

Finance News



Norfolk County Council

News and views for
those interested
in finance

Issue 35
May 2003

Focus on Financial Management

The Cabinet meeting on 7 April considered and endorsed a report from the Director of Finance on measures to strengthen financial management arrangements in Norfolk County Council.

The full report can be found on the Council's intranet site should you wish to read it. For those without intranet access paper copies can be obtained from Angie Yeomans on 01603-223488.

Part of the report updated Cabinet on the FIMS project to replace the Council's existing financial system, NORBAS. Most of the report, however, was devoted to updating Cabinet on progress with follow up to the recommendations of the Best Value Review of Budgeting and Accounting.

The importance of sound financial management within any organisation cannot be overstated. Without it, the County Council will not be able to deliver its service objectives in the most effective way.

There are many elements to sound financial management. At one level it is about the financial processes and controls in place; at another it is about ensuring that there are adequate systems to accurately record income and expenditure and produce regular, timely and relevant management reports to inform decision making.

Indeed, Cabinet have already stressed the imperative for effective budget monitoring and control in 2003/04.

Most critically, however, sound financial management is about the quality of finance employees who undertake financial processes and who provide financial support and advice to Members, the Director of Finance and to Service Chief Officers.

We are very fortunate in Norfolk to be served by teams of committed and professional finance employees right across the Council. The Cabinet paper explores ways in which support to employees engaged in financial management can be further strengthened.

Among the measures set out is the creation of a Financial Management Group to replace the existing Finance Board. Comprising the nominated senior finance manager in each department, this group will be tasked with taking the lead on issues such as financial standards, finance employee competencies, finance training and development, effective budget monitoring arrangements, and communication on all matters relating to finance and financial management.

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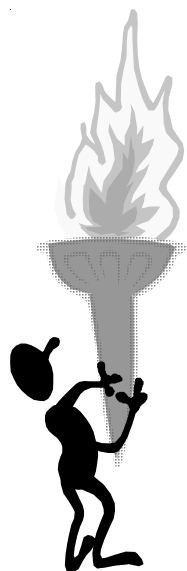
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Spotlight on

Rethinking Construction

Beacon burns bright



Norfolk is one of only six local authorities (and the only shire county) to be named as a Beacon Council for Rethinking Construction, from an original field of 27 applicants.

Our bid for Beacon status was reported in an earlier edition of Finance News and in January, Council Leader Alison King and Chief Executive Tim Byles led a team to London to present the case for Norfolk.

Rethinking Construction is a national initiative aimed at driving up quality in the construction industry and Beacon councils are expected to use their year in the spotlight to help spread the key messages about project management, partnership working and customer focus.

It fits well with Norfolk's 'mixed economy' approach, with around 65% of our services now delivered by methods other than in-house provision.

This leads to partnership working that can broaden the expertise available to us and often save money at the same time, allowing capital investment resources to go further.

Among the innovations pioneered (mainly by P&T and NPS Property Consultants) which helped to put us in the Rethinking Construction 'first division' were:

- ◆ creating the first local authority public/private partnership for planning and transportation services.

This helped to successfully deliver a much-increased investment programme over the last two years

- ◆ using new contracting methods which improve efficiency and involved contractors earlier in the life of projects

Specific local construction projects highlighted in the Council's Beacon application include:

- ◆ working closely with the staff, pupils and parents of Catton Grove Middle School, during rebuilding after a fire
- ◆ applying the principles of Rethinking Construction on the major Broome-Ellingham by-pass project, including a high level of environmental protection work
- ◆ consulting local residents at Blakeney, where the County Council is reconstructing the quay in this area of outstanding natural beauty

As a Beacon Council, Norfolk will now work closely with the national Improvement and Development Agency (I&DeA) on a year-long programme to disseminate what it has learnt to other councils and to the private sector.

A major national conference is being planned for next summer.

Alison Smith 01603 224222
Communications Officer P&T

INTERNAL CHARGING

What is an internal charge?

This is a transaction between two departments of the County Council where both departments use the Council's financial system.

It does not include transactions with NPS Property Consultants Ltd, NCS Ltd, the Probation Service or the Pension Fund.

How does it work?

Transactions made during 2002-2003 have been processed using "internal invoices" through the AR system. For 2003-2004 the "internal invoice" facility has been discontinued and replaced with a journal process using a new journal category **GLI**.

The process for dealing with internal charges in both years is detailed below.

2002-03 year end internal invoices

It is important that all internal invoices are paid as soon as possible either in 2002-03 or early in 2003-04 as no internal invoices will be transferred to the Oracle systems.

If an internal invoice cannot be settled because of a dispute between departments, arrangements will be made for these to be carried forward to the New Year on the understanding that the dispute is settled before the end of June 2003.

If departments are unable to resolve any disputed invoices by this date, an independent Finance Board representative will mediate and the matter will be decided and actioned during July 2003.

Where the dispute cannot be resolved during July, the invoice will be cancelled and the accounting entries reversed at the end of the month to the department that generated the internal invoice.

(Where codes have changed, departments will need to provide the new codes to Capita for the cancellation to be processed).

2003-04 internal charging process

When one department of the County Council wishes to purchase a service from another department of the County Council for a chargeable sum the following procedures will apply from 1 April 2003:

- (a) The "purchasing" department clearly states its requirements, e.g. a one off or a SLA agreement. This should include a description of the service required, and where and when it is to be provided.
- (b) The "providing" department accepts or declines all or part of the required service. If the request is accepted, the response should state clearly the service to be provided, the timescales and the associated charges.
- (c) Once the service requirements have been defined and accepted, all relevant details are to be provided in written form by one of the parties to the agreement in order to provide a clear audit trail.

(We suggest that departments agree in advance which one is to undertake this)
- (d) The two departments agree terms of the journal charge, e.g. £x for 2 years or a one off charge. The "purchasing" department will advise the "providing" department of the accounting code to which the charge is to be posted.
- (e) Payment for services will be made by accounting journal to be posted in accordance with the agreed terms by the providing department.

Journals will be created using a separate journal category – **GLI**. The description field in the journal is to be used to convey sufficient information about the nature of the transaction.

INTERNAL CHARGING (continued . . .)

It is suggested that the departments involved in the transaction discuss this to agree the narrative to be used.

Where there is a documented service level agreement the journal reference number should be recorded to provide a clear audit trail.

- (f) If any of the terms of the service change, the providing department must notify the purchasing department and agree any resulting amendment to the charge.
- (g) It is proposed that each service will nominate one or two officers who will be given the facility to carry out inter service journals.
- (h) All inter service payments applicable to a financial year must be posted before the end of the financial year, preferably prior to period 12.

(i) It is not intended to prescribe terms for service provision, but it is suggested that the terms clearly indicate either the cost or basis of charging for the service, and the timing of payment(s).

(j) If an internal charge cannot be settled because of a dispute between departments, an independent senior person in the Finance Community will mediate to settle the matter.

The decision of the mediator will be final and binding on both departments.

Note: *The new journal facility can be used with batch journals. The journal header sheet will need to be manually amended from GLJ to GLI. It is suggested that the header sheet also be inscribed "Internal" to emphasise this.*

Timetable

◆ Internal invoices still outstanding at the end of 2002-03

- ◆ To be paid during April and May
- ◆ Disputes to be resolved before the end of June 2003
- ◆ Unresolved internal invoices to be reversed at the end of July 2003 and dealt with under the replacement arrangement

◆ Internal charges in 2003-04

- ◆ Internal charges to be made by journal facility
- ◆ In Norbas, this will be by the use of journal category GL
- ◆ In Oracle, a journal method to be used following testing in the UAT

Stephanie Mullarney
Senior Finance Officer

01603 223322



Please note:

It may prove helpful to cut out and keep these two pages (3 & 4) for future reference.

Imprest accounts - Part 2

This is the second article of a series covering the operation of Imprest Accounts. Last edition (34) we covered the payments process and petty cash.

It is important that a reconciliation is carried out on a monthly basis. If this is not done the task can soon become far more complex and queries time consuming to resolve. There is discretion for the reconciliation to be carried out to coincide with the Bank Statement cycle.



Your first step in doing this is to assemble all the paperwork. This will probably include a bank statement for the account at the date of the reconciliation, cheque books, details of the last reimbursement claimed, the record of payments vouchers and any cash float. So where to start?

Reconciliation statements should always be written down as proof that you have carried out the process.

The first thing to list is the final balance from the bank statement for the date of the reconciliation. You then have to identify those cheques you have written that have not appeared on your bank statement.

If any of these cheques remain unpresented 6 months after they were drawn you will need to credit them on the coding grid against the budget(s) to which they were originally costed.

You need to deduct the total of unpresented cheques from the bank balance.



Next identify any items on the bank statement that you did not previously know about, e.g. bank charges. List these for later investigation. After this, record the cash that you have in hand, reimbursements claimed but not yet received and vouchers for payments made between the claim for reimbursement and the start of the month.

The majority of imprest accounts should have some form of cash transaction record sheet to list cash/cheque disbursements in date order and to provide a running cash balance figure for the cash-tin.

In addition to actual cash, unused postage stamps are always counted as cash-in-hand for reconciliation purposes. Add each of these to the bank balance calculated above. This should be equal to the imprest limit. Any differences should be investigated immediately.

The completed reconciliation should be initialled and dated by the person preparing it.



Someone else should then review it, sign and date it to show that it has been reviewed.

At the end of each month the difference between the balance and what was spent during the month should be claimed as a reimbursement.

Rachel Spencer
Client Manager, NAS

01603 222780

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

**IN
TRAN**
communication for all

THE PRUDENTIAL CODE

“.....one of the most profound changes local government finance has seen for years”

The Local Government Bill currently going through Parliament will abolish the present complex regulatory framework of government borrowing approvals and replace them with a local prudential system.

The new system will be one based on self-regulation whereby local authorities will be free to borrow so long as their capital spending plans are **affordable, prudent and sustainable**.

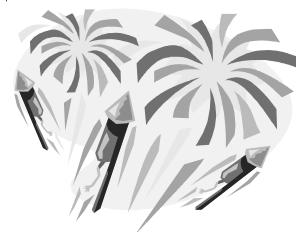
The Prudential Code will set out the indicators that local authorities must use and the factors they must take into account, to demonstrate this.

Depending upon the legislative process, the new system could be implemented as early as April 2004. In practice this will mean that the requirements of the Code will have to be taken into account for the 2004/05 budget process i.e. during 2003 - so watch this space!

Glenn Cossey
01603 228978

Pension Fund & Treasury
Finance Manager

FIMS Update



FIMS implementation continues to progress, with the Project Team undertaking much of the hard work of creating the key foundations of the systems. Some of you may be involved in aspects of this, but probably for most of us, this will be the unseen work that enables the system to operate and use the financial information to its best effect.

This work includes:

- ◆ initial user testing
- ◆ cleansing the data
- ◆ storage of the financial information
- ◆ refining the accounting information structures

Regular updates are being produced, which can also be viewed on the Intranet, to keep all users aware of the day to day implications of any stage of the implementation. Wider involvement of users will start when the roll out of the standard Oracle processes for Accounts Payable and Accounts Receivable begins.

What does adopting standard Oracle processes mean to Norfolk County Council?

The aims of the FIMS project include providing a new system which is:

‘within a framework that ensures minimal customisation’

‘delivered within the wider context of NCC’s information and e-government strategies’

‘able to evolve to meet changing business needs’ and ‘enables fairness and consistency of treatment for both our customers and suppliers’.

The achievement of these aims requires the adoption of a common approach to our accounting process. The future benefits will be far reaching, enabling us to:

- ◆ adopt new technology for payment of accounts
- ◆ provide accounts information quickly and efficiently
- ◆ be responsive to changing needs
- ◆ both operate and update our systems in an efficient way

This will also provide potential for our customers to use web-enabled technology to both request and pay for council services.

Susanne Baldwin
Management Accountant

01603 228987

FIMS Glossary of Terms



Excuse me – What does that mean?

As with any new system or process, the change to FIMS is accompanied by a new set of terminology and abbreviations.

The FIMS project team has considered the need to use new terms carefully, balancing the need for continuity against implementing a standard Oracle system.

Below is a short summary of the key terms and abbreviations that you may come across. This glossary can also be found on the NCC Intranet site under FIMS Project, and will be updated as the implementation stage progresses.

Term/Abbreviation

Accounting Flexfield

The accounting code and all the segments that form part of that code.

Common Cost Centre

Refers to a new concept within FIMS. All cost centres will have just one cost centre code within the new system, whether the transaction relates to revenue, capital or balance sheet.

The subjective code will now determine where the transaction is recorded.

Categories

As the subjective code will determine where each transaction is recorded within the accounts, each subjective code will need to be put in a category. The categories are:

1. Expenditure - Revenue Account
2. Income - Revenue Account
3. Asset - Balance Sheet
4. Liability - Balance Sheet
5. Owners Equity - Balance Sheet

Further analysis segment

A new segment within the accounting flexfield, which will be used for non-capital project codes.

Funds Checker

A new facility which will allow an RBO to check that there is adequate money in the budget, prior to confirming a Purchase Order.

Legal Entity

A 'body' for which there is a complete set of separate accounts. FIMS has the following legal entities set up: NCC, Charities and Trust Funds, Norfolk Pensions Fund and Norfolk Probation Service.

Set of Books (SoB)

A complete set of accounts, for all NCC operations, within which accounts will be maintained for a number of separate legal entities.

All legal entities within the umbrella 'set of books', must conform to the same accounting standards for period end dates, currency and accounting flexfield structure.

Oracle Financials

The name of the new system.

Oracle General Ledger (OGL)

The general ledger. Commonly referred to as MBA within NORBAS.

Oracle Accounts Payable (OAP)

The accounts payable element of the system.

Oracle Accounts Receivable (OAR)

The accounts receivable element of the system.

Susanne Baldwin

01603 228987

Focus on Financial Management

. . . *continued from front page*

The primary purpose of this change is to deliver improvements in support to the Norfolk finance community, so that all finance employees are better equipped to respond to the requirements for effective financial management.

We will keep you informed of progress with the establishment of this group and its work in future issues of Finance News.

Paul Brittain

Head of Financial Management
Department of Finance

DF Triumph

Public sector know best!

On 3rd April, Steve Aspin, Helen Thompson and Chris Upton, all members of DF, helped NCC triumph in a Quiz night held by REED Accountancy Personnel.

In a closely fought contest, NCC left it late by coming from behind to beat Lovewell Blake Chartered Accountants in the last round, with the rest of the Norfolk business world nowhere to be seen.

Over £300 was raised on the night with the proceeds going to the special care baby unit at the new Norfolk & Norwich University Hospital.



Grantfinder

Grantfinder is a searchable web-based database of grants and other funding sources. It is a useful starting point if you want to know if government or charitable funding might be available for a project.

NCC is a corporate subscriber and all NCC staff are entitled to use Grantfinder to support any project in which the authority has an interest.

The Grantfinder web site has had a recent re-vamp, with a variety of search options, and a facility which means your results can be summarised and e-mailed to you, particularly useful if you have a slow internet connection.

Additional services are provided by the Grantfinder Research Help Desk. Their research assistants are at our disposal to respond to technical queries and queries on grants information. They also produce timely alerts when there are new developments in the sector.

Grantfinder is a password protected service, <http://www.grantfinder.co.uk>

For access to the service, or to subscribe to the alert service, please call Howard Jones, External Funding Manager, Floor 4 County Hall on 01603 22(2832).

Finance News

Editorial Board

Karen Betts (DF) 01603 222807
Tony Howard (Ed/DF) 01603 224425
John Marjoram (Social Services) 01603 223178
Doris Piper (DF) 01603 222817
Alison Smith (P&T) 01603 224222

Production Angie Yeomans 01603 223488
Distribution Berry Catchpole 01603 222777
Editor Phil Ballard 01603 223445

Finance

Norfolk County Council, County Hall, Norwich, NR1 2DW