

ABERDEEN CITY COUNCIL

COMMITTEE Finance & Resources DATE 28 January 2010

DIRECTOR Stewart Carruth

TITLE OF REPORT Infosmart Finance- Creditors Processing

REPORT NUMBER: CG/10/001

1. PURPOSE OF REPORT

To approve the detailed proposal for the creation of a centralised Finance Processing Team (FPT).

2. RECOMMENDATION(S)

It is recommended that a centralised FPT is formed, enabled by the adoption of InfoSmart functionality.

3. FINANCIAL IMPLICATIONS

The implementation of InfoSmart will bring efficiencies that will result in a reduction in the number of Full Time Equivalents (FTEs) required for processing.

Preliminary investigations have identified that a total of 40 FTEs were involved in the processing of invoices in financial year 08/09 and the proposal is that the FPT would be made up of a team of 22 FTEs to undertake this function, a reduction of 18 FTEs. This reduction has been estimated by considering the efficiencies that InfoSmart will bring. This would result in a saving to the Council of approx £365,583.

Payment of invoices themselves will be undertaken by 3 existing staff currently making up the Finance Creditors Team, which has been reduced by two full time equivalents resulting in a saving of £42,584. It is an Audit Requirement that the processing of invoices and subsequent payment of these are segregated functions. As these savings have already been realised, this report will only focus on the savings achievable through the reduction in processing staff.

Cost to date for implementation of the Finance Creditors module totals £73,783; the amount allocated for the project is £79,600. Spend to date has been £69,600 to the software suppliers Mouchel and £4,183 for the purchase of wide-screen monitors. The remaining budget of £5,817 is a contingency for additional hardware or consultancy.

4. SERVICE & COMMUNITY IMPACT

This has links to the Council's Vibrant Dynamic and Forward Looking policy document;

Efficient Council and Fair Funding:

“5. Modernise service delivery and ensure there is appropriate investment in staff training, equipment and accommodation to deliver this”

5. OTHER IMPLICATIONS

In terms of Resource and Personnel and Property issues, this report recommends the formation of the FPT and the relocation of staff to a central location through the current review of structures.

6. REPORT

The utilisation of InfoSmart functionality within the administrative tasks is integral to the Finance Creditors work of the council; will compliment PECOS and eFinancials systems and will replace the current paper processes with electronic document and record management for the following:

- Purchase Order Processing (POP);
- Invoice/Credit Note Processing (whether PECOS, POP or Non-POP);
- Payment Voucher Processing;
- Batch Processing;
- New and Amended Creditors Processing;
- Internal Purchase Order Processing;
- Internal Invoice Processing;

where the processing of the documents is through eFinancials, the main corporate financial system and not through one of the interface feeder systems. If an interface feeder system was to transfer to eFinancials then there is potential for the FPT to carry out the associated creditors processing. This would need to be investigated separately as part of any transfer.

In financial year 08/09, the headcount of processing staff across the Council, (excluding staff in Education establishments), directly involved in these processes totaled 90. These 90 staff worked in these processes between 2% and 100% of their time and it was calculated that this equated to 40 FTEs across the organisation.

This situation means that staff, with a lower percentage of their work involved in these processes, can have their focus directed to other parts of their work and finance processing becomes secondary. This means:

- that an inconsistent approach to processing can be taken;
- no training either new or refresher is currently available, to new or existing staff, therefore procedures and processes tend to be passed on via word of mouth; and
- where there are small teams, leave and absence impacts dramatically on the team's ability to process.

These teams are currently being realigned under the new Service structure.

Looking specifically at the processing of invoices:

- the end result is that delays occur unnecessarily in paying our Creditors, with businesses, voluntary organisations and individuals suffering. This makes it difficult to meet payment terms which are beneficial for small businesses.
- it is difficult to communicate the importance of the need for prompt processing;
- In 2008/09 the Council paid 84% of its invoices within the statutory 30 days, putting us in the third quartile in comparison to the other 31 Councils in Scotland for the Statutory Performance Indicator for Prompt Payment of Invoices.

The aim is that with the introduction of the FPT combined with InfoSmart, the Council will be in the upper quartile in financial year 2010/11. The leading Council in 2008/09, recorded a percentage of 93.4%, and has adopted a centralised approach to the processing of their invoices via electronic document and records management system similar to what is proposed for this Council.

Transferring to a Finance Processing Team

This will be undertaken in accordance with the relevant council approved policies and in full consultation with the staff and managers affected; and with the Trade Unions. All of this consultation has been live throughout the project to this point.

A Matching Pool will be created in line with the Organisational Restructuring – Job Matching Process. A Matching Pool is a list containing a note of all the employees who will be eligible and invited to claim either a direct match or a significant link to a job in the new structure. Only employees in that pool will be eligible to make a claim to one of those jobs.

It is anticipated that the process for job matching will take a minimum of 3 months. This allows the Matching Pool to be finalised and the appropriate time period for any appeals.

Posts within the FPT have been evaluated under the Council's Job Evaluation process, with the Team Leader post being graded at G12 (£25,608 - £29,245) and the Processing Officer at G9 (£17,662 - £19,875).

After Job Matching, recruitment will take place and appointments will be made for all posts in the FPT. The FPT will comprise of 3 Team Leaders, and 22 Processing Officers to undertake the functions of the team, these staff will work in a flexible manner to cover the duties of the Team. However the successful applicants will not all join the Team at the same time. The team will be created using a planned and phased approach in line with the rollout of the InfoSmart – Finance Creditors project. Successful applicants will be informed of the date they will transfer to the FPT and their new Job Description and Contract of Employment. Where Staff have to move location this will be undertaken with

reference to the Staff Moves Protocol. The proposal is that the preferred location of the Team be at the AECC.

Links to other Projects

The related Diagnostic Pathways Business Cases which the InfoSmart Finance Creditors project is linked to are:

“Adoption of Improved Contract Management and eProcurement” and “Professionalising Administration”.

InfoSmart also links in to the roll out of PECOS across the Council.

With the transfer of Education establishments from the BOSS feeder system to eFinancials by end of March 2010, there is the potential for Education’s creditors processing to be undertaken by the FPT. This will be investigated as part of the BOSS to eFinancials transfer project.

Training

The critical path for the rollout of InfoSmart - Finance Creditors is directly related to training. Delivering face-to-face training for requisitioners and authorisers with the current level of training resource gives a predicted timescale for completing the rollout across the Council of late 2010.

Online Interactive Learning (OIL) is being investigated as a replacement for the face-to-face training. If this method of delivery can be used and be available by end of January 2010 this has the potential to significantly reduce the timescale for the rollout so that it can be completed by June 2010.

As processing staff join the FPT in the phased approach, training will be given “in-house” by the existing Supervisor(s) which will replace the need to rely on the current level of training resource available.

Work Done to Date

InfoSmart - Finance Creditors went live on 05-11-2009. The first implementation within Education Culture and Sport Service is Sports Centres which is scheduled to complete in early December. The rollout will then continue in Culture through December and January. The processing of the documents through eFinancials for these two areas is being undertaken by a small team of staff from Education Culture & Sport located at AECC Balgownie 1.

As part of the BOSS to eFinancials transfer project within Education establishments which includes the roll out of PECOS and InfoSmart, work will be ongoing from January to investigate the potential for Education’s creditors processing to be undertaken by the end of March 2010.

Revenue Savings and Productivity Gains

The implementation of InfoSmart will bring efficiencies that will result in a reduction in the number of FTEs required for processing. As detailed earlier preliminary investigations have identified that 40 FTEs were involved in financial year 08/09 and the proposal is that the FPT would be made up of a team of 22 FTEs processing invoices, a reduction of 18 FTEs. This reduction has been estimated by considering the efficiencies that InfoSmart will bring.

As the Job Matching process is undertaken the exact savings will be determined. Experience to date shows that actual savings are greater than estimated as further refining of the revised processes is undertaken when InfoSmart becomes operational.

The Staffing budgets for the relevant number of staff in the FPT will be transferred from existing budgets to the Corporate Governance budget leaving the savings in the current Service budgets. Services can realise the savings through re-engineering of posts.

The detail of the savings within the current budgets will become available once the Job Matching process starts. The detail is dependent on where successful applicants transfer from but the net effect will be a reduction of 18 FTEs across the Council.

As an example:

On current salaries and FTEs involved in the processes at present, it has been estimated that the current salary cost of processing invoices currently across the Council with add on costs (Superannuation and National Insurance) is approximately £891,260 pa.

Taking the proposed composition of the FPT for processing of invoices (22 staff) and the job evaluation pay grades set for the proposed posts, the approximate current salary cost of delivering the revised processing service is estimated as being £525,671 including add on costs.

This will give an approximate saving in recurring salary costs of £365,583, which is a saving of 41% of the total staffing costs of the 40 FTE's at present assuming that staff numbers are reduced via Voluntary Severance/Early Retirement.

In respect of tangible savings there will also be reductions in paper usage; and in respect of potential tangible savings there is reduced property usage in both storage and accommodation. With regard to productivity gains there will be several aspects as referred to previously in this report.

Consultation

To date, Unions and Staff have been updated as follows.

27-02-2009 - A meeting took place with Unions to update them on the InfoSmart project in general and also with specific reference to Finance Creditors

09-04-2009 - A meeting took place with OSMs to update them on InfoSmart - Finance Creditors and the proposals to form a FPT

27-08-2009 - A meeting took place with Unions to update them on InfoSmart - Finance Creditors and the proposals to form a FPT

02-12-2009 - A meeting took place with Unions to further update them on InfoSmart - Finance Creditors and the proposals to form a FPT

Further updates and consultation will take place with staff, managers and trade unions in line with the Consultation Protocol for Committee Reporting and the Organisational Restructuring – Job Matching Policy.

Consultation has also taken place with Ann Irvine, Chief Administration Officer who is leading on the Council wide Support Staff Review. The creation of a centralised finance team aligns to the aims of the Support Staff Review and is supported by the Chief Administration Officer.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

None