Corporate Policy & Resources Committee

7th February 2022

Title	Update on proposed Transactional Financial Service Partnership
Purpose of the report	To note
Report Author	Terry Collier, Chief Financial Officer
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Service
Recommendations	**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:** • **Greater resilience** • **Aiding recruitment & retention** • **Generating efficiencies and savings** **in the transactional finance service to meet the needs of both Spelthorne Borough Council (SBC) and Mole Valley District Council (MVDC).** **The Committee is asked to refer the proposal to the Collaborative Opportunities Working Group to evaluate the pros and cons of moving to implement phase 1 of the proposed partnership by April 2022.**
Reason for Recommendation	Both Councils are facing challenges recruiting and retaining staff to their Finance functions. Potentially by combining we will be able to offer a more attractive structure to finance professionals and will improve resilience across the finance function and maximise our ability to drive value from the functionality of the finance software platform.

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 medium term financial environment currently facing all authorities is such that generating efficiencies, and associated savings, must be a material consideration in all service developments as part of a broader strategy of financial sustainability, and it is believed that this proposed Partnership should be able to deliver such efficiencies over the medium term. Whilst this proposal was identified before Corporate Policy and Resources approved a Working Group to consider the potential of specific collaborative partnership proposals, this proposal very much sits within the remit of that approach and it is suggested that the Working Group considers the merits of this proposal as one of the first collaborative opportunities it considers.

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, (e.g. 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, (Chief Finance Officer 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.

It is proposed that both Councils would enter into a s113 (1972 Local Government Act) Agreement to enable staff in both teams to undertake work for the other council whilst remaining with their existing employer, as part of Phase 1. This will assist with providing resilience and assist with recruitment and retention. This allows flexibility for both Councils in the event that we do not proceed to Phase 2 to be able to bring the partnership to a conclusion without creating any employment issues. This approach will allow time for the teams to then during Phase 1 to begin to build a one team culture and doing preparatory work on moving to upgrading financial platform, and to decide on a longer term operating model. During this period it will be a good opportunity to gain the views and ideas from the teams in moving the partnership forward and will support team collaboration and “buy in”.

2.2 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.

2.3 It is proposed to take a two stage approach. Phase 1 would not immediately result in a significant change for individual staff who would continue to operate in their current working location (much of which since the pandemic is on a virtual basis) and focused on their current Council. This would be done as a joint S113 Agreement which enables staff to continue with their existing employer, thereby avoiding Transfer of Undertaking Implications (TUPE) for Phase 1 or changes to terms and conditions of staff. There is a statutory duty under S113 Agreements to consult staff, which both Councils will do.

2.4 We are currently evaluating whether 1) to make one of the two Council’s Chief Accountants a Project Manager for Phase 1, in return for a small responsibility allowance (approx. £5k to £10k) to focus on how a single team can be progressed and how to maximise efficiencies from moving to a share financial platform and provide some additional project resource to support the project manager; or 2) recruit a temporary Project Manager to drive forward Phase 1. If we pursue the first option, additional elements would be added to that postholder’s Job Description. The Partnership Manager would be tasked with driving forward the partnership and start to develop the benefits during the initial phase1 and in particular would look at how resilience benefits can be developed and to start to identify how system benefits could be achieved. Capacity would need to considered in the decision together with any “back fill” requirements

2.5 After the initial review period, approximately twelve months from commencement of Phase 1, both parties will evaluate the benefits of the partnership as part of Phase 2, when the substantive savings is systems and processes can be delivered with a move to a common system approach. This would be combined with the need to future proof our current financial system by moving to web version (called Centros) of the software platform with more powerful and flexible reporting.

2.6 A Memorandum of Understanding is currently being prepared for review by the two S151 Officers, this will be run past the Spelthorne Collaborative Opportunities Task Group. The MoU will be based around ensuring that any additional costs are split evenly between the two Councils. Note if at the review of the end of Phase 1 it is felt that the benefits of the partnership are not sufficient to warrant to continue the partnership then both Councils will go their separate ways,

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 Phase 2 and then handover to a Partnership Manager.

(c) Recruiting a Partnership Manager immediately to take responsibility from Phase 1 and drive forward proposals to move to Phase 2.

(d) For Phase 1 allocate the Partnership Manager responsibilities to one of the two Chief Accountants, in return for a small partnership responsibility allowance. To ensure this was not an unrealistic burden on the selected chief accountant we might also need to create an additional recruitment resource to support moving forward the Phase 1 work

3.2 We are currently evaluating the merits of options c) and d) the additional Phase 1 costs of either of these options would be shared equally between the two Councils. Appendix 3 sets out the proposed structure of the team

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 As stated at the beginning of the report the driver is not to generate additional savings. However, by improving recruitment and retention both teams would be looking to reduce the risk of being exposed to the very significant costs of having to employ expensive agency staff to cover gaps. If we move to Phase 2 we would anticipate some savings through combining software packages.

4.3 Whilst cashable savings are not a driver, if we moved to phase 2 then potential software licence savings across the two councils could amount to £100k per annum. Any savings would be split equally between the two Councils.

4.4 For Phase 1 which is feeding into the implementation of the upgraded financial system, it is anticipated that additional combined cost for Phase 1 for the two councils could be between £40k and £80k depending on whether we go with option c or option D. The cost to Spelthorne would therefore be between £20k and £40k for Phase 1. This would be more than offset for Spelthorne by the proposed savings arising from capitalising some resourcing during the Centros implementation process. In phase II there would be estimated upfront costs of £120k or £60k per partner when the two councils transfer to one software licence with the supplier but there would then be a payback from ongoing reduction in annual software licence and support costs.

Other considerations

4.5 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 and the preparation of a S113 Transfer Agreement. Similarly the local UNISON branch has been kept informed. HR and Legal advice is being drawn upon in developing the MoU. The Council's Business Improvement and Internal Audit Teams will be involved in order to assist with maximising efficiencies and ensuring appropriate systems of control and safeguards are built in.

5. Equality and Diversity

5.1 No change for either Council.

6. Sustainability/Climate Change Implications

6.1 No change for either Council. With the benefit of virtual working, it is not anticipated that there will be a need for significant physical movement of staff between the two councils.

7. Timetable for implementation

7.1 Phase 1 implementation in April 2022

7.2 January 2023 each Council evaluates project to date and either agrees to Phase 2 below or the project is cancelled

7.3 Phase 2 implementation April 2023

Background papers: There are none.

Appendices:
Appendix 1 – Partnership Manager's Draft Additional Job Description responsibilities
Appendix 2- Current (2021-22) Budgets of the functions across the two teams
Appendix 3 – Draft (Phase 1) staffing structure