school has rather than being an 'equal' share. Where departments have been able to successfully manage their risks, and claims have reduced, their premiums have reduced. The contrary has occurred to those that have been unable to control claims.

John Baldwin 01603 224466
Risk and Insurance Manager

