

Corporate Policy & Resources Committee

4 October 2021



Title	Update on proposed Transactional Financial Service Partnership
Purpose of the report	To note
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Financial Sustainability
Recommendations	<p>Committee is asked to note and endorse the progress made by both Mole Valley District Council and Spelthorne Borough Council in progressing the proposed partnership, which is being established with the aims of achieving:</p> <ul style="list-style-type: none">• Greater resilience• Aiding recruitment & retention• Generating efficiencies and savings <p>in the transactional finance service to meet the needs of both Spelthorne Borough Council (SBC) and Mole Valley District Council (MVDC).</p>
Reason for Recommendation	<p>We are currently finalising the Memorandum of Understanding, organisation chart, budgets and key areas where savings can be achieved over the medium term and will forward a detailed report to this Committee once the S151 Officer at Mole Valley District Council (who has just returned from holiday after being away for September) has reviewed the documentation and agreed the suggested proposals. Then the final report will be presented to the respective Councils for approval, which we anticipate will be towards the end of October.</p>

1. The Partnership

1.1 Partnerships can bring a number of potential benefits including efficiencies/savings, resilience, service improvement, and the potential to improve recruitment and retention. In the view of the two Chief Finance Officers, the intended benefits of this Partnership between the finance functions of Mole Valley District Council, (MVDC) and Spelthorne Borough Council (SBC) in priority order are:

- **Resilience** – like virtually all district and borough councils, Mole Valley and Spelthorne operate small finance teams in order to deliver value for money for their Councils. They carry no ‘surplus’ resource, and are constructed to deliver just what is needed by the Council and no more.

However, this does create a vulnerability in relation to resilience, whenever one or more posts becomes vacant. This can be particularly challenging in relation to certain functions, (such as Systems Accountant or Treasury Management Accountant), which are generally undertaken by a single member of staff. It is proposed that in a larger combined Team it will be both easier to cover for vacancies generally, and to spread skills across a number of people, reducing reliance on a single person.

- **Recruitment and Retention** – The above issues of resilience are made more challenging by difficulties in relation to recruitment and retention. Despite the broader economic impact of the COVID-19 pandemic, recruitment and retention of local government professionals is challenging. As teams have become smaller in the drive for efficiencies, it has become ever harder to recruit and retain appropriately skilled staff, as opportunities for career development are by definition more limited in small teams. People who put the effort and time into gaining accountancy skills and qualifications are generally very career focused and willing to move employers in order to progress their careers.

This issue is further compounded by a significant reduction in the training of CIPFA qualified public sector accountants nationally, over the past decade, as public sector budgets have been squeezed. As a result, it has become increasingly difficult to attract accountants with the appropriate skills, qualifications and experience. (In a number of areas, local government accounting requirements are materially different from the private sector). It is proposed that in a larger Partnership environment, greater career development opportunities can be built into the design of the staffing structure, and that by its very nature, a multi-authority service will be more attractive to some individuals in terms of experience and career development.

- **Efficiencies/savings** – While the primary drivers of this proposal are those identified above, the financial environment currently facing all authorities is such that generating efficiencies, and associated savings, must be a material consideration in all service developments, and it is believed that this proposed Partnership should be able to deliver such efficiencies over the medium term.

1.2 This proposal has come from discussions between a number of the Finance Directors of local authorities across Surrey. The ultimate proposal for a Partnership between Mole Valley and Spelthorne arises from two key factors:

- **Strategic Goals** – Most 'strategic partnerships' that fail, do so because the partners go into the partnership wanting to get different things out of it. The Finance Directors of Mole Valley and Spelthorne are in agreement that the objectives of the Partnership should be those set out in paragraph 1.1 above, and in that order.

- Efficiencies – the achievement of efficiencies in this service will be largely dependent on the integration of ICT systems. Each ‘specialist’ ICT system in local government is generally provided by only a small number of suppliers nationally, (eg in relation to Council Tax Collection, an authority is either a ‘Capita authority’ or a ‘Northgate authority’). However, the significant number of such specialist systems means that authorities often have an almost unique combination of ICT systems. In this instance, Mole Valley and Spelthorne share the same suppliers for their financial ledgers, exchequer systems, revenues, benefits and HR/payroll. This assists with both the sharing of knowledge and skills across any combined Partnership, and also provides a far greater potential for achievement of efficiencies, in terms of, scale, speed and cost, as the automation of routine, ‘non-value-added activities’ will not require the replacement of existing systems.

1.3 While not a direct driver of this proposal, it is also helpful that two of Spelthorne BC’s senior Finance staff, (Director of Finance and Chief Accountant), have previously worked for Mole Valley DC.

1.4 While the above criteria have led to a proposal to form a partnership between Mole Valley and Spelthorne, one other authority has indicated that they are very interested in joining such a partnership, (they share common objectives and similar commonality of financial systems), but timing is not right for them in terms of other current issues in that authority. Similarly, a couple of others have indicated that they are interested in seeing how the Partnership develops, with a view to potentially joining at a later date.

2.

2.1 It is proposed that the Partnership initially covers ‘transactional’ activity only. This would include the following items:

- (a) Financial accounting, including production of annual Statement of Accounts;
- (b) Supporting the external audit and presenting the outcome to Audit Committee;
- (c) Maintenance and development of the ledger and associated financial systems;
- (d) Production of standard financial reports including factual monitoring information and budget planning information;
- (e) Production of financial and statistical returns to/for government;
- (f) Operational treasury management;
- (g) Exchequer services, (banking, payments and receipts);
- (h) Liaising with Internal Audit in relation to transactional activities.

2.2 Whilst we are exploring a number of options, our current thinking is that MVDC will transfer their transactional staff into the Partnership team, via secondment, as part of stage 1, which will assist with providing resilience and assist with recruitment and retention.

- 2.3 Each Authority would retain their own dedicated Section 151 Officer, and sufficient resource to deliver financial advice to Council, Members and Managers. This would include activities such as: forecasting and budget monitoring; modelling and production of Medium Term Financial Strategy /budget; financial analysis and production of business cases. In effect this is all activity which supports policy development and organisational decision making.
- 2.4 After the initial review period, approximately eighteen months from inception, both parties will evaluate the benefits of the partnership as part of stage 2, when the substantive savings in systems and processes can be delivered.
- 2.5 A Memorandum of Understanding is currently being prepared for review by the two S151 Officers, before it is presented to both Councils for approval.

3. Options analysis and proposal

- 3.1 A number of options are being reviewed and discussed, including and not limited to those shown below.
- (a) transferring both financial team into the partnership and extending it beyond just transactional activities.
 - (b) Having the two Chief Accountants currently in situ manage the process to stage 2 and then handover to a Partnership Manager.
 - (c) Recruiting a Partnership Manager immediately to take responsibility from stage 1.

4. Financial implications

- 4.1 The budgets are currently being prepared so that each partner knows what their commitment is to the new venture.
- 4.2 Significant savings can be made through amalgamating software licenses, particularly Integra.

5. Other considerations

- 5.1 The staff in both Council's team are being kept fully informed of the proposed partnership. Both Council's legal teams are assisting in drafting the Memorandum of Understanding.

6. Equality and Diversity

- 6.1 No change for either Council.

7. Sustainability/Climate Change Implications

- 7.1 No change for either Council

8. Timetable for implementation

- 8.1 Stage 1 implementation in November 2021
- 8.2 Stage 2 implementation in quarter 1 2022, April to June 2023/24.

Background papers: There are none.

Appendices: There are none.