

# Corporate Policy & Resources Committee



14 October 2024

<b>Title</b>	Proposed Finance Service Partnership with Mole Valley District Council (MVDC)
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	Terry Collier Chief Financial Officer
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No, except for Appendix 5, staffing structure
<b>Exemption Reason</b>	Appendix 5 contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraphs 1 and 2 – Information relating to an individual or is likely to reveal the identity of an individual and in all the circumstances of the matter, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would reveal personal data and breach confidentiality.
<b>Corporate Priority</b>	Resilience Services
<b>Recommendations</b>	<b>Committee is asked to:</b>  1) Approve the creation of a Joint Finance Partnership between Mole Valley District Council and Spelthorne Borough Council;  2) Approve the Heads of Terms (HoTs) for an Intra-Authority Agreement between the two Councils as set out at Appendix 2 and delegate authority to the Council's Section 151 Officer and the Interim group head of Corporate Governance to finalise all necessary legal arrangements and agreements to implement the partnership in line with the HoTs;  3) Approve the creation of a Joint Partnership Board and its terms of reference as outlined in Appendix 3 to provide the scrutiny and governance function for the partnership;  4) Approve the staff structure for the partnership outlined at Appendix 4, subject to consultation and delegates authority to the Section 151 officer to approve any amendments to the structure following

	consultation; and  5) Approve the partnership budget outlined in Appendix 5.
<b>Reason for Recommendation</b>	The recommendations will ensure that this project, which is designed to deliver increased resilience of the financial service, improve recruitment and retention, generate efficiencies and deliver savings, is progressed with appropriate scrutiny, and governance and risk mitigation arrangements in place.

## 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>Finance is one of many service areas where it is difficult to recruit and retain professional staff and at the same time there are significant workload pressures on the Finance function.</li> <li>The Business case for the proposed Joint Finance team has previously been considered both by this Committee and by the Members Collaboration Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>To improve resilience of the financial practice, aid recruitment and retention, drives financial process improvements (paragraph 3.9) and deliver some financial savings (paragraph 4.5) for both Councils.</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>Create a Joint Finance team between Mole Valley and Spelthorne Councils and go fully live in April 2025.</li> </ul>	<ul style="list-style-type: none"> <li>Approve the proposed Heads of Terms (Appendix 2)</li> <li>Approve the creation of a Joint Partnership Board (Appendix 3)</li> <li>Approve the staffing structure (Appendix 5)</li> <li>Provisionally approve the Partnership Budget (Appendix 4)</li> </ul>

## 2. Key issues

- 2.1 In February 2022 Corporate Policy and Resources Committee considered the principles of collaboration for Mole Valley District Council (MVDC) to collaborate with other local authorities which included initial details in relation to a proposed finance partnership for transactional financial services that was consistent with those principles. Following the endorsement of the proposals,

a draft shared service structure, memorandum of understanding and draft budget for the partnership were prepared. Unfortunately, due to various reasons, the proposals did not progress as quickly as intended.

2.2 As the report to February 2022 Corporate Policy and Resources Committee set out the proposed drivers were:

- Improving the resilience of the financial function across both councils, for example strengthening the systems administration function.
- Helping to improve the ability of the two Councils to recruit and retain skilled financial professionals
- Align best practice across the two teams and drive that best practice forwards particularly by better using the full functionality of the Centros platform
- Seek to deliver some financial savings for both Councils
- Revised finance partnership proposals that sought to widen the partnership to provide the full finance (management accounting as well as transactional finance and accounts) service with an option to further extend the partnership in future to include the revenues service have now been worked up with MVDC.

### **3. Options analysis and proposal**

3.1 In the KPMG report commissioned by all Surrey D&Bs to explore opportunities for collaboration, SBC and MVDC were listed as potential partners in a number of scenarios, particularly within 'Option 2b' which was the favoured clustering of authorities if a two-unitary model of local government is adopted in Surrey in future. In addition, options for sharing council tax and business rates services were identified as a potential opportunity for collaboration.

3.2 Unlike some of the closer geographical neighbouring authorities, SBC and MVDC have the same supplier of finance and revenues systems and therefore a natural alignment occurs between the two authorities. As MVDC's financial system is end of life and will go out of service support in the short to medium term, there is a need to replace the finance system but also keep in line with the Council's Digital Strategy. MVDC's finance system has not been developed or upgraded for a significant number of years and is no longer fit for purpose for modern finance functions. The option of collaboration with Spelthorne (with the recently upgraded version of the same system) and taking advantage of the collaboration opportunities between the authorities is an attractive option.

3.3 This alignment is also strengthened by the fact two senior officers at SBC have previously worked at MVDC.

3.4 For Spelthorne, following on from the significant inflation pressures of the Cost of Living Crisis and economic impacts of the COVID-19 pandemic, the Council is facing a more challenging medium term financial future with significant budget gaps in the Medium Term Outline Budget period.

3.5 Both Councils face significant funding uncertainty after the general election when business rates will be reset and the Fair Funding review potentially implemented. In this context it is key that both Councils have a resilient

finance function with the right professional skills to support and help move forward the necessary business transformation required to close the gaps.

- 3.6 As stated above SBC and MVDC share common financial platforms. The outgoing Chief Accountant (Deputy Chief Finance Office) at Spelthorne prior to joining SBC was Chief Accountant at MVDC which means they have a got understanding of the opportunities a joint team could generate. The SBC Chief Finance Officer (S151) before joining SBC worked at MVDC.
- 3.7 The Proposal is to create a fully integrated shared finance service between SBC and MVDC which will be hosted by SBC.
- 3.8 As part of the proposal, significant development to the ICT systems used to deliver these services will also be undertaken. However, each authority will retain its own individual Section 151 Officer.
- 3.9 The key objectives of the Partnership are:
  - To achieve a modest level of staff savings and ICT costs and contribute towards the financial sustainability of each authority
  - To have one financial system for both authorities (SBC's Centros system) and deliver on-going development of the system for both authorities (thereby replacing MVDCs current financial system)
  - To provide Resilience – like virtually all district and borough councils, MVDC and SBC operate small finance teams in order to deliver value for money for their Councils. They carry no 'surplus' resource, and the teams 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.
  - To improve Recruitment and Retention of staff – The above issues of resilience are made more challenging by difficulties in relation to recruitment and retention. 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 and revenues skills and qualifications are generally very career focused and willing to move employers in order to progress their careers. There is also significant competition from 'agencies and outsourced providers' who are able to employ skilled staff on higher salaries than Council's and then sell their services into Council's at a premium cost. Councils are often left with little option but to employ this more expensive resource due to the skilled shortages in the labour market. This issue is further compounded by a significant reduction in the training of Chartered Institute of Public Finance and Accountancy (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, as 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.

- To share best practice between the councils and work together to improve the efficiency of financial processes.

3.10 The outcomes of creating a Joint Finance Partnership are:

- A shared finance team operating as one team to support both councils covering all aspects of the finance service.
- Improved finance systems and efficiency of processes for both councils.
- Financial savings on staff costs and other operational costs, savings mainly relating to software support savings
- Improved recruitment and retention of staff
- Improved efficiency of finance service to both councils
- Improved resilience of staff structures and sharing of best practice

### **Project implementation**

3.11 An officer level Partnership implementation board has been set up to oversee progress. The Board consists of the Project Sponsors (the two Section 151 Officers) and Project Manager (Joint Financial Services Manager) with representation from key support services such as ICT, Legal and HR as well as Finance. The implementation board has been meeting monthly since Autumn 2023 and continues to meet monthly to progress and oversee the implementation of the project.

3.12 As a first step to enable the partnership to proceed, the two Council's collaborated on the appointment of a Joint Financial Services Manager (JFSM), who is also deputy Section 151 Officer for both authorities and has taken on the role of project manager for the implementation of the partnership. Following an internal and external recruitment process, the JFSM was appointed and started in their employment on 1<sup>st</sup> May 2024. The JFSM was previously MVDC's Chief Accountant, and is currently seconded into the role.

3.13 A timetable showing key milestones and activities is set out in Appendix 1.

### **Joint Finance System Implementation**

3.14 The two Councils have contracted with Advanced IBSS Ltd, the system supplier of the Centros and Integra 2 systems, used by both Councils to provide technical support to the project. In the main, the set-up, testing and then implementation of the Centros system to host MVDC is being undertaken by the ICT and Finance System Administration functions at both Councils. However, specific technical support is required from the software

supplier. The Councils have entered into contract with the supplier for them to help set up a new environment on SBC's Centros infrastructure, support balance transfers and data migration and the general set up of the shared approach. They will also assist with migrating the archived MVDC financial system to Centros to support historical enquiries and the removal of the Integra 1 system at MVDC. The cost of the technical support to enable the set-up of the system is £49,800.

3.15 In addition to setting up, testing and implementing the new MVDC environment on SBC's Centros system outlined above, there will be significant work to re-point a number of integrations known as 'Application Programming Interfaces' (APIs) between other line of business systems at MVDC to SBC's Centros system. The following MVDC systems currently have interfaces with Centros:-

- Cash Management and Receipting system (Adelante)
- Payments system (Bottomline)
- Banking system (NAtwest)
- HR/Payroll System (iTrent)
- Property system (Concerto)
- Parking system (SiDem)
- Customer Relationship Management system (Granicus)
- Electronic Licence Management System
- Microsoft systems

3.16 All of these interfaces with the finance system will need re-programming to ensure that business operations and functionality is not unduly disrupted. The re-programming of the interfaces may also require changes to the line of business systems, particularly as a result of changing the coding structure within the finance system, known as the 'chart of accounts'. Many of MVDC's financial reports (Crystal reports) will also need re-writing. The majority of this work will be undertaken by MVDC's ICT team although some specialist technical support may be required to assist.

3.17 A detailed ICT workstream project plan is being developed to ensure that all activity is captured and monitored.

3.18 Once implemented the annual running cost of the Centros system (approx. £50,000 per annum) will be shared between MVDC and SBC. This represents an ongoing annual saving of £39k compared to the option of continuing to run as two separate systems.

### 3.19 **OPTIONS**

Do Nothing

3.20 For MVDC this option would mean the continuation of the existing finance teams with the same issues as currently experienced in terms of recruitment and retention of staff in both teams and a lack of resilience. This option does not address the fact that the finance system is end of life and will go out of service support by March 2025 and so places the authority at significant risk.

This option has been discounted as it is not possible to continue to operate the service as is.

- 3.20 For SBC, whilst the outgoing Chief Accountant has addressed some of the skills requirements through restructuring and is generating potential for some in house skills development, for example through the 2 new apprentice posts, the challenge will be to ensure that SBC is able to retain our skilled staff. Equally at the same time SBC needs to develop the full potential of Centros which is more likely to be achieved with a larger and more resilient systems admin team. On the Revenues side, SBC faces similar challenges to MVDC with a number of vacancies.

### **Do Minimum**

- 3.22 For MVDC if existing teams are retained in house there will be a need to upgrade or replace the finance system which will incur significant costs in doing so as an individual Council and is unlikely to deliver savings in staffing or ICT costs or economies of scale. It will also not capitalise on learned experience from SBC of implementing the system to help deliver the system in a timely and efficient manner.

For SBC this would miss the opportunity to assist in more effectively addressing the resourcing pressures on the Revenues team and would constrain the resilience of the finance team and the ability to retain specialist skills.

### **Do the Project- the preferred option**

- 3.23 There are a number of key factors that identify SBC and MVDC good partners for the finance and revenues services. There are set out below:-

- Common agreement between the S151 officers on the objectives of the partnership being about service resilience, improved recruitment and retention of staff and achievement of efficiencies from economies of scale
  
- Alignment of ICT systems – SBC and MVDC currently have the same suppliers for their finance & exchequer system, revenues & benefits system and their HR/Payroll systems. This assists with both sharing of knowledge and achievement of efficiencies whilst limiting the costs involved in system replacements. It also offers a greater opportunity for automation of processes and maximising delivery of the potential of Centros.
  
- Experience – whilst not a core consideration, both Spelthorne's S151 Officer and Deputy S151 Officer have previously worked for MVDC, this will potentially help the transition to a partnership and the alignment of processes and procedures. The Council will be looking for the partnership to build on existing performance and enhance the quality of support for Group Heads and services with a move towards more of a business partnering approach.

- Opportunity for expansion – there is at least one other authority in Surrey that has the same systems as SBC and MVDC for the services outlined in this proposal. This offers an opportunity to expand the partnership in due course.

3.24 Implementing the project will achieve the benefits set out below.

### **Do an Alternative Project**

3.25 For both authorities there is an opportunity to partner with one or more other Councils to form a finance partnership for example, and using the most obvious 'clusters' outlined in the previous KPMG work, the options would be as follows:

3.26 SBC could partner with its nearest Surrey neighbours of Runnymede, Surrey Heath and Elmbridge. These authorities currently use different financial systems, although Runnymede is currently in process of tendering for a new financial system, whilst the outcome of that process is that Runnymede might end up with the same platform as SBC, Runnymede would not be in a position to initially to seek a joint approach with SBC although there would be the potential in the future in that scenario. Woking Borough Council does use the same Centros platform as SBC, and officers between the two authorities have had discussions. Due to the challenges Woking currently face, they are not in a position to engage with this partnership, but they are interested to monitor how the partnership goes and would potentially be interested in the future. These options have therefore been discounted.

3.27 SBC could partner with Surrey CC who have just implemented the Unit 4 cloud-based ERP system. It is envisaged that this option would be less of a partnership and more of a model whereby SBC outsources its finance service to SCC is hosted on their system. This option has not been explored as it is not deemed politically acceptable.

## **4. Financial management comments**

4.1 A draft budget for the partnership, based on 2024/25 budgets and prices is contained in Appendix 4. The partnership budget proposed totals £1.859 million, of which £1.684 million is staffing cost and £175,000 is non-staffing costs such as ICT software costs, organisational subscriptions (eg, to CIPFA, LG Futures, LG Improve) and other expenses.

4.2 The budget for the finance function excluding internal costs recovered at SBC is currently £989,399 of which, £926,300 is staffing cost and £63,000 is non-staffing cost. The gross budget for the finance function excluding internal recharges at MVDC is £958,000 of which £810,000 is staffing cost and £148,000 is non-staff cost. Together the combined budgets of the two separate finance functions at each authority is £1.947million.



- 4.3 The proposed partnership budget therefore represents a saving of £88,000 when compared to the combined current budgets at each authority. The savings consist of £52,000 on staffing costs as a result of combining the management of the team, and £36,000 saving on ICT licensing costs as a result of sharing the Centros Financial Management System.
- 4.4 It is proposed to share the staffing costs of the joint finance team on a basis of 54% SBC and 46% MVDC to recognise the scale and complexity of the SBC's financial position compared to MVDC's financial position. This split has been derived by looking at the existing staffing costs at each authority as a percentage of the total existing costs to get an indicative split for the joint team. The ICT costs will be shared between the two authorities on an equal 50/50 split. All other costs have been allocated to authority's based on the existing budgets until an opportunity can be taken to provide further challenge around the non-staffing costs and see if there are opportunities to combine subscriptions and generate further savings. Temporary staffing costs will also be shared between the authority's based on existing budgets whilst the need for temporary staffing is reviewed following the partnership go-live. Staff budgets have been based on SBC pay scales.
- 4.5 Based on the cost sharing rationale outlined above the £1.859million cost of the partnership will be split £948,000 to SBC (51%) and £911,000 to MVDC (49%). This represents a saving of £41,400 to SBC and £46,400 to MVDC.
- 4.6 As stated above, there are some initial up-front one-off costs associated with changing the Centros finance system to accommodate an additional company for MVDC on the system. This has been outlined above as £49,800 which is being split equally between the partners. The additional cost of system integrations between Centros and other systems at MVDC of £36,000 will be paid for by MVDC.
- 4.7 The creation of the partnership will therefore achieve pay-back period of under 1 year (approximately 6 months) for SBC and 1.3 years for MVDC.
- 4.8 The total costs of the project incurred as at the end of September 2024 were £12,732.20, representing external project management fees and internal staff time for ICT and Systems Accounting work.

## **5. Risk management comments**

5.1 There are a number of risks and constraints as follows:-

- Viability – there is a risk that the one-off costs of collaboration and the savings achieved may not be viable or result in an appropriate payback period, however this will need to be considered against the non-financial benefits to be achieved from the collaboration
- Political / Geographical constraint – this collaboration is being proposed as there is a natural alignment between the two authorities in terms of ICT, objectives and the experience of the officer teams in the services being proposed. However, it is acknowledged that the geographical distance and any political differences between the two authorities could make a partnership more difficult. With the increase in hybrid and changed working

practices since the pandemic, the geographical risk is seen as a decreasing risk.

- 5.2 Lack of a wider collaboration strategy – in August 2020 all 11 of the D&B authorities in Surrey commissioned KPMG to explore ways of joint working and closer collaboration. The report did identify revenues and benefits (but not finance) as one such service that could be considered for collaboration. The report also looked at potential options for local government re-organisation in Surrey in terms of groupings of authorities between whom clusters of collaboration may be of benefit and may pave the way for future local government re-organisation. The purpose was to identify clusters of authorities that may collaborate without running a risk of creating significant complexity that would need to be ‘undone’ in a future potential local government re-organisation. In the options considered in the report, MVDC and SBC were identified as potential collaboration partners in five of the 15 scenarios considered. However, the two authorities were identified as part of the same cluster in ‘Option 2b’ – which was the highest scoring, two unitary alternative to the favoured ‘Option 3c’ cluster of authorities for a three unitary scenario. As such, in progressing a collaboration on an individual service basis between the two authorities there is a risk that this may create a complex issue in any future wider collaboration or local government re-organisation proposals. In addition, collaborating on individual service areas without a wider collaboration strategy for the organisations as a whole or the management of the organisations may also increase future complexity risk if such wider collaborations were to be considered in future. In addition the alignment of financial platforms (both Councils have Integra/Centros ) across the two councils creates a key opportunity to achieve collaborative benefits.
- 5.3 Staff retention– although one of the key benefits of the shared service proposal is better recruitment and retention of staff, there is a risk that in the short term, staff turnover may increase if individual members of staff are resistant to the proposal – this risk will pose a constraint to successful delivery of the project.

## **6. Procurement comments**

- 6.1 The proposal is a partnership between two councils rather than a procurement.

## **7. Legal comments**

- 7.1 The two Council’s having been working together on Heads of Terms of the Partnership Agreement or Inter Authority Agreement (IAA), and associated documentation.
- 7.2 Under the Local Authorities (Goods and Services) Act 1970, local authorities are able to trade any administrative, professional or technical services with one another and other public bodies. The legislation means that any trading

of goods or services between local authorities is not subject to the requirements of the Public Procurement Regulations 2015.

- 7.3 Part 6 of the Local Government Act 1972 (LGA 72) provides statutory authority for the discharge of functions; s101 LGA 72, for example, confirms that a local authority may arrange for the discharge of any of their functions by a committee, or a sub-committee or an officer of the other authority, or by any other local authority, and s102 LGA 72 permits councils to discharge those functions through joint committees. The Council may therefore delegate its powers to a committee or an officer. The delegating body may exercise the powers that have been delegated (and make arrangements for the discharge of those functions through officers). Other legislation may be relied on as appropriate (eg the General Power of Competence at s1 Localism Act 2011). The Council may therefore delegate its powers to a committee or an officer. The delegating body may exercise the powers that have been delegated. Section 151 of the Local Government Act 1972 mandates that every local authority must make arrangements for the proper administration of their financial affairs. This includes appointing a designated officer, known as the Section 151 Officer or Chief Financial Officer (CFO) to oversee financial matters.
- 7.4 The MVDC Section 151 Officer will enter into the Intra-Authority Agreement (IAA) with SBC to delegate aspects of financial administration to Spelthorne BC and to set up a Joint Partnership Board to oversee arrangements. The Heads of Terms for the IAA have been set out in Appendix 2 and set out the aspects of financial administration that will be delegated to the partnership. Terms of Reference for the Joint Partnership Board are set out in Appendix 3.
- 7.5 The Committee are asked to approve the Heads of Terms and to delegate authority to the Section 151 Officers, in consultation with the Interim Group Head of Corporate Governance to implement all necessary legal arrangements to implement the partnership in line with the approved HoTs.
- 7.7 It is proposed that the partnership is governed by a Joint Partnership Board which will consist of 6 members, comprising the Lead Councillor for Finance at MVDC, the Chair of the Corporate Policy & Resources Committee of SBC, one additional Councillor from each of the two councils, and the Section 151 Officers of each council. The role of the Partnership Board is to oversee the performance of the partnership and the intra-authority agreement. Draft terms of reference for the Partnership Board are proposed at Appendix 3 for approval.
- 7.8 Officers have sought to retain flexibility in the event of insurmountable ICT issues being encountered and both Councils have re-confirmed approval to progress towards fully creating the single Finance team from 1<sup>st</sup> April 2025. Initially the senior posts being created within the team are on a seconded basis. So, the Joint Financial Services Manager Officer has been seconded to the role by MVDC, and the proposed Joint Team Leaders will be seconded from their existing roles once appointed until the full go live date. This retains the ability for the two councils to unwind the arrangements. From 1<sup>st</sup> April

2025, it is intended that the MVDC staff will transfer across and become SBC employees. At this point the senior positions would cease to be secondments and become permanent roles. As part of the Inter-Authority Agreement there is an exit clause, with appropriate mechanisms for review and notice in the event that there is a decision to part ways.

## **8. Other considerations**

- 8.1 The proposed staffing structure for the new joint finance partnership is set out in confidential Appendix 5. The partnership structure brings together the existing teams at each authority under the management of a Joint Finance Manager who will act as the deputy S151 officer for each Council. The structure proposes that the partnership will consist of 28 full time equivalent (FTE) staff on initial implementation. This represents 1 FTE reduction from the existing pre-partnership structure at each authority and has been achieved by combining the previous posts of Financial Services Manager at MVDC and Chief Accountant at SBC into the new Joint Finance Manager role. The staff structure is subject to consultation with unions and staff as part of the implementation exercise. Any changes to the structure post consultation will be approved by the Section 151 Officers of each authority who will approve the final structure for implementation. The partnership will be hosted by SBC which will be the employing authority for the staff. As part of the implementation process, it is envisaged that staff will be TUPE transferred from MVDC to SBC in preparation for the go-live date of 1<sup>st</sup> April 2025. The TUPE transfer of staff to SBC will ensure that all staff can work within the partnership effectively and efficiently, as without transfer, the staff will need to have 2 laptops and Microsoft network accounts to work across the two authorities.

## **9. Equality and Diversity**

- 9.1 Working with HR we will ensure appropriate consultation processes are undertaken with staff.

## **10. Sustainability/Climate Change Implications**

- 10.1 Whilst the partnership may generate some travel movements of staff between the two councils, this will be limited by use of virtual working and Teams meetings.

## **11. Timetable for implementation**

- 11.1 See Appendix 1

## **12. Contact**

- 12.1 Terry Collier T.Collier @spelthorne.gov.uk

**Background papers:** 7<sup>th</sup> February 2022 Corporate Policy and Resources Committee, Proposed Transactional Finance Service Partnership

**Appendices:**

**Appendices**

Appendix 1 – Proposed project timeline

Appendix 2 – Heads of Terms for Intra-Authority Agreement

Appendix 3 – Proposed Terms of Reference for a Joint Finance Partnership Board

Appendix 4 – Proposed Joint Partnership Budget for 2025/26

Appendix 5 – Proposed Partnership Structure

## Appendix 1 – Project Timetable

### Proposed timeline for implementation of the Shared Financial Services Team

IBSS/AdvT provide ICT with consultancy and templates to test migration	03 June 2024
IBSS/AdvT provide support in issues arising during loading data	01 July 2024
Business case for shared service signed off and sent to Unison for consultation	02 August 2024
Circulate business case to staff	05 August 2024
IBSS/AdvT provide support in agreeing and implementing ASD changes & options for setup	05 August 2024
Start of consultation process & group consultation meeting with staff to share proposals	07 August 2024
End of consultation period with Unison	09 August 2024
End of consultation period with staff (30 days)	06 September 2024
Final structure and Job Descriptions for senior posts finalised & shared with staff	16 September 2024
Individual matching meetings held and matching outcomes confirmed in writing by HR (managerial posts)	23 September 2024
Start of recruitment process for the managerial roles in the shared service	30 September 2024
IBSS/AdvT provide support for User Acceptance Testing	07 October 2024
Draft Job Descriptions for all other posts	21 October 2024
Job Descriptions for all other posts finalised and shared with staff	28 October 2024
Implementation date for Shared Service senior roles	11 November 2024
Individual matching meetings held and matching outcomes confirmed in writing by HR (all other posts)	11 November 2024
Start of recruitment process for the all other posts in the shared service	18 November 2024
IBSS/AdvT provide Go Live support	31 March 2025
Full shared service implementation date	01 April 2025

## **Appendix 2 – Heads of Terms for an Intra-Authority Agreement**

<b><u>Area</u></b>	<b><u>Key information / Terms</u></b>
Background	As per business case and Project plan approved by Council in February 2024 (part of Transformation Business Case) and October 2024 Cabinet report (this report). The proposal is to share a finance team and system to reduce cost and increase resilience of the team.
Key Objectives	<p>The key objectives of the Partnership are:</p> <p>To achieve a modest level of staff savings and ICT costs and contribute towards the financial sustainability of each authority</p> <p>To have one financial system for both authorities (SBC’s Centros system) and deliver on-going development of the system for both authorities (thereby replacing MVDCs current end of life financial system)</p> <p>To provide Resilience – like virtually all district and borough councils, Mole Valley and Spelthorne operate small finance and revenues teams in order to deliver value for money for their Councils. They carry no ‘surplus’ resource, and the teams 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.</p> <p>To improve Recruitment and Retention of staff –The above issues of resilience are made more challenging by difficulties in relation to recruitment and retention. 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 qualifications are generally very career focused and willing to move employers in order to progress their careers. There is also significant competition from ‘agencies and outsourced providers’ who are able to employ skilled staff on higher salaries than Council’s and then sell their services into Council’s at a premium cost. Council’s are often left with little option but to employ this more expensive resource due to the skilled shortages in the labour market. 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.</p>

	To share best practice between the councils and work together to improve the efficiency of financial processes.
MILESTONES/ STRANDS	Timeline set out in Appendix 1.
Principles of collaboration	<p>One shared finance team hosted by SBC working on a shared Centros system</p> <p>Spelthorne to contract with Advanced IBSS and provide/ facilitate licence and use of the Finance system for MVDC*1 (s151 Officer for all, BMT (or as delegated) for budget monitoring, and staff raising purchasing orders)</p> <p>50/50 partnership from 1<sup>st</sup> April 2025. Set up costs to be shared on a 50/50 equal basis where the cost is to the benefit of both parties or, covered by the individual authority if the benefit is to one of the partners</p> <p>Initial Partnership budget for 2025/26 to be as set out in Appendix 5. Partnership budget for future years to be agreed on an annual basis by the Joint Partnership Board by the end of December preceeding each Council's budget approval in February each year.</p> <p>Separate S151 officers</p>
Governance	<p>Joint Partnership Board [(to include members and officers)] to provide scrutiny of the operation of the service and over see its performance in line with the IAA [ see terms of reference]</p> <p>Joint Finance Manager to be responsible for delivery and operational decisions, reporting to the S151 Officer of each authority. [ see terms of reference]</p> <p>[Amendments to the Constitution: xxxx]</p>
Staffing	<p>MVDC finance team to be employed by SBC (subject to consultation) from 1 April 2025*1 (team leader roles to be employed by SBC from their start dates if earlier)</p> <p>*unless the ICT infrastructure (single Centros db) has not gone live [?, in which case MVDC will continue to use the current MVDC system (and stay employed by MVDC until the go live date)]</p>
Legal	<p>HoT to be incorporated into an Inter Authority Agreement on instructions from s151 Officer (in consultation with Portfolio Holder (MVDC)) (s101 LGA, s9E &amp; EA Local Government Act 2000, and Local Authorities (Arrangement for the Discharge of Functions) (England) Regs 2012).</p> <p>Statutory accounts and government returns – in line with LGA 1972, Localism Act and prevailing Local government finance, Local Authorities (Capital Finance and Accounting) &amp; Accounts and Audit regulations. Relevant CIPFA codes – Service Reporting Code of Practice, CIPFA Code of Practice on Local Government Accounting Revenue and Capital Budget Setting, Monitoring and Closedown (incl Salaries monitoring) – LGA Act 1972, prevailing Capital finance regulations, CIPFA prudential code and CIPFA financial management code Accounts payable (creditors)</p>



	<p>Accounts receivable (Sundry debtors)  Banking and Treasury Management – in line with CIPFA TM &amp; Prudential Codes, PWLB guidance and statutory guidance from Government (MHCLG)</p> <p>No procurement required.  MVDC policies and procedures to be complied with re MVDC business.</p>
Data protection	<p>See data protection information assessment on shared drive</p> <p>Supplier, staff and customer details - Names, DOB, Addresses, salary, bank details, arrears / payment history.</p> <p>Numbers of customers &amp; Suppliers?</p> <p>[Next steps: need list of staff roles and what data they will have access to and to consider against staffing structure.]</p>
Roles and Responsibilities	See draft staffing structure
Escalation	Dispute resolution – first to S151 officers, if not resolved to CX's then joint board and then arbitration or other legal remedy
Intellectual property	<p>Logos</p> <p>Sharing of best practice and shared spreadsheet models</p> <p>Centros system?</p>
Terms and Termination	<p>See Service specification (?by ref to business case)</p> <p>5 years minimum terms</p> <p>Rolling extension</p> <p>Termination – at least 2 year termination period to allow set up of team &amp; system back at MVDC</p>

## **Appendix 3 – Proposed Terms of Reference for a Joint Finance Partnership Board**

### **Spelthorne Borough Council and Mole Valley District Council Joint Finance Partnership Board**

This Joint Finance Partnership Board is to be established by Spelthorne Borough Council and Moe Valley District Council ('the councils') in accordance with Section 102 (1)(b) of the Local Government Act 1972 (appointment of committees)

Members: 6

The Joint Partnership Board shall comprise the Lead Councillor for Finance at Mole Valley District Council, the Chair of the Corporate Policy & Resources Committee of Spelthorne Borough Council, one additional Councillor from each of the two councils, and the Section 151 Officers of each council.

Appointments shall be made in accordance with the Local Government (Committees and Political groups) Regulations 1990.

Substitutes will not be allowed

Quorum: 4

Each Council should be represented at a meeting by at least 2 members

Chairperson:

The Joint Finance Partnership Board will be chaired alternatively between the Councils by the Section 151 Officers

Place of Meetings:

The venue for the meetings of the Joint Partnership board shall alternate between the two councils with the host Section 151 Officer chairing the meeting. Meetings can be hybrid meetings at the discretion of the Chairperson.

General Role:

To oversee the performance of the Joint Finance Partnership and the operation of the intra-authority agreement.

Frequency of meetings:

Two meetings per year on a six monthly basis

Role and Function

- (1) To undertake an annual review of the inter-authority agreement, ensuring that it continues to be fit for purpose and recommending to the councils any changes required
- (2) To undertake a regular review of the partnership risk register
- (3) To review the partnership budget prior to submission as part of the budget setting process for both councils
- (4) To review the actual and forecasted expenditure against the budget
- (5) To discharge any other functions as required by the inter-authority agreement