

Welsh Local Authorities;
Administrative Cost Review

Appendix

CIPFA

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Appendix; Service Reviews

- Accounting
- Creditors and Debtors
- Payroll
- Human Resources
- Legal Services
- Revenues and Benefits
- Strategy and Policy
- Procurement
- ICT
- Property Management

Page

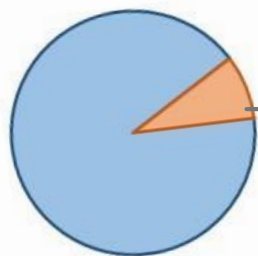
- 3
- 7
- 11
- 14
- 18
- 21
- 25
- 28
- 31
- 37

Overview: Accounting

Accounting is the largest service within Finance covering Technical (Preparation of final accounts, system and corporate accounting), Management (Month end close, maintenance of financial records and budgeting) and Strategic teams (projects, planning and financial advice to members).

There is a high level of variability across both cost and volume metrics in the accounting activity data. Welsh Authorities are paying differing amounts on a relative basis for their accountancy service, and on average appear to be high cost when compared to the CIPFA benchmark. Importantly this high cost context is occurring despite Welsh Authorities having lower average employee costs by 18% against the CIPFA benchmark suggesting on a pan Wales basis Welsh Authorities have higher FTE numbers.

When authorities of similar budgets are compared the size of accountancy functions differs quite radically, with several larger functions having in excess of double the FTE numbers of leaner functions. There were notable variations between activities within Accounting that potentially reflect authorities having differing operational models.



Total Accountancy spend amounts to

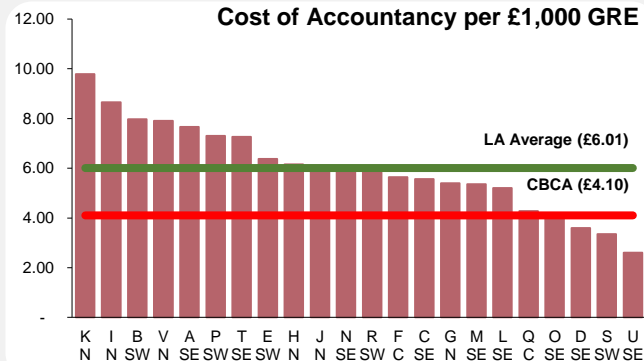
£46m

which equates to 8% of all administrative spend across Welsh Authorities

Key Data

- Income generated across Finance (which does not just consider just Accounting but also Payroll, Creditor and Debtor and Treasury) totalled £1.6m
- Across Finance authorities are delivering £1.9m of savings in 2014/15 and £2.5m in 2015/16. This represents 10% of the Accountancy expenditure across these authorities and 6% of total Finance expenditure.
- 858 FTE's are employed in Accounting; 94 in Strategic, 568 in Management, 195 in Technical Accountancy.

Cost of Accountancy per £1,000 GRE



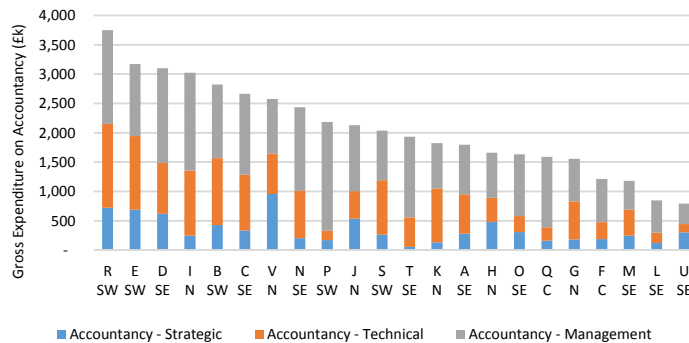
- Cost of accountancy per £1,000 of GRE varies significantly, ranging from £2.61 to £9.79
- This equates to an average across Welsh Local Authorities of £6.01 compared to a CIPFA Benchmarking Club average of £4.10. Three authorities perform under the CIPFA Accountancy benchmarking average.

Cost and Activity Analysis

The amount spent by authorities across Accountancy activity varies significantly between authorities. The total accountancy spend of £46m has been collected across three categories, namely:

- Management Accountancy - £24m, 52% of all Accountancy spend, 94 FTE's
- Technical Accountancy - £14m, 32% of all Accountancy spend, 195 FTE's
- Strategic Accountancy - £8m, 17% of all Accountancy spend, 568 FTE's

Fig 1. Cost of Accountancy Activity, per Authority



Rhondda Cynon Taff spends the most on Accountancy activity on an absolute basis, spending £3.7m in 2013/14, whilst Vale of Glamorgan spends the least, spending £0.8m over the same time period. There is significant variance as to the make up of Accountancy functions, with the ratio of management, technical and strategic accountancy activity varying between authorities.

Figure 2 suggests that authorities are operating a number of differing models in Accounting. In the majority of authorities management accounting dominates the primary expenditure category, however this ranges from 36% in Wrexham to 85% in Pembrokeshire. Technical Accounting ranges from 7% to 50% across authorities. Whilst it should be noted cost allocation to the strategic, technical and management taxonomies incorporate a level interpretation, such variance across the sub-activities warrants further attention.

Fig 2. Ratio of Accountancy Spend per Category

Authority	Strategic	Technical	Management	Cost (k)
Rhondda Cynon Taff	19%	38%	43%	£3,748
Carmarthenshire	22%	40%	39%	£3,168
Cardiff	20%	28%	52%	£3,101
Flintshire	8%	37%	55%	£3,024
Bridgend	15%	41%	44%	£2,823
Caerphilly	13%	36%	52%	£2,665
Wrexham	37%	27%	36%	£2,578
Neath Port Talbot	8%	33%	58%	£2,432
Pembrokeshire	8%	7%	85%	£2,184
Gwynedd	25%	22%	53%	£2,127
Swansea	13%	45%	42%	£2,035
Torfaen	3%	26%	71%	£1,931
Isle of Anglesey	7%	50%	42%	£1,823
Blaenau Gwent	16%	37%	47%	£1,796
Denbighshire	29%	25%	46%	£1,658
Newport	19%	17%	64%	£1,633
Powys	10%	14%	75%	£1,588
Conwy	12%	42%	46%	£1,555
Ceredigion	16%	24%	61%	£1,212
Monmouthshire	21%	37%	42%	£1,182
Merthyr Tydfil	14%	21%	65%	£850
The Vale of Glamorgan	38%	18%	44%	£792
Total	17%	32%	52%	£45,905

Cost and Activity Analysis (cont.)

Analysing accountancy spend and activity on a relative basis establishes significant variance across Welsh Local Authorities.

Authorities are spending between £9.79 per £1,000 GRE and £2.61 per £1,000 of GRE on accountancy activity. This drives an average across Welsh Local Authorities of £6.01, significantly higher than the CIPFA Benchmarking Club Average of £4.0. It should be noted that those authorities that appear to have the highest relative accountancy costs, appear to have a higher proportion of activity allocated to technical accounting than more efficient authorities.

Furthermore, accountancy costs across Welsh Local Authorities appear higher than the CIPFA Benchmarking Club Average, despite lower average salary costs within accountancy. On average, accountancy FTEs in Welsh Local Authorities cost £38,500 compared to the CIPFA Benchmarking Average of £43,300. This suggests that there are larger numbers of FTEs within Welsh Local Authorities.

Accordingly as shown in Figure 4, the number of accountancy FTEs varies significantly across similarly sized authorities. With reference to authorities with GRE of approximately £300m in 2013/14, accountancy functions varied from 20, 37 and 58 FTEs. This could point to significant variance in productivity across these authorities, which could also be impacted by inefficient systems and processes. Smaller functions may also be driven by significant levels of accountancy activity taking place in front line functions.

The metrics provide no indication of the quality of each accountancy function analysed.

Fig 3. Cost of Accountancy per £1,000 GRE

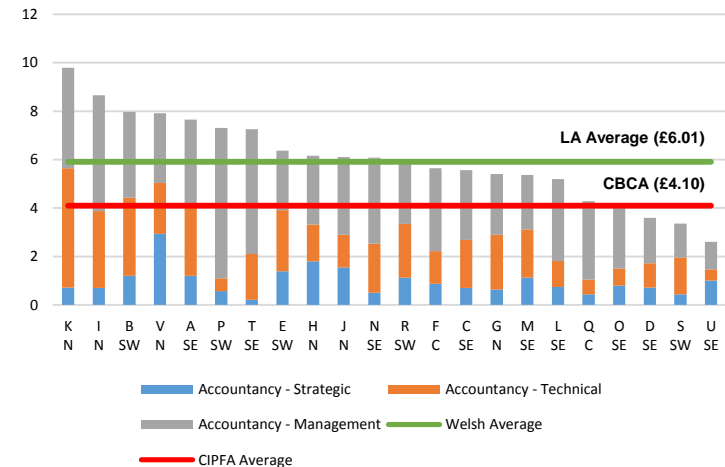
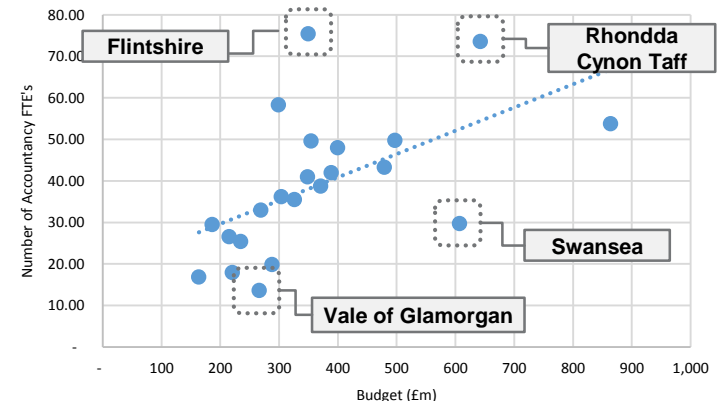


Fig 4. Accountancy FTEs vs GRE



Cost and Activity Analysis (cont.)

An indication of budgetary responsibility per management accountancy FTE is shown in figure 5. This is highly variable across authorities, with £35.0m per management accountant in Torfaen and £5.5m in Pembrokeshire (against an average of £16.5m per accountancy FTE across Welsh Local Authorities). This suggests that different levels of responsibility exist between management accountancy staff. Those management accountancy functions with smaller budgets to manage may have capacity to work across a number of budget heads.

It should be noted that such analysis doesn't consider the effectiveness or quality of the accountancy functions across Welsh Local Authorities.

Data collected also highlights significant variance in the proportion of accountancy FTEs that are qualified. Across Wales authorities are in line with CIPFA benchmarks, however it should be noted a number of the authorities with larger numbers of staff such as Rhondda Cynon Taff, Flintshire and Bridgend have lower numbers of qualified staff.

It should be noted through the workshops authorities did not consider this was could be used a strong indication of quality.

Fig 5. GRE per Management Accountancy FTE

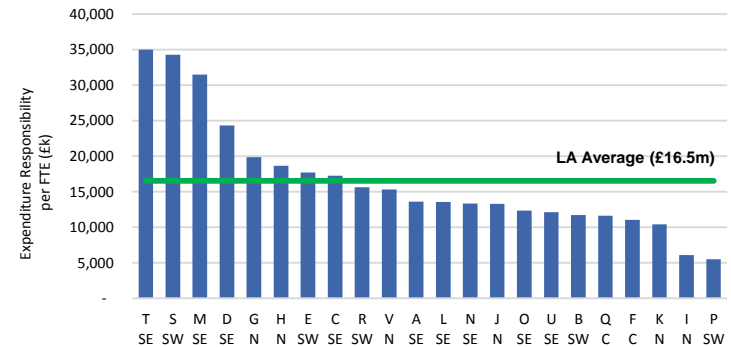
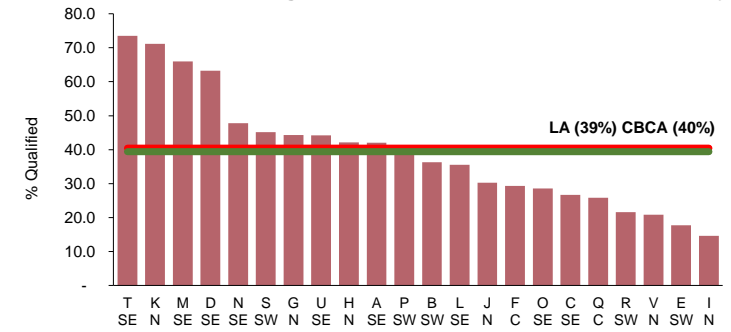


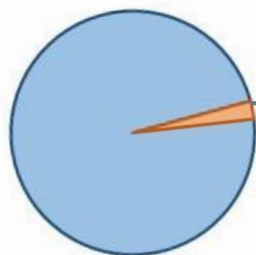
Fig 6. % of qualified staff in Accountancy



Overview: Creditors and Debtors

Creditors and debtors refers to the transactional teams focussed on inputting, paying and raising invoices as well as maintaining external supplier and customer information. This activity fell under the Finance classification.

Spend relating to creditor and debtor activity amounts to £13m across all Welsh Local Authorities. All authorities, with the exception of one, spend less than £1m on their creditor and debtor activity. Spend is marginally correlated to activity in creditor and debtor functions, such as the number of invoices processed. However, there is significant variance in the amount of spend and efficiency across similarly sized authorities. In particular, the cost of processing invoices varies significantly between authorities, ranging from between £0.60 per invoice to £5.50 per invoice. This is in part driven by the number of invoices being raised by authorities varying significantly. Whilst metrics indicate a significant degree of cost and activity variance across authorities, further consideration should be made towards the degree to which authorities have adopted initiatives such as bulk payment strategies, improved purchase to pay systems and reviewed processes. Where volumes appear high or productivity poor these should be considered.

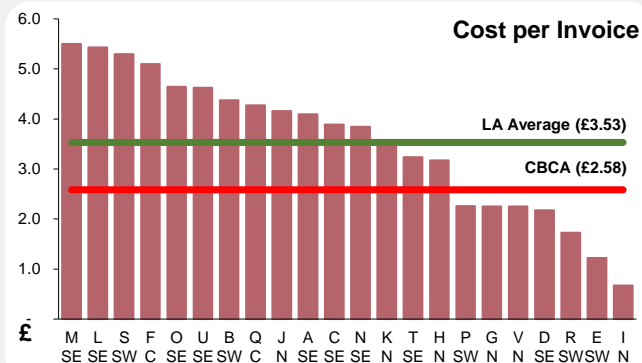


Total Creditors and Debtors spend amounts to

£13m

which equates to 3% of all administrative spend across Welsh Authorities

- A number of authorities are raising income from this service through supplying services to schools or other public services, across Finance (which does not just consider Creditor and Debtor but also Accounting, Payroll and Treasury) income totalled £1.6m.
- Within Finance authorities are delivering £1.9m of savings in 2014/15 and £2.5m in 2015/16. This represents 10% of the Finance expenditure in those authorities, and 6% across all Finance Expenditure.
- The Creditor and Debtor service employs 337 FTE's.



- Significant cost per invoice variance; cost per invoice ranges from £0.60 to £5.50.
- Welsh Local Authority average cost per invoice amounts to £3.53, compared to CIPFA Benchmarking Club Average of £2.58.
- Number of creditor invoices processed across all Welsh Local Authorities in 2013/14 amounts to 3.6m, 0.6m Debtor invoices were raised over this period

Cost and Activity Analysis

The amount spent by authorities in creditor and debtor activity varies between authorities. Swansea spends the most out of all Welsh Local Authorities spending £1.2m in 13/14, whereas Flintshire spent the least, £240k in 13/14.

Creditor and Debtor spend, when compared to the size of the authority (measured by Gross Revenue Expenditure), varies significantly. Authorities spend between £3.02 to £0.69 per £1 of GRE (see Fig 7). This suggests a significant variance in creditor and debtor efficiency between authorities.

Fig 7. Creditor and Debtor spend as a proportion GRE

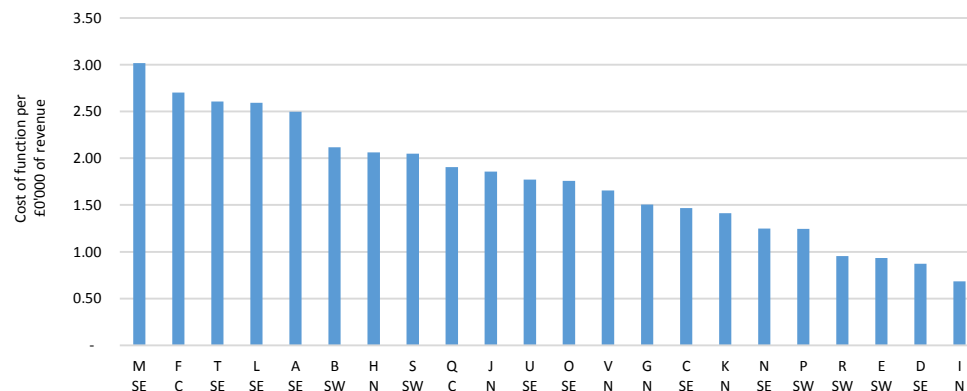
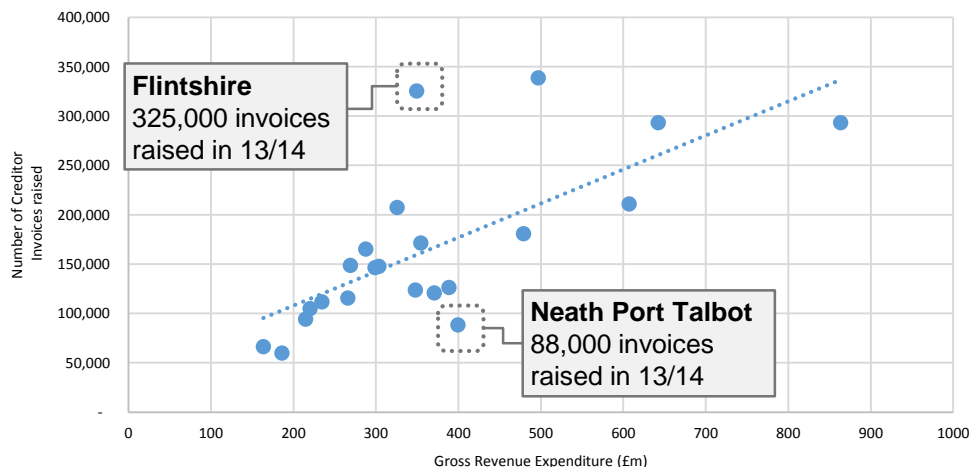


Fig 8. Number of Invoices Raised vs GRE



When focusing on creditor activity, authorities of a similar size raise significantly different amounts of invoices. This could suggest lower levels of purchasing activity within authorities that raise fewer creditor invoices, or potentially the uptake of supplier management initiatives to establish bulk invoicing arrangements. Authorities should strive to reduce volumes.

Cost and Activity Analysis (cont.)

The variance in activity doesn't correlate with the numbers of FTEs engaged in Creditor and Debtor activity. Similar levels of invoicing activity command various numbers of FTEs between authorities. Authorities that raise approximately 110,000 invoices per annum have Creditor and Debtor functions that range from between 11 and 37 FTEs. A number of authorities are operating with fewer than 10 Creditor and Debtor FTEs.

The variance of FTEs at similar levels of activity translates to varying levels of invoices per FTE. This suggests that the level of productivity between Creditor and Debtor functions varies significantly. FTEs within Carmarthenshire process approximately 35,000 invoices per annum, whereas Monmouthshire process approximately 4,000 per annum. Such variance could be driven by system issues or lack of standardised business processes.

Where authorities have implemented bulk invoice payments with suppliers, it would be expected the reduced volumes would be reflected through their staffing structures.

Fig 9. Number of Creditor and Debtor FTEs vs Number of Invoices

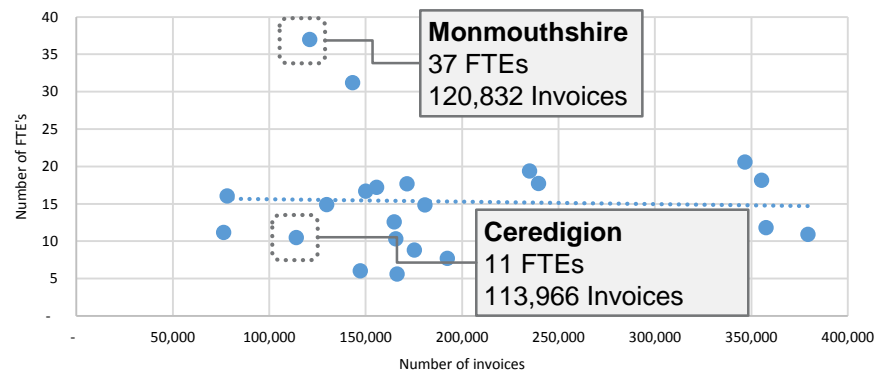
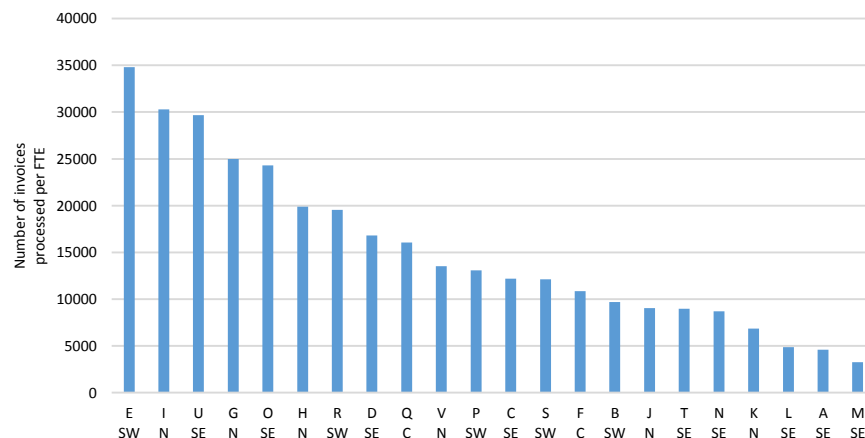


Fig 10. Number of Invoices per Creditor and Debtor FTEs



Cost and Activity Analysis (cont.)

The CIPFA Benchmarking Club Average suggests that 94% of invoices are paid via BACS. Many Welsh Local Authorities operate at, or near this average, the average across Welsh Local Authorities is lower, at 86%, with a minority of authorities operating well below the CIPFA Benchmarking Average. There may be valid reasons for utilising alternative payment methods, such as the ability of smaller suppliers to receive BACS but further investigation is required.

The variance in cost and activity translates to significant difference in the cost per invoice processed across Welsh Local Authorities. Cost per Invoice ranges from between £5.50 to £0.70. This drives a higher average cost per invoice of £3.53, compared to a CIPFA Benchmarking Club Average of £2.58. As noted a number of factors can drive up the cost per invoice including standardisation of processes, productivity (which can be influenced by systems and processes), payment mechanisms and capacity within suppliers.

Fig 11. Percentage of Invoices paid by BACS

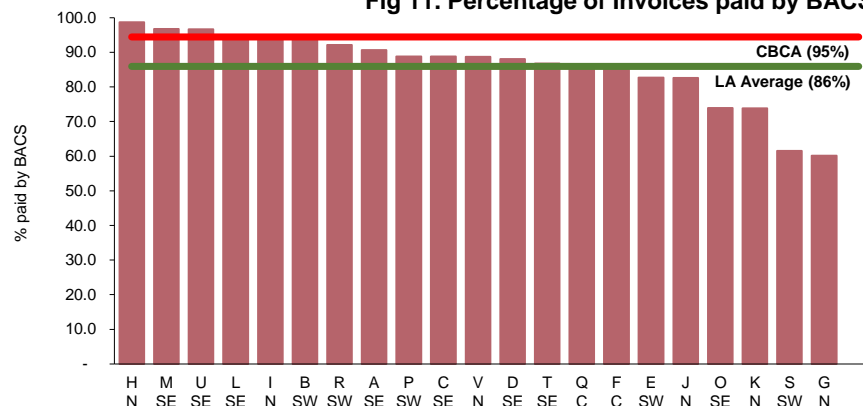
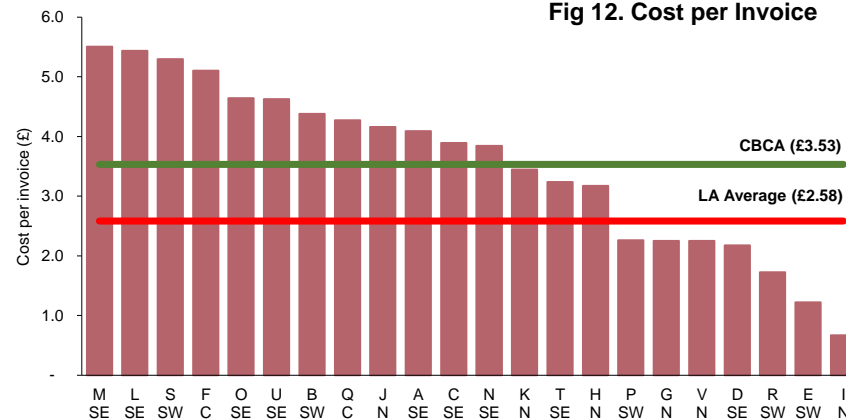


Fig 12. Cost per Invoice

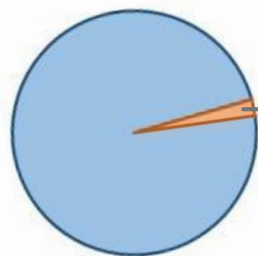


Overview: Payroll

The Payroll function holds responsibility for administering pay for employees, members and pensioners. Payroll is also tasked with managing payroll records and providing a number of returns and statistics on staffing.

Spend relating to payroll activity amounts to £12m across all Welsh Local Authorities. Metrics analysing unit costs indicate significant variance between authorities, with Welsh Local Authority Average performance sitting well above CIPFA Benchmarking Club averages. In particular, authorities raising lower volumes of payslips tend to demonstrate a higher cost per payslip suggesting that economies can be derived by larger scale authorities. This is supported by further analysis indicating payroll employees process lower volumes of payslips (9,039 on average per annum) compared to CIPFA Benchmarking Averages (12,158 on average per annum).

It was noted that only one authority outsourced their payroll function suggesting this option could be explored further by authorities given some of the cost performance demonstrated.

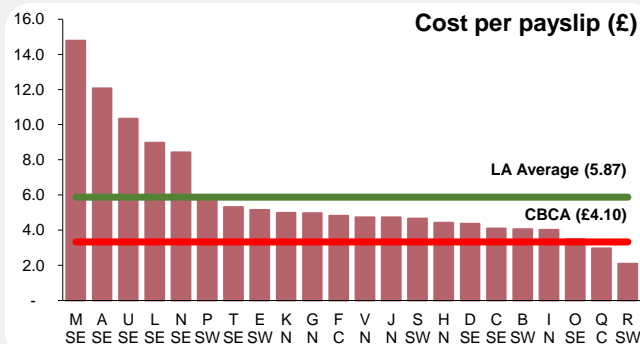


Gross Payroll Expenditure amounts to

£12m

which equates to 3% of all administrative spend across Welsh Authorities

- There were several specific examples of authorities generating income from providing payroll services to other public sector bodies such as Police, Fire and Schools. Income was collected at a 'Finance' activity level and totalled £1.6m in 2013/14
- Across Finance authorities are delivering £1.9m of savings in 2014/15 and £2.5m in 2015/16. This represents 10% of expenditure across these authorities
- 268 staff are sat within Payroll functions across authorities



- Cost per payslip varies considerably between authorities, ranging from between £14.80 and £2.10.
- Welsh Local Authority average cost per payslip amounts to £5.87, which equates to £2.82 per payslip more than the CIPFA Benchmarking Club.
- Notably 20 authorities are more expensive than the CIPFA benchmarking average of £3.34.

Cost and Activity Analysis

The amount spent by authorities in payroll activity varies between authorities. Swansea spends the most out of all Welsh Local Authorities spending £1.5m in 13/14, whereas Ceredigion spent the least, £230k in 13/14. Analysis of payroll spend on a relative basis also demonstrates significant variance between authorities.

Of the 22 authorities, 21 returned activity data that allowed for analysis of payroll expenditure per employee. Analysis indicates significant variance between authorities. Data from Monmouthshire suggests they have the most expensive relative payroll function at a cost per employee of £257. Data from Vale of Glamorgan suggests they are the most efficient at a cost per employee of £7. Even with the assumption that these two authorities may be outliers, only one of the remaining 19 authorities operate below the CIPFA Benchmarking Club average of £34 per employee. With the two outliers removed, the Welsh Local Authority club average stands at £90 which is still significantly higher than the CIPFA Benchmarking Club.

Analysis of payroll expenditure per payslip demonstrates similar variability, with authorities ranging between £15 and £2.10 per payslip. Only two authorities outperform the CIPFA Benchmarking Club average of £3.34, with the Welsh Local Authority average cost per payslip being 76% higher, at £5.87.

Fig 13. Payroll Expenditure per Employee

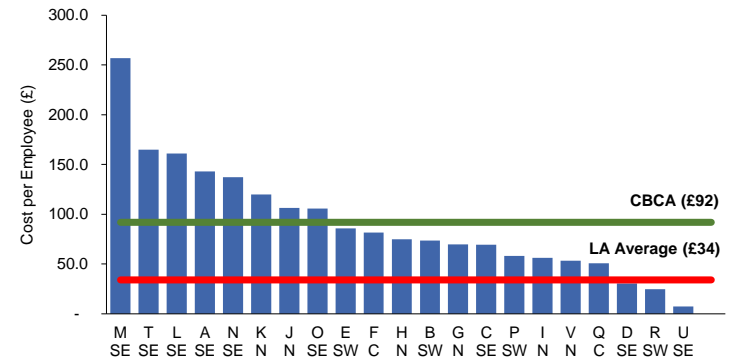
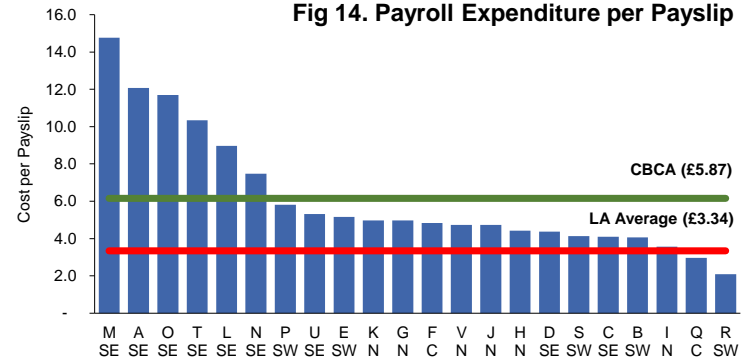


Fig 14. Payroll Expenditure per Payslip



Cost and Activity Analysis (cont.)

Further analysis indicates productivity differences between authorities. The CIPFA Benchmarking Average suggests authorities are achieving an average of 12,185 payslips per payroll employee per annum. Data collected from Welsh Local Authorities suggests the number of payslips processed per payroll employee only stands at 9,357. Lower productivity could be driven by a number of factors, including less efficient business processes, poor systems or performance management. It should be noted that only 4 authorities are achieving CIPFA benchmarking performance.

When comparing a cost per payslip metric against the number of payslips raised per annum, analysis suggests that authorities processing lower volumes of payslips are burdened with a higher cost per payslip. The five authorities suggesting the highest cost per payslip are all processing less than 100,000 payslips per annum. Notably the authority raising the highest number of payslips are able to drive the lowest unit cost.

Fig 15. Payslips per Payroll Employee

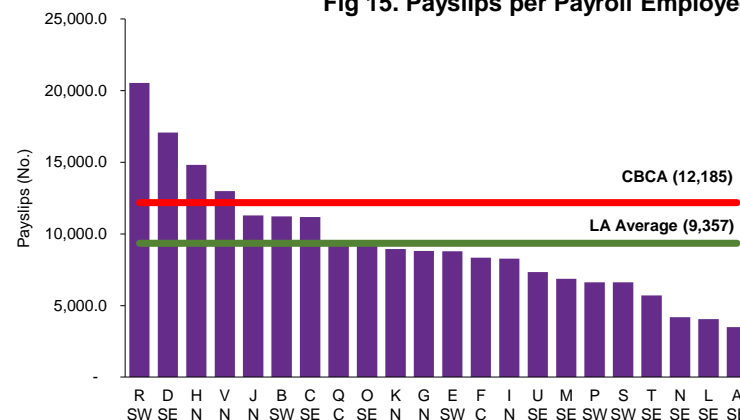
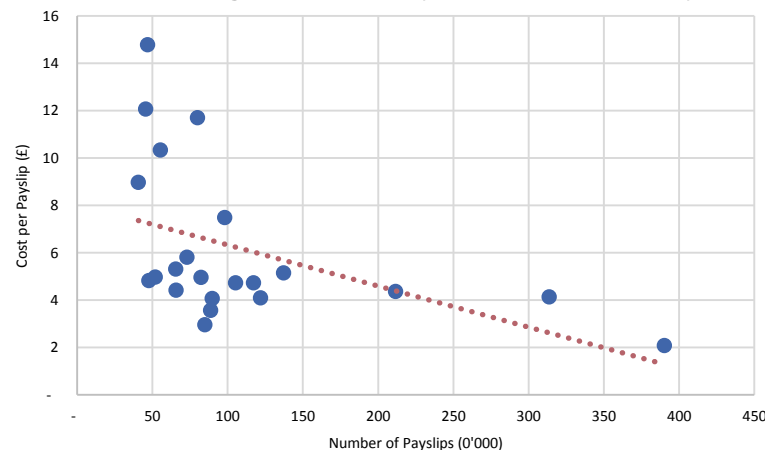


Fig 16. Cost per Payslips vs Number of Payslips

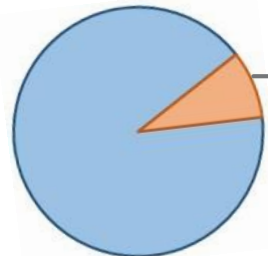


Overview:
Human Resources

The core function of Human Resources is defined by a number of key activities including recruitment and selection, learning and development, organisational change, change management, pay and reward and employee relations.

Expenditure on HR activity is highly variable across Welsh Local Authorities. Spend has been categorised into Strategic HR activity and Transactional HR activity; whilst the categorisation of such activity is reasonably subjective, the balance between the two categories varies across authorities. On a relative basis, the efficiency of authorities also varies, with a number of metrics performing significantly lower than CIPFA Benchmarking averages.

Of particular note, the numbers of FTEs varies between HR functions in similarly sized authorities. This suggests that different operating models are in place across authorities which are delivering varying degrees of efficiency. It should be noted that analysis undertaken has not considered the quality and effectiveness of the HR service provided by these functions.

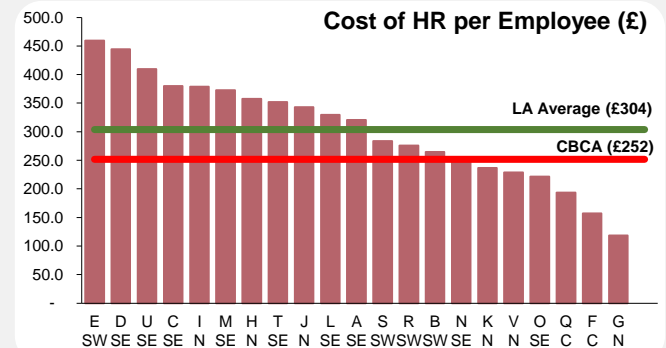


Gross Human Resources Expenditure amounts to

£47m

which equates to 10% of all administrative spend across Welsh Authorities

- A total of 959 FTEs work in HR functions across Welsh Local Authorities.
- A number of authorities raise income from HR activity sold to schools and other public services. This totalled £2.2m for 2013/14.
- Authorities are planning a number of initiatives; savings of £2.3m are expected to be delivered in 2014/15 and £1.4m are planned for 2015/16. This represents 13% across those authorities who submitted savings and 8% across total HR expenditure.



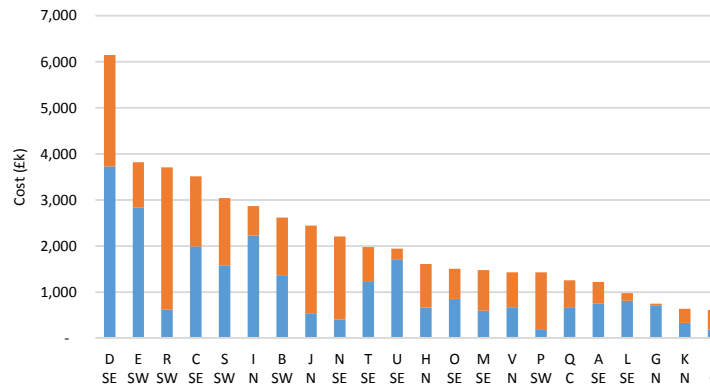
- Cost of HR per employee varies considerably between £459 to £118 across Welsh Local Authorities.
- Welsh Authorities are more expensive on average than their counterparts in the CIPFA Benchmarking Club with a cost per employee of £303, 20% higher than comparators.
- Human Resources teams across Wales support a total headcount of 146,853.

Cost and Activity Analysis

The £47m spend across HR activity in Welsh Local Authorities was collated across two categories, namely Strategic HR and Transactional HR. Whilst it was noted that there is a degree of subjectivity as to how cost and activity is classified between the two, the data can be summarised as follows:

- Strategic HR - £28.1m, 52% of all HR spend. 561 FTEs
- Transactional HR - £19.0m, 48% of all HR spend. 397 FTEs

Fig 16. Cost of HR Activity, per Authority



Cardiff spends the most on HR activity on an absolute basis, spending £6.1m in 2013/14, whilst Ceredigion spends the least, spending £608k over the same time period. Cardiff has by far the largest HR function on an absolute basis, whilst a number of authorities exist operate with HR functions below £1m.

There is significant differences between allocation of cost and FTE's between the two activities as shown in figure 17. It might be expected strategic staffing structures would be smaller than transactional, having more of an oversight / policy role. It should be noted the guidance did not detail how to allocate between these sub-activities so the splits given by authorities only give an indication of structures. However to have such significant variance between authorities points to different operating models and warrants further attention.

Fig 17. Cost of HR Activity, per Authority

Authority	Strategic HR	Transaction HR	Cost of HR (£k)
Cardiff	61%	39%	£6,143
Carmarthenshire	74%	26%	£3,820
Rhondda Cynon Taff	17%	83%	£3,704
Caerphilly	57%	43%	£3,513
Swansea	52%	48%	£3,038
Flintshire	78%	22%	£2,862
Bridgend	52%	48%	£2,614
Gwynedd	22%	78%	£2,443
Neath Port Talbot	18%	82%	£2,204
Torfaen	62%	38%	£1,974
The Vale of Glamorgan	87%	13%	£1,944
Denbighshire	41%	59%	£1,611
Newport	56%	44%	£1,505
Monmouthshire	40%	60%	£1,473
Wrexham	47%	53%	£1,427
Pembrokeshire	13%	87%	£1,426
Powys	52%	48%	£1,257
Blaenau Gwent	61%	39%	£1,222
Merthyr Tydfil	83%	17%	£972
Conwy	95%	5%	£748
Isle of Anglesey	52%	48%	£636
Ceredigion	30%	70%	£608
Total	52%	48%	£47,143

Cost and Activity Analysis

Analysis of direct employee costs also demonstrates significant variance between authorities. Average direct employee costs in HR range between £21k per employee to £41k per employee. This variance applies to both categories of HR activity.

For the 16 authorities that submitted pay cost data for HR staff, Transactional HR Staff pay averaged £29k. The transactional nature of activity suggests that this should be lower than the Strategic HR pay average of £41k. However, data suggests that there is significant variance within Transactional HR staff pay between authorities, ranging between £47k to £16k. The exercise does not give us insight into the operating structures or activities of individual staff but the data does appear to promote a further discussion. This could conclude that some authorities are paying significantly more for staff performing very similar duties which may warrant job evaluation or further considerations.

The higher Strategic HR pay average of £41k supports the likelihood that posts are more likely to be senior HR business partner / policy / industrial relations in nature. At the higher end of the pay spectrum, authorities appear to be just recognising senior HR staff in this category, pointing to potentially flatter structures in Pembrokeshire and Flintshire.

Notably the numbers of strategic HR staff are higher than we might expect, 12 of the 16 authorities have more than ten staff and only three authorities offset this with lower transactional staff (Gwynedd, Torfaen and Blaenau Gwent). Assuming interpretation is consistent this would suggest the remaining nine authorities have fairly large strategic functions and collaboration around the responsibilities of the service, such as policies and tribunals could be considered.

Fig 18. Transactional HR Staff, average pay

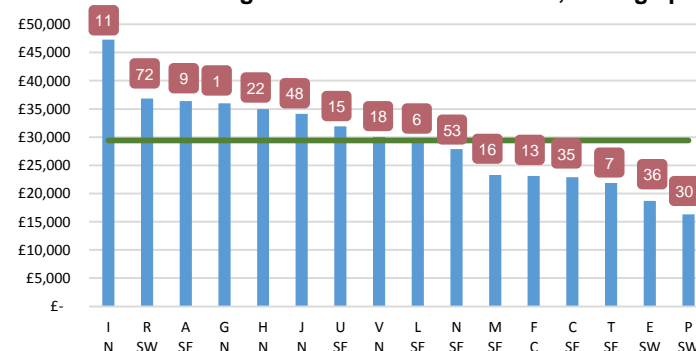
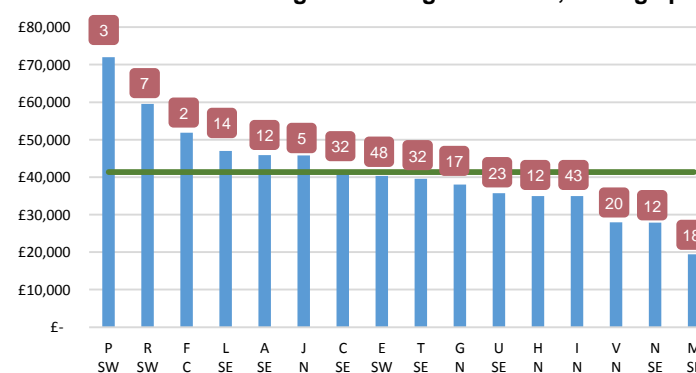


Fig 19. Strategic HR Staff, average pay



Total number of employees

Cost and Activity Analysis (cont.)

On a relative basis as a proportion of GRE, HR expenditure varies significantly, with authorities spending anywhere between £8.2 and £2.6 per £1,000 GRE. This translates to a wide variance in the cost of HR activity per employee. Authorities spend between £118 and £460 per employee, with a significant proportion spending more than the CIPFA Benchmarking Club Average of £252. This suggests a range in the efficiency of HR functions, although it is noted that no analysis of the quality of service provision of HR functions has been undertaken. Furthermore, increased capacity may exist within authorities to accommodate significant planned change in the future.

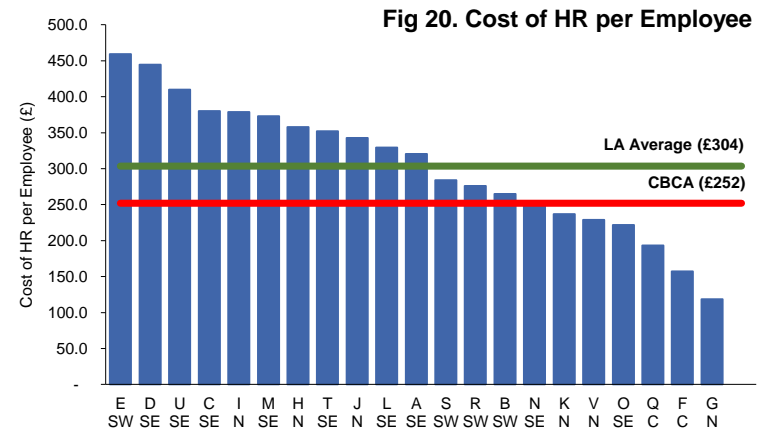
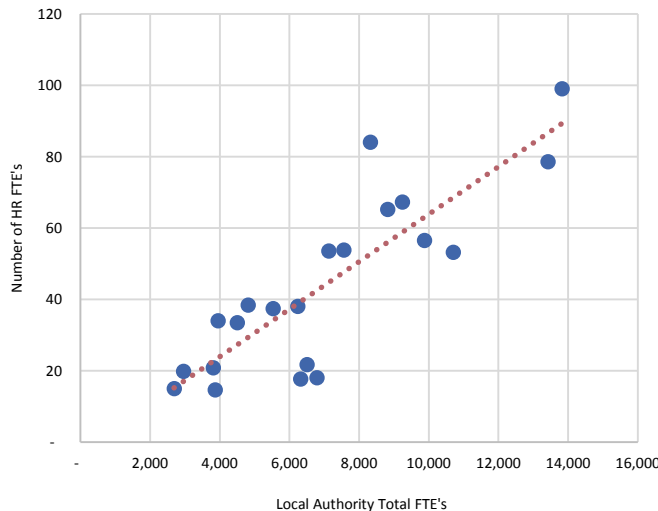


Fig 21. Number of HR FTEs vs Total FTEs



Whilst the correlation between number of HR FTEs and total FTEs across authorities is broadly as expected, analysis identified significant variances in the number of HR FTEs between similarly sized authorities. For authorities with approximately 4,000 employees the numbers of HR FTE's ranges between 15 and 35. This variance increases with the size of authority, with authorities with approximately 7,000 to 8,000 FTE's having HR functions that range between 18 to 84 FTE's. Considerations around service quality, a high number of upcoming change programmes or a high level of support from the HR function to the front line are all drivers for needing an increased staffing number in the frontline. However, such variance in operating models and resources requires further attention.

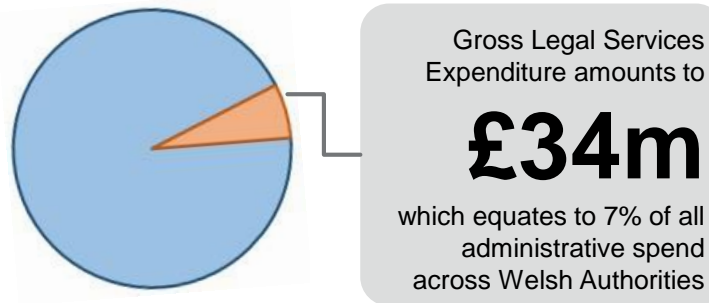
Overview:
Legal

Legal Services covers cost and activity of all lawyers (solicitors, barristers and legal executives) and other fee-earners such as paralegals, legal assistants and trainees. The role of the statutory monitoring officer is also included within this figure.

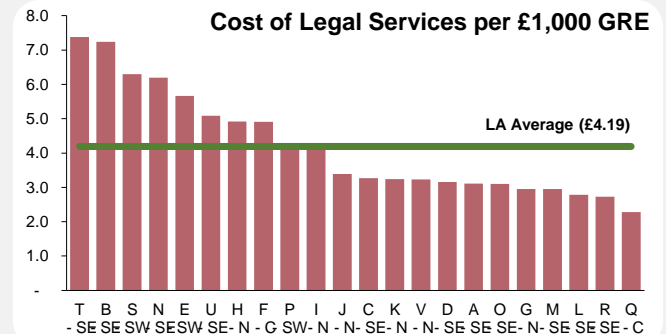
Authorities spend highly variable amounts of their gross revenue expenditure on Legal Costs with the lowest authority spending 0.2% versus the largest authorities spending 0.7%. Costs in this service are 70% driven by direct employee costs and the dataset supports that comparable authorities have very different numbers of legal staff.

12% of costs are categorised as ‘Supplies and Services – Other’, further investigation suggests this primarily refers to specialist external legal advice. It was noted an opportunity may exist for authorities to jointly procure this advice, or a case made for an authority to be identified as a specialist provider.

A Shared Service exists for Legal Services in South West Wales, providing both resource and specialist skills for authorities – this agreement did not appear to be focused on staff structures.



- 597 staff were identified as in Legal across Wales.
- Providing Legal Services externally raised income of £1.6m for authorities in 2013/14 suggesting should capacity be identified within Legal functions this is a viable revenue stream.
- Planned initiatives in Legal Services total £1.1m in both 2014/15 and 2015/16 representing 15% of the budgets for those authorities and 7% of total Legal spend.
- Data in relation to charged hours was not sufficiently robust to deliver a cost per charged hour metric.

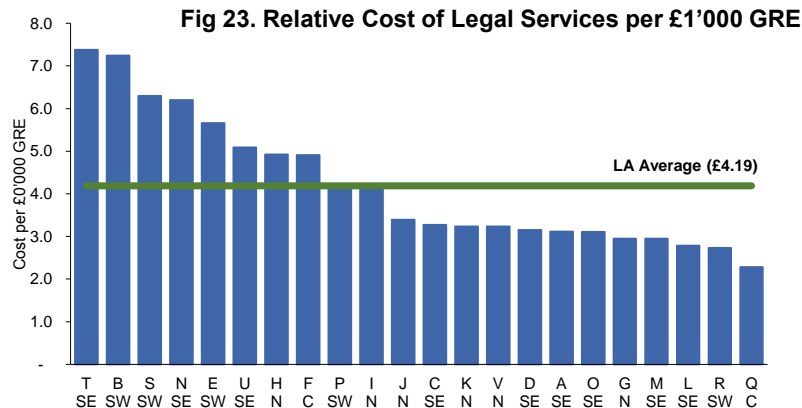
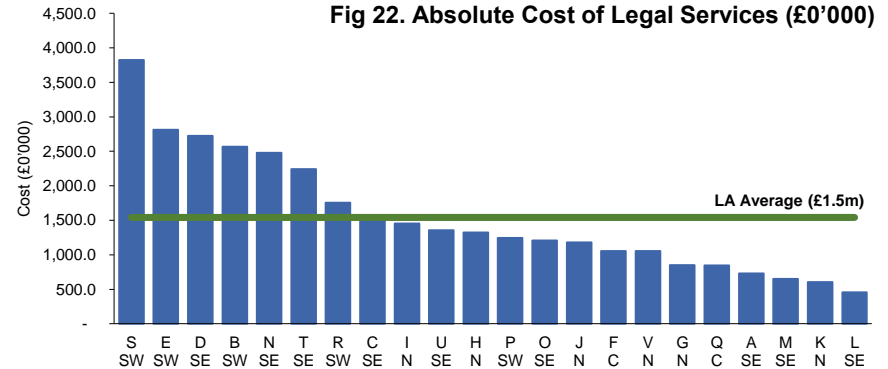


- Relative cost of legal services varies significantly between authorities, ranging from £2.30 per £1,000 GRE to £7.40 per £1,000 GRE.
- Welsh Local Authority average stands at £4.19 per £1,000 GRE.
- Significant variances in Legal Service function size, ranging from 7 FTE's to 81 FTE's.

Cost and Activity Analysis

Gross Legal Services expenditure totals £34m across Welsh Local Authorities. Expenditure is predominantly driven by direct employee costs, accounting for 70% of this figure. However, notably, 12% of total Legal Services expenditure (£4m) is accounted for by ‘Supplies and Services – Other’. It can reasonably be assumed these are costs related to external advice on specific cases where authorities do not have the capacity or skill to engage autonomously. By granulating the categories of advice purchased authorities could identify there is a more cost effective approach for this work, either to procure collaboratively or for one organisation to hire specialist staff and charge out this resource accordingly.

Legal Services expenditure varies between authorities. Both Carmarthenshire and Swansea have larger Legal Services costs than Cardiff; Swansea’s Legal Services costs are 35% larger than Cardiff’s despite having a budget that is nearly 30% smaller. Given often specialist knowledge required in Legal there may be opportunities for smaller authorities to purchase specialist support from other functions.



Relative Legal Services expenditure also varies between authorities. Authorities spend between 0.2% of Gross Expenditure on Legal Services to 0.7%, and an average across Welsh Local Authorities of 0.4%.

Cost and Activity Analysis (cont.)

Fig. 24 demonstrates reasonable correlation between GRE and Legal Services FTE's, as expected. However there are some significant disparities in Legal Function size between comparable authorities. For example, Swansea have 81 Legal Services FTE whilst Rhondda operate with 34. At lower budget sizes, authorities with approximately £300m GRE operate with between 16 and 37 staff. These disparities could be caused by specific contextual operating requirements or where the service is a significant income generator.

Fig 24. Number of FTE's vs GRE

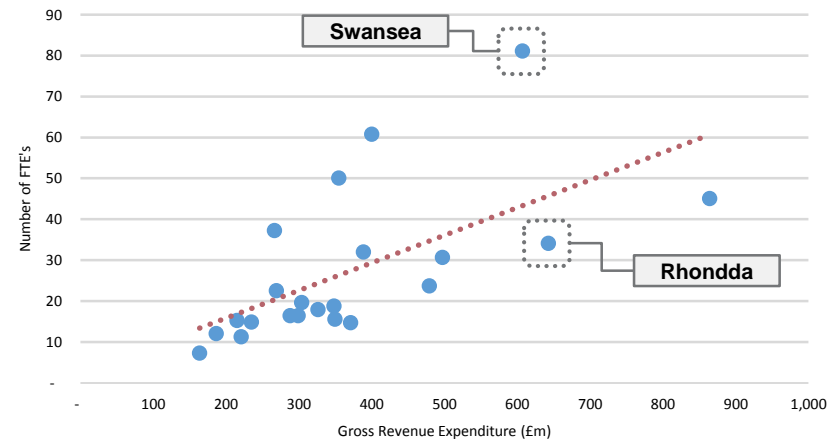
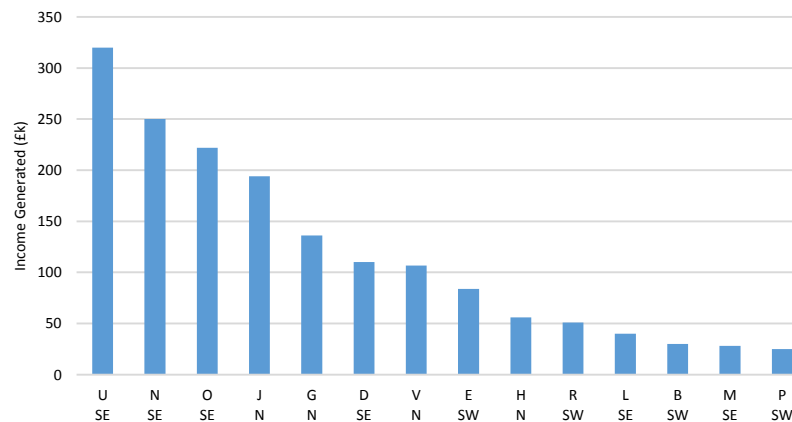


Fig 25. Legal Services income generation



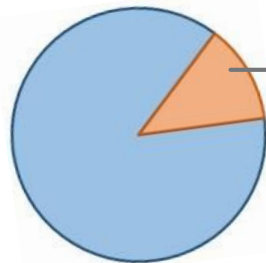
Several authorities are generating income through supplying Legal Services to other public sector bodies. As an example The Vale of Glamorgan is generating £320k as part of a Shared Service arrangement in South-West Wales

Overview:
Revenues and Benefits

Revenues and Benefits incorporates three primary administrative activities; Benefit, Council Tax and NNDR Administration. Data collated included staff, contact, processing and enforcement costs of providing these services.

Revenue and Benefits data was captured across three activities with spend totalling £38.1m (56%) on Benefits, £24.5m on Council Tax (36%) and £5.4m (8%) on NNDR administration. Although these activities are primarily transactional in nature there was not a clear relationship between costs per unit and demand levels which suggests either larger authorities are failing to standardise processes and systems to realise benefits from the higher volumes they serve, or these activities are less amenable to benefits from economies of scale.

Variability between comparable authorities was high, exemplified in benefits administration where costs per weighted caseload range from £19 to £85. Given the high cost of these activities, consideration should be given to approaches that can standardise unit costs, which could potentially realise significant opportunities.



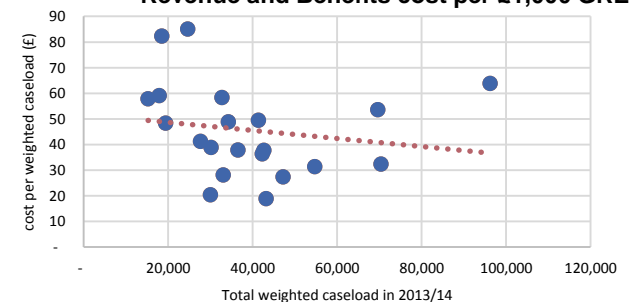
Gross Revenue and Benefits expenditure amounts to

£68m

which equates to 13% of all administrative spend across Welsh Authorities

- 1549 FTE's are employed across Wales in Revenue and Benefit services; 919 in benefit administration, 496 in Council Tax and 134 in NNDR administration
- Initiatives of £2.3m are planned in 2014/15 and £2.0m in 2015/16. This represents 11% of expenditure in those authorities and 6% of revenue and benefits expenditure in totality.
- Key activity metrics are; 826,724 weighted caseload, 1.4m banded dwellings and 108,303 hereditaments

Revenue and Benefits cost per £1,000 GRE



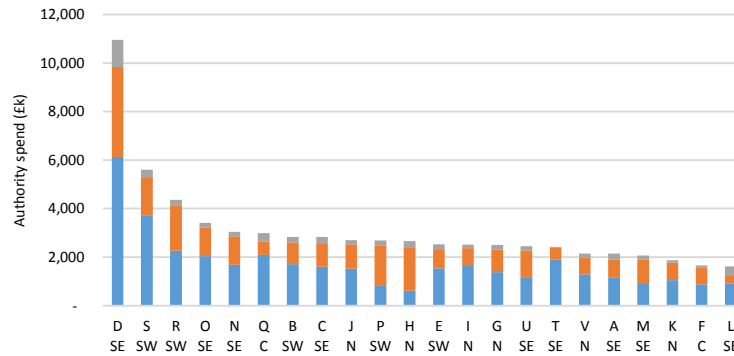
- Cost per weighted caseload is a key metric for Benefit Administration cost effectiveness. There is significant variability, with cost per weighted caseload ranging from £19 to £85 across authorities, suggesting differing processes, systems or staffing numbers are affecting standardisation across authorities
- Whilst there is a trend toward lower cost per caseload in authorities holding larger numbers of caseload the relationship is not strong enough to be causal.

Cost and Activity Analysis

The amount spent by authorities across Revenue and Benefits activity varies significantly between authorities. The total Revenue and Benefits administrative spend of £68m has been collected across three categories, namely:

- NNDR Administration - £38.1m, 56% of all Revenue and Benefits administrative spend, 919 FTEs
- Council Tax Administration - £24.5m, 36% of all Revenue and Benefits administrative spend, 496 FTEs
- Benefits Accountancy - £5.4m, 8% of all Revenue and Benefits administrative spend, 134 FTEs

Fig 26. Cost of Revenue and Benefits Activity, per Authority



The variance in the ratios of spend between the categories of Revenue and Benefits administrative activity suggests that varying levels of productivity exist between authorities. The categorisation of spend and activity into the three categories is less subjective other areas of analysis undertaken.

On an absolute basis, most authorities operate a Revenue and Benefits administrative function costing between £2m and £3m per annum. However, these functions manage very different levels of demand.

Authority	Benefits	Council Tax	NNDR	Cost (£k)
Cardiff	56%	34%	10%	10,955
Swansea	67%	28%	6%	5,607
Rhondda Cynon Taff	52%	42%	6%	4,359
Newport	60%	35%	5%	3,409
Neath Port Talbot	55%	39%	6%	3,046
Powys	70%	19%	11%	2,996
Bridgend	60%	31%	8%	2,836
Caerphilly	57%	33%	10%	2,835
Gwynedd	56%	37%	6%	2,702
Pembrokeshire	30%	62%	8%	2,688
Denbighshire	23%	68%	9%	2,658
Carmarthenshire	61%	32%	8%	2,529
Flintshire	67%	28%	6%	2,509
Conwy	55%	37%	8%	2,498
The Vale of Glamorgan	47%	47%	7%	2,444
Torfaen	79%	20%	2%	2,429
Wrexham	60%	32%	7%	2,151
Blaenau Gwent	55%	34%	11%	2,143
Monmouthshire	45%	46%	8%	2,062
Isle of Anglesey	56%	38%	5%	1,866
Ceredigion	53%	42%	5%	1,661
Merthyr Tydfil	57%	19%	24%	1,613
Total	56%	36%	8%	67,995

Cost and Activity Analysis (cont.)

Whilst relative cost analysis across key Revenue and Benefits administrative activities is highly variable, on an average basis, Welsh Local Authorities compare well to CIPFA Benchmarking data.

Within Benefits Administration Activity, cost per weighted case load varies between £19 and £85. On an average basis, Welsh Local Authorities incur a cost per weighted case of £46, against a CIPFA Benchmarking Club average of £48. Notably, 11 Welsh Authorities perform better than the benchmark.

At over 4x the variability across authorities is significant and unexpected in a service where a number of processes can be standardised.

Fig 27. Benefits Administration - Cost per Weighted Case Load

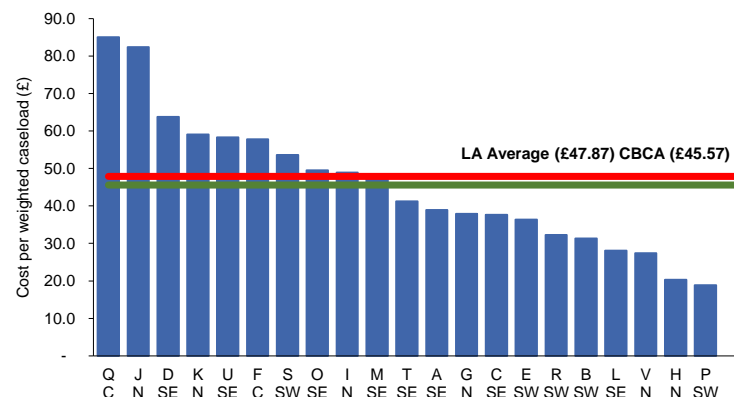
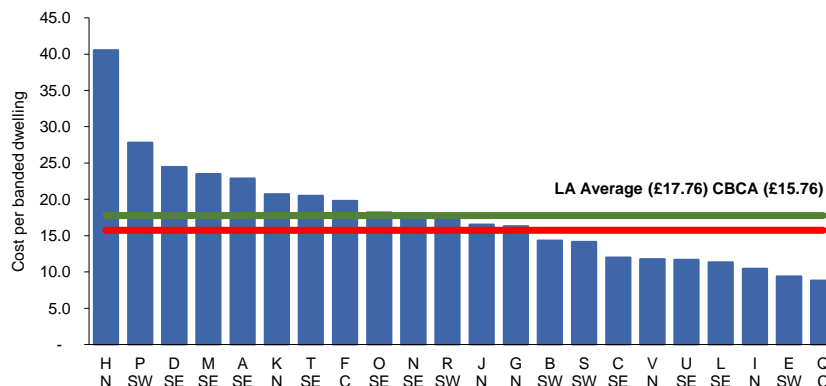


Fig 28. Council Tax Administration - Cost per Banded Dwelling



Council Tax Administration activity similarly display wide variability between Welsh Local Authorities. The cost per banded dwelling ranges from £9 to £41. Although the Welsh Local Authority average of £18 indicates a figure slightly above the CIPFA Benchmarking Club average of £16, the average is heavily influenced by an outlier, Denbighshire.

Cost and Activity Analysis (cont.)

Relative cost analysis suggests that there is limited correlation between volume of activity and unit cost in Revenue and Benefits. This suggests that the activity may not benefit so directly from economies of scale.

However, analysis of relative costs within Revenue and Benefits administrative activity clearly identifies significant variance between authorities. Authorities with a weighted caseload across the year of 35,000 are paying between £20 and £58 per weighted case, this variability is continued at the 40,000 level with authorities paying between £19 and £49. It is also notable that there are no authorities with a weighted caseload below 30,000 who are operating at or below the 'average weighted caseload' of £45.60, suggesting there is a minimum size for benefit administration below which it can be come cost inefficient. Given the scale of Revenue and Benefit administrative expenditure, any reduction of variability would have a significant impact.

Fig 29. Cost per Case vs Total Caseload

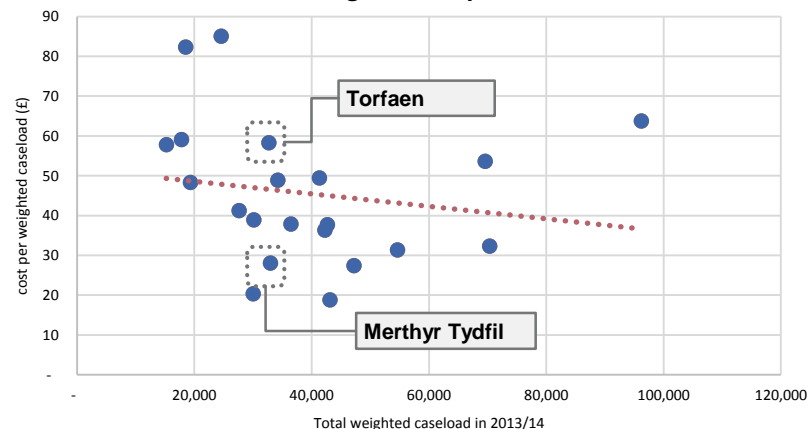
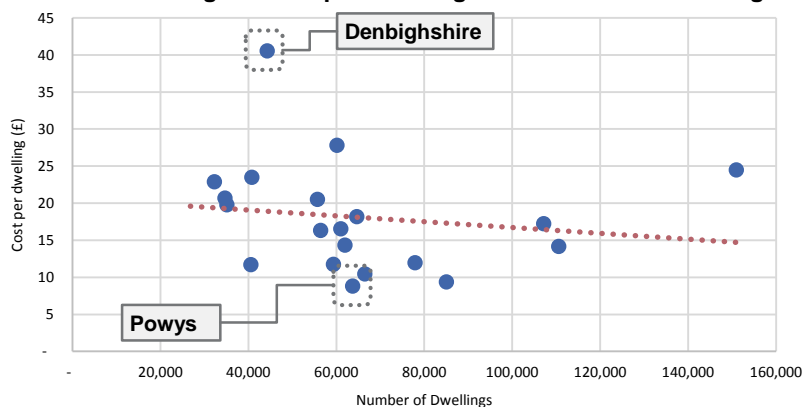


Fig 30. Cost per Dwelling vs Total Banded Dwellings



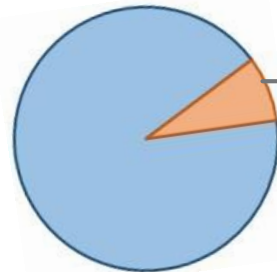
Analysis suggests similar variability in cost per banded dwelling, a key metric of cost effectiveness within Council Tax administrative functions shown in fig 30. Variability amongst authorities with a similar number of dwellings is large, with unit costs varying from between £9 to £41.

Overview: Strategy and Policy

Strategy and Policy incorporates five activities, namely Strategy, Policy, Performance, Communications and Chief Executives Office. The guidance detailed the approach to classification of costs between these activities, however it should be noted there is an element of interpretation.

The relative spend on Strategy and Policy activity across Welsh Local Authorities varies significantly. Total spend equals £43m in 2012/13, equating to 8% of all administrative spend across Welsh Local Authorities. Of the five categories across which data was collected, Communications spend was the largest totalling £14.4m, with other notable quantum's in Policy (£9.4m) and Performance (£8.3m).

On a relative basis authorities are spending differing amounts of GRE on these services, this variation is primarily driven by staffing costs where it is notable that authorities have variable head count numbers. For example within communications FTE numbers range from 2 to 35, and within Policy similarly sized organisations have head counts from 6 to 28. It should be noted that Benchmarks for cost and activity in this area are limited, given the more discretionary nature of expenditure, however on a volume basis alone variances are worthy of consideration.



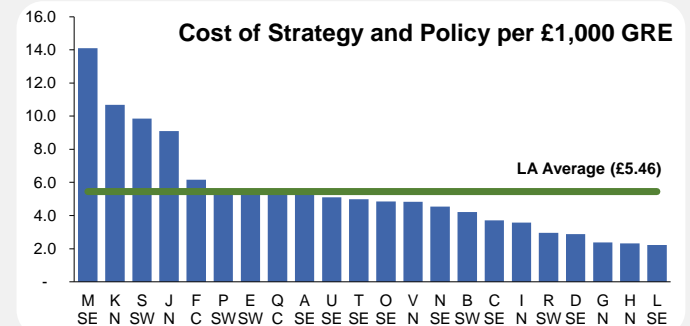
Total Strategy and Policy spend amounts to

£43m

which equates to 8% of all administrative spend across Welsh Authorities

- Staffing numbers total 695 across Strategy and Policy, with 249 FTE's in Communications, 164 FTE's in Performance, 143 FTE's in Policy, 74 FTE's in Chief Executive's office and 66 FTE's in Strategy.
- Initiatives planned in Strategy and Policy total £0.8m in 14/15 and £1.0m in 15/16, representing 17% reduction in those authorities and 4% across the service.
- Income generated across the service totalled £1.2m in 2013/14. Monmouthshire generated £0.8m which should be subject to further analysis.

Cost of Strategy and Policy per £1,000 GRE



- Average spend on Strategy and Policy equates to £5.46 per £1,000 GRE.
- Four authorities operate with proportionally significantly larger Strategy and Policy functions than the average across Welsh Local Authorities.
- Variance driven predominantly by significant outliers in the number of FTEs engaged in such activity.

Cost and Activity Analysis

Spend on Policy and Strategy varies significantly between authorities. On average, £1.9m is spent by authorities directly on Strategy and Policy, with five authorities spending significantly more than the average and four authorities spending more than Cardiff on an absolute basis.

Spend on Strategy and Policy varies significantly between authorities on a relative basis too. When compared as a proportion of GRE, authorities spend between £2.2 and £14.1 per £1,000 of GRE (figure 31). Whilst it is acknowledged that GRE is not necessarily a direct metric for Strategy and Policy activity, such a wide variance suggests that authorities are resourcing the various sub-activities very differently.

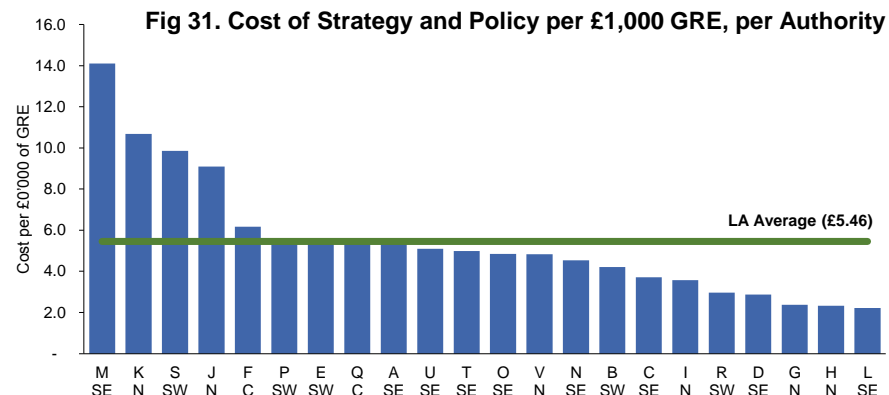
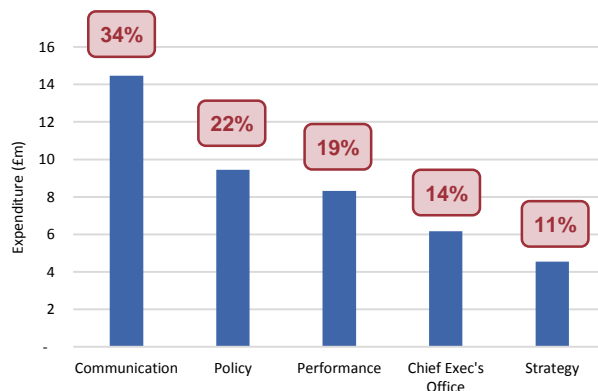


Fig 32. Cost of Strategy and Policy Categories



Of the five categories across which Strategy and Policy data was collected, Communications is the most costly in Welsh Local Authorities, with a combined spend of £14m (34%) in 2013/14. It should be noted this is higher than a number of transactional areas given scrutiny such as Creditors and Debtors or Payroll. Given this spend level it would be helpful to develop metrics that could support efficiency assessments within this service to enable comparability.

Cost and Activity Analysis (cont.)

The variance in Strategy and Policy spend is matched with a similar variance in the number of FTEs within the functions categorised under Strategy and Policy.

When comparing the number of FTEs employed undertaking Policy activity against GRE, data suggests that most authorities function with no more than ten FTEs undertaking policy activity. A number of authorities have no resource applied to this area, suggesting that there is no definitive Policy function within these authorities. Furthermore, three authorities, have significantly larger Policy functions than other authorities. These outliers don't reconcile with the biggest authorities (as measured by GRE).

Fig 33. Number of Policy FTEs vs GRE, Per Authority

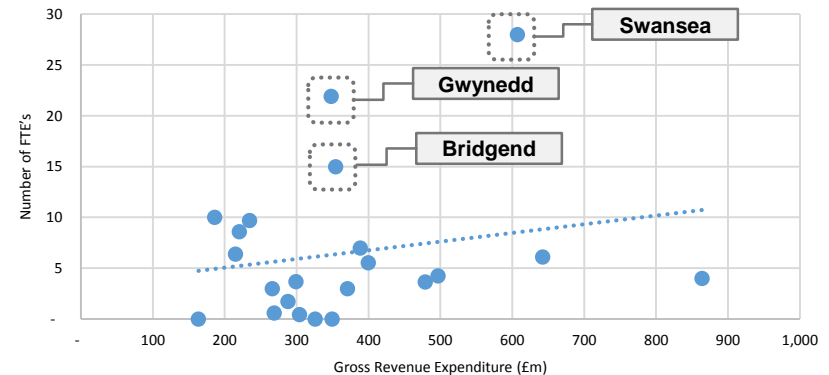
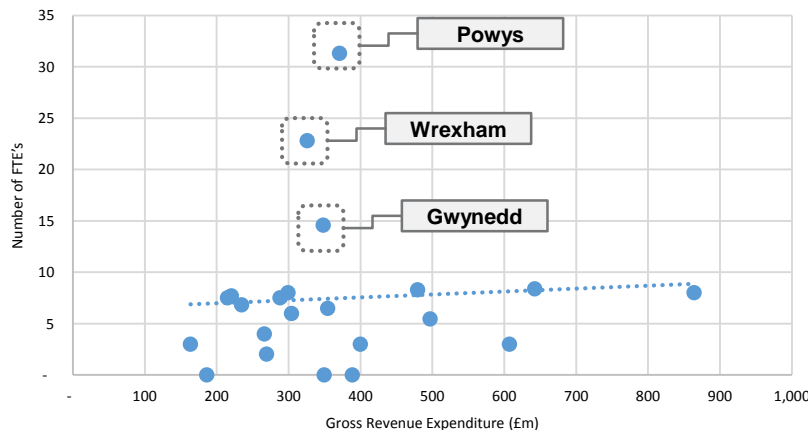


Fig 34. Number of Performance FTEs vs GRE, Per Authority



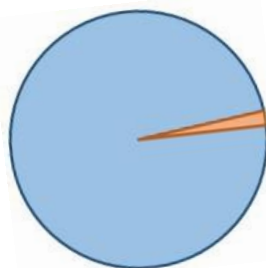
Similar analysis presents a comparable picture for FTEs undertaking Performance activity. Again, most authorities operate with no more than ten FTEs delivering focused performance activity. However, three authorities sit outside of this trend, possessing significantly larger Performance teams compared to other authorities.

Overview: Procurement

Procurement plays a number of key roles in the organisation; understanding the demand and business requirement for goods and services, sourcing these at the required level at best value and in accordance with tendering regulations and supporting the ongoing supply.

Expenditure on Procurement activity across Welsh Local Authorities amounted to £10m in 2013/14. Analysis suggests that efficiency is variable between authorities, highlighting variance in the number of FTE's in Procurement functions along with variance in employee costs. This could be driven by issues relating to systems, business processes or utilisation of resource, and also suggests that there are a range of operating models in place.

It was noted that authorities viewed Procurement as a potential area warranting investment. Whilst efficiencies should still be sought, the transition of authorities towards undertaking more material and complex commissioning activities suggested that authorities may consider further investment to ensure effective Procurement functions are maintained. Consideration was also made to the degree to which authorities utilise central functions such as the National Procurement Service, which through discussion at the workshops appeared low.

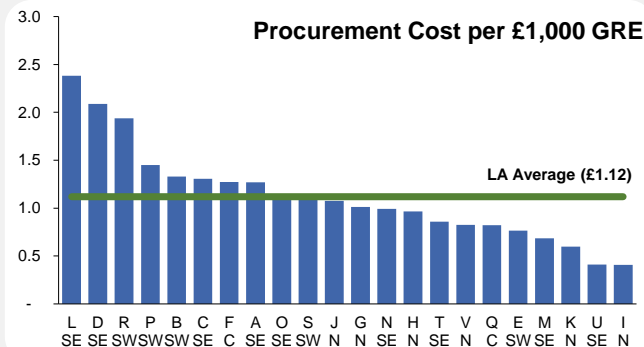


Gross Procurement expenditure amounts to

£10m

which equates to 4% of all spend across Welsh Authorities

- Authorities generated £309k of income in 2013/14 across Procurement.
- Authorities anticipated outturn for 14/15 is £289k lower and significant savings are planned for 15/16 of £927k.
- There are 187 employees conducting procurement activities across Wales.
- It was noted authorities identified £3.7m in procurement staff costs within the front line. It would be expected procurement specialists would be centralised to ensure effective practice.



- Cost of procurement per £1,000 GRE varies considerably, ranging £0.4 to £2.4.
- This equates to an average across Welsh Local Authorities of £1.12 per £1,000.
- Data submitted in relation to sourcing exercises was not considered robust enough to use as metric.

Cost and Activity Analysis

Gross Procurement expenditure totals £10m across Welsh Local Authorities. On a relative basis, expenditure varies significantly between authorities; Procurement expenditure ranges from £0.4 per £1,000 GRE to £2.4 per £1,000 GRE.

A number of the larger authorities demonstrate relative procurement costs above the Welsh Local Authority average of £1.12 per £1,000 GRE. This suggests that rather than delivering efficiencies via economies of scale, procurement teams in larger authorities require greater resource to accommodate more complex commissioning and contracting requirements.

Fig 35. Procurement Cost per £1,000 GRE

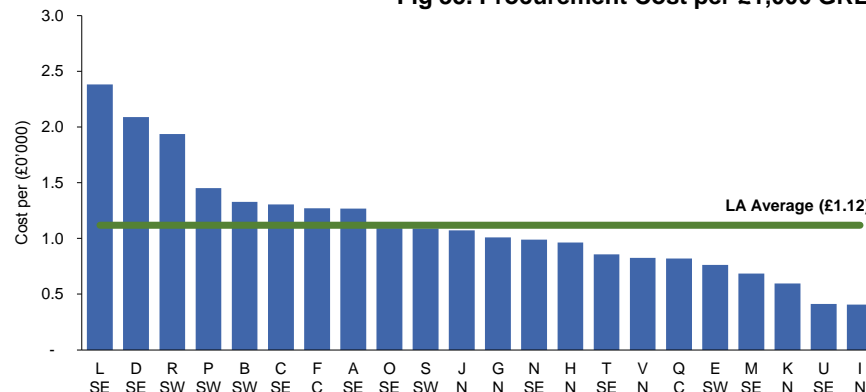
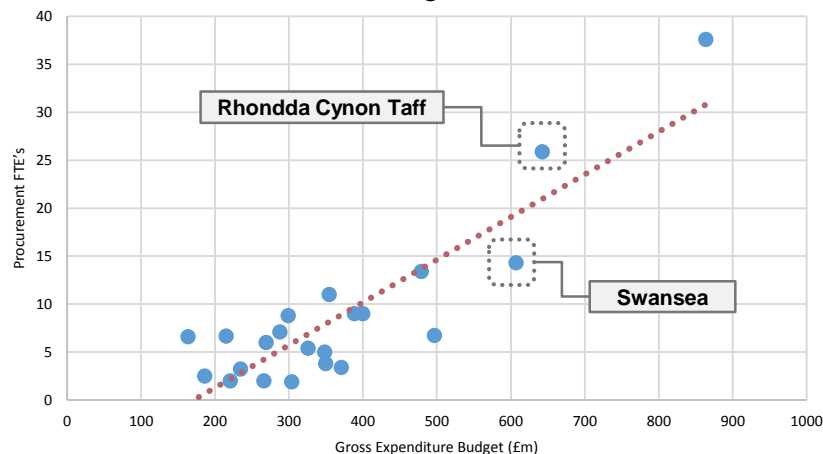


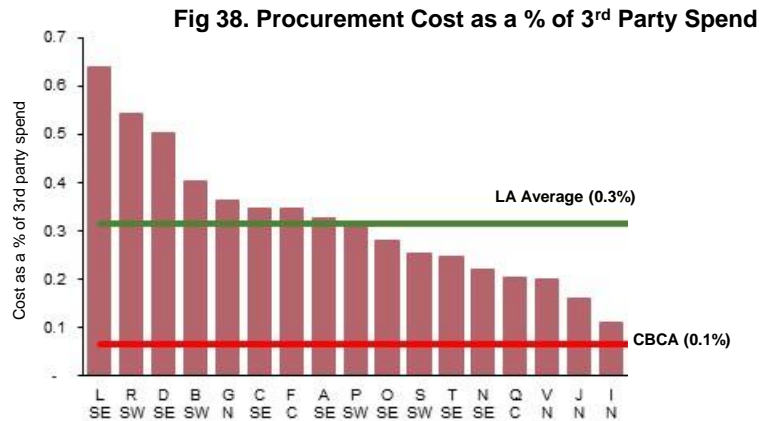
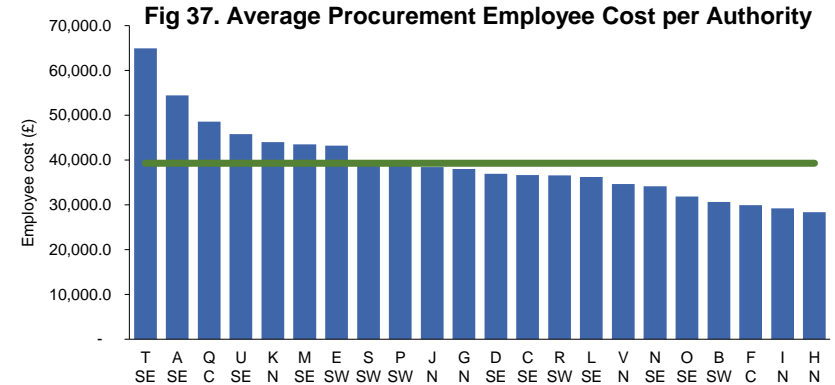
Fig 36. Procurement FTE's vs GRE



Variance also applies to the numbers of Procurement FTE's in authorities. Analysis suggests that there is a reasonable correlation between GRE and number of Procurement FTE's, although this is heavily influenced by the two largest Procurement functions in Rhondda and Cardiff. Furthermore, a number of authorities of a comparable size have significantly different sized Procurement functions. It should be noted that this could indicate a more decentralised Procurement team. The analysis has not considered the effectiveness of procurement provision.

Cost and Activity Analysis (cont.)

Further variability can be identified via analysis of average Procurement employee cost. Data collated suggests authorities incur costs that average between £28k per employee to £65k per employee. This indicates a range of Procurement operating models in place, that warrant varying degrees of expertise and capability to deliver.



Analysis of Procurement spend against 3rd party spend demonstrates further variability across Welsh Local Authorities. Of the 17 authorities that supplied the required data, the percentage cost of procurement against 3rd party spend ranged from 0.1% to 0.6%. All authorities appear to operating less efficiently than the CIPFA Benchmarking average of 0.07%.

Cost and Activity Analysis

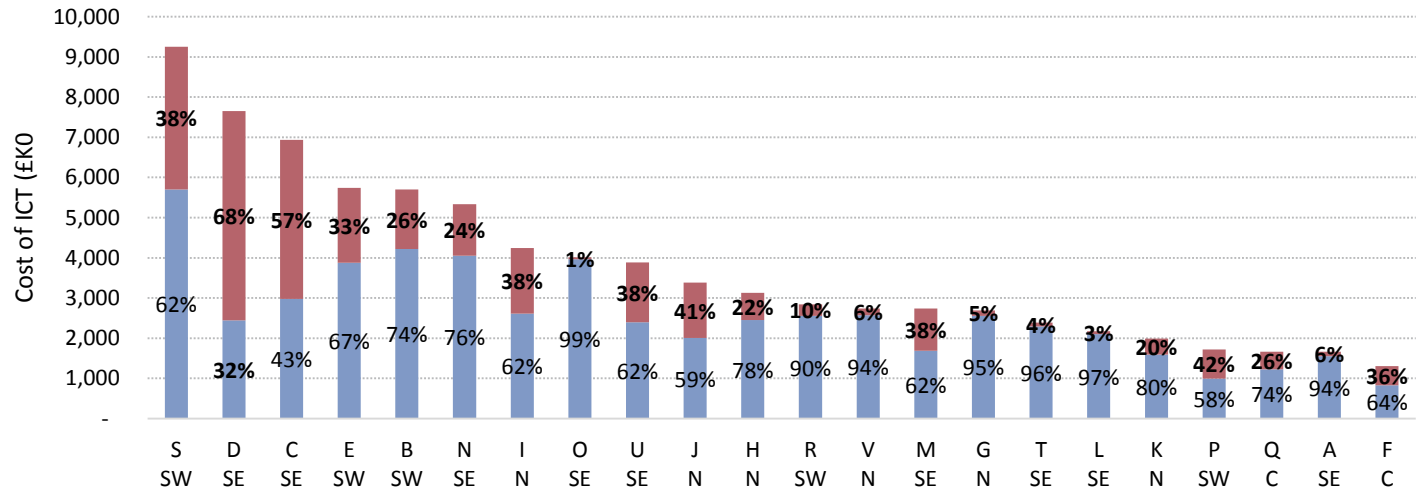
Total ICT expenditure in 2013/14 of £84m has been categorised into two key functions:

- ICT Infrastructure - £32m, 38% of all ICT spend, 406 FTEs
- ICT Service Desk - £52m, 62% of all ICT spend, 718 FTEs

The ratio of Infrastructure spend to Service Desk spend is not consistent between authorities, as demonstrated in Fig 39. Large infrastructure costs, which include software development, system and data centre maintenance should be broadly analogous across authorities.

Authorities which have indicated that they have a higher proportion of ICT spend allocated to Service Desk activity may be relying on ageing infrastructure that drives larger user support needs, running higher numbers of separate systems leading to a reliance on specialised support staff or low front line user competency.

Fig 39. Absolute Cost of ICT per Authority



Please note Swansea (fully outsourced ICT service), Flintshire, Vale of Glamorgan and Monmouthshire's costs were extrapolated as cost and activity information had only been allocated against infrastructure.

Cost and Activity Analysis (cont.)

ICT spend as a proportion of expenditure varies significantly between authorities. Authorities range from spending £4 per £1,000 GRE to £17 per £1,000 GRE. Authorities that make up the six most expensive on a relative basis, all have proportionally large Infrastructure spend compared to Service Desk spend, suggesting this activity is a key driver of higher cost authorities.

Fig 40. ICT Cost per £1,000 GRE

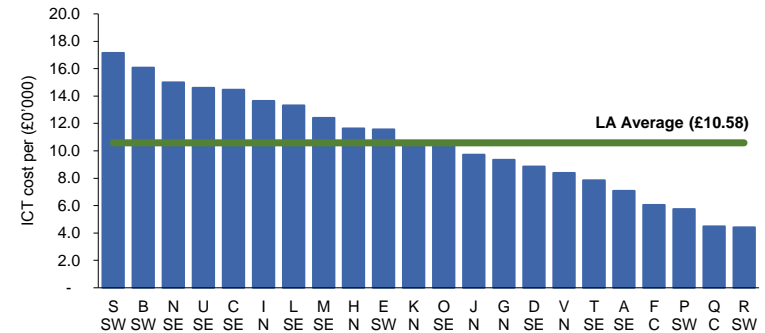
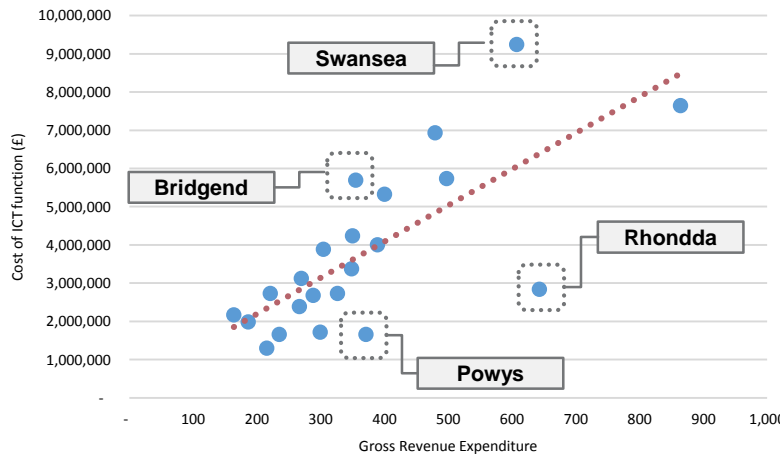


Fig 41. Cost of ICT Function vs GRE



Analysis also indicates that authorities of a comparable size spend significantly different amounts on ICT. This suggests that both different operating models are in place and perhaps that authorities look to utilise technology in different manners. Of particular note, Powys, an authority with GRE of £371m in 2013/14, spends £1.6m on ICT, compared to Bridgend, with a comparable GRE of £355m, which spends £5.7m on ICT. Swansea clearly exists as an outlier, spending £9.3m on ICT, £1.3m more than Cardiff. This has been driven by an existing outsourcing arrangement. Rhondda, which has the second largest GRE of all Welsh Local Authorities spends, on a relative basis, the least on ICT, at just under 0.5% of GRE.

Cost and Activity Analysis (cont.)

Analysis across Figures 42 and 43 indicate the range of FTE's across the two ICT categories, against GRE.

Whilst analysis suggests that the number of FTE's engaged in service desk activity is broadly correlated to authority size, this is predominantly driven by the 105 FTE's employed in Cardiff. Similarly sized authorities do demonstrate a degree of variability with the size of their Service Desk function. However, broadly authorities appear not to employ Service Desk functions larger than 30 FTE's. Further consideration should be applied to how authorities can collaborate on service desk support.

Fig 42. Number of FTE's in Service Desk (£k)

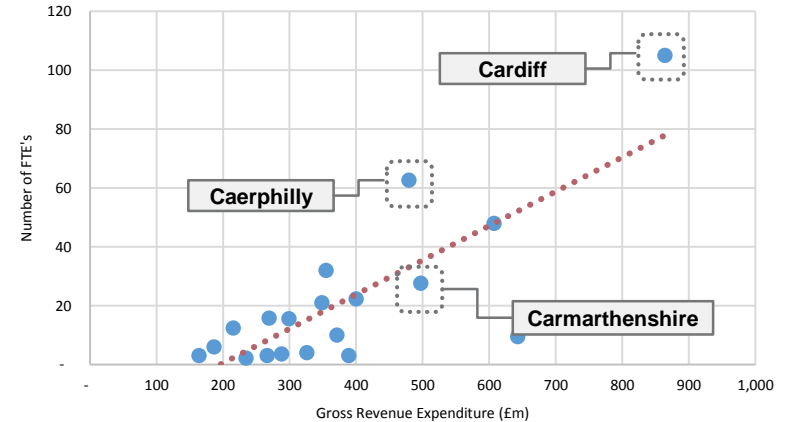
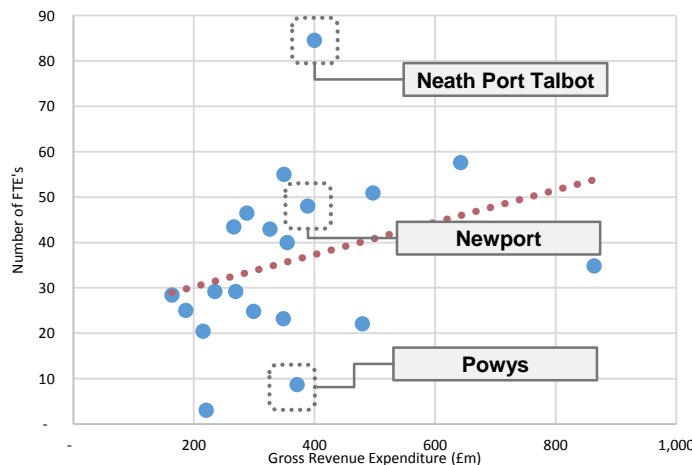


Fig 43. Number of FTE's in Infrastructure Function (£k)



Again significant variability is clear between numbers of infrastructure FTE's and size of authority as shown in figure 43. The three comparable authorities (on a gross expenditure basis) highlighted are operating with 9, 48 or 85 infrastructure employees. As these are not customer facing staff it may be larger functions are creating more software that could be shared across authorities. This variability needs to be investigated further.

It should be noted that analysis against FTE numbers and ICT activity has not considered the quality or effectiveness of these functions.

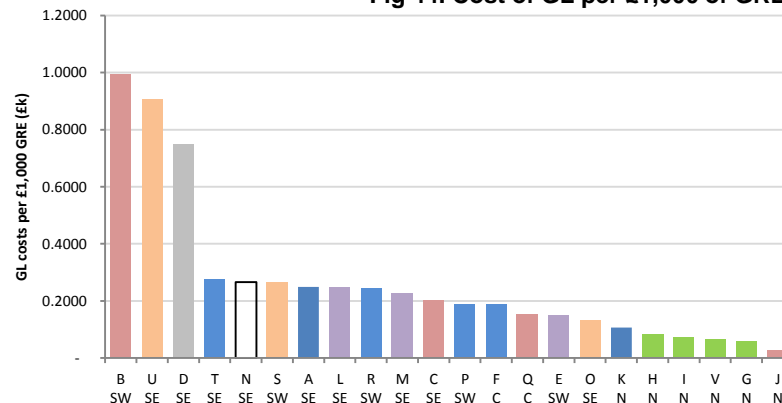
Cost and Activity Analysis (cont.)

Figure 44 demonstrates indicative variability of general ledger annual licencing costs between authorities on a relative gross revenue expenditure basis. Whilst there are a number of caveats to this broad indicator, for examples authorities may have invested heavily up front to reduce annual costs, it does indicate authorities are not jointly procuring, negotiating or sharing key system costs.

Through data captured on the exercise it was identified a number of contracts for general ledgers are up for renewal in the short to medium term, supporting more collaborative approaches across this key system. This can act as an integrator for more collaborative operating models in the future.

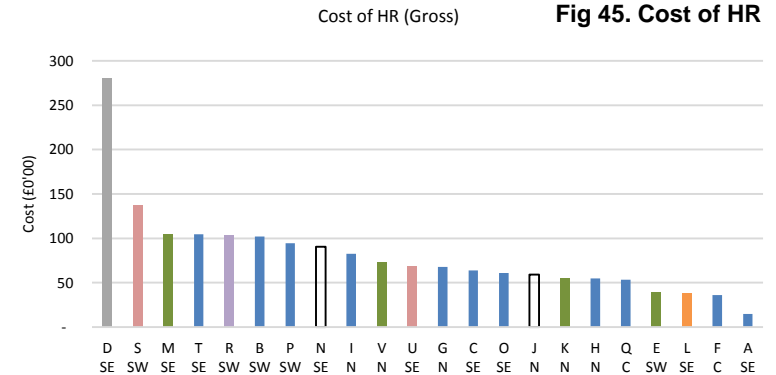
The data collated also showed there were only 3 examples of organisations operating common platforms across Finance and HR systems. ERP systems often increase the control environment and create efficiencies through less reconciliations and feeders, these options should be fully investigated.

Fig 44. Cost of GL per £1,000 of GRE



Cost and Activity Analysis (cont.)

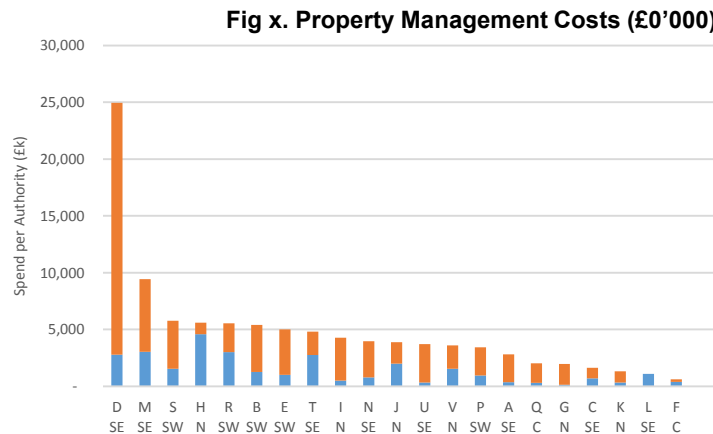
Figure 45 shows the absolute cost of authorities HR systems. There are clear benefits to be made from authorities collaborating on systems. 11 authorities have the ability to exit contracts so in a number of cases these discussions could start immediately.



Cost and Activity Analysis

The amount spent by authorities across Property Management activity varies significantly between authorities. The total Property Management spend of £101m has been collected across two categories, namely:

- Estates Management - £72m, 71% of all Property Management spend, 602 FTEs
- Facilities Management - £29m, 29% of all Property Management spend, 439 FTEs



Cardiff spends the most on Property Management activity on an absolute basis, spending £25m in 2013/14, whilst Ceredigion spends the least, spending £0.6m over the same time period. Given the area Ceredigion covers this would support issues interpreting the guidance.

The split of Estates and Facilities costs between authorities provides an insight into activities performed, whilst Facilities Management dominates the majority of authorities several authorities have driven facilities costs down such as Ceredigion and Wrexham.

	Estates Management	Facilities Management	Total Cost (£k)
Cardiff	11%	89%	£24,960
Monmouthshire	32%	68%	£9,433
Swansea	27%	73%	£5,768
Denbighshire	82%	18%	£5,588
Rhondda Cynon Taff	54%	46%	£5,542
Bridgend	23%	77%	£5,412
Carmarthenshire	20%	80%	£5,016
Torfaen	57%	43%	£4,819
Flintshire	12%	88%	£4,282
Neath Port Talbot	20%	80%	£3,972
Gwynedd	51%	49%	£3,886
Vale of Glamorgan	9%	91%	£3,703
Wrexham	43%	57%	£3,590
Pembrokeshire	28%	72%	£3,426
Blaenau Gwent	13%	87%	£2,813
Powys	15%	85%	£2,025
Conwy	7%	93%	£1,975
Caerphilly	42%	58%	£1,630
Isle of Anglesey	25%	75%	£1,303
Merthyr Tydfil	100%	0%	£1,102
Ceredigion	62%	38%	£613
Grand Total	29%	71%	£100,860

Cost and Activity Analysis (cont.)

Relative cost of Property Management as a proportion of GRE varies significantly between authorities, ranging from £43 per £1,000 GRE to £3 per £1,000 GRE. As expected, Cardiff, who have by far the largest absolute Property Management gross expenditure demonstrate a high relative cost, much of which is likely attributable to larger commercial portfolios. Monmouthshire demonstrate the highest relative gross cost, but notably derive significant income from providing services in this area, primarily to schools for hard facilities management. Commercial rents were not captured as part of this exercise, however the costs of the team were included which would drive high gross cost for those authorities with substantial commercial estates.

Fig x. Cost of Property Management per £1'000 of GRE

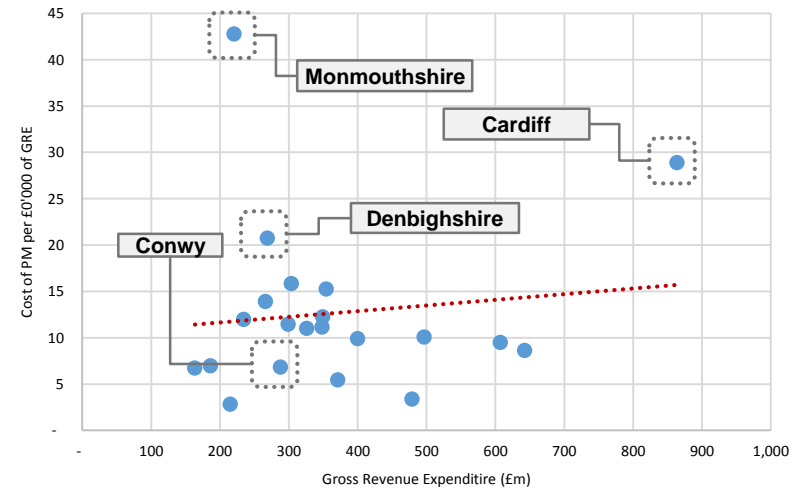
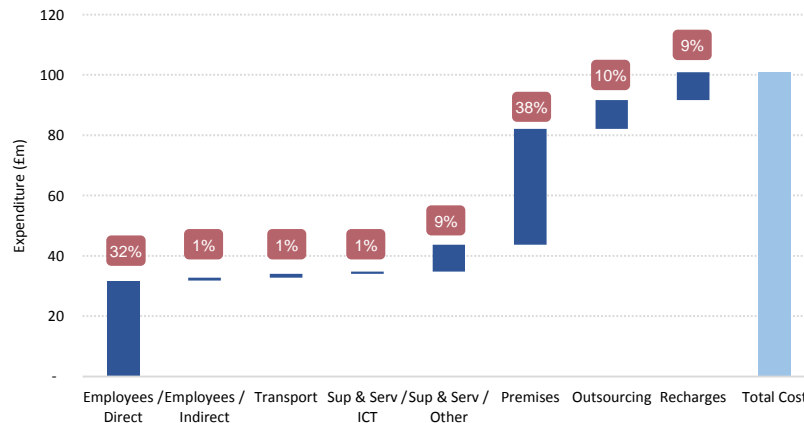


Fig x. Property Management Subjective Costs



The exercise focussed on capturing costs relating to administrative buildings only. The £38m highlighted in administrative premises costs would require further investigation on an individual asset basis, aligned with the ambitions stated by a number of authorities for agile working, prior to considering any asset rationalisation programme. The £8.8m classified as 'Other Supplies and Services' could be further analysed by categories of expenditure such as hard facilities management, catering and cleaning, landscaping and waste. This would allow authorities to identify where there may be scope to jointly procure.



cutting through complexity