

Finance – Future Leadership Arrangements

Strategy & Resources Committee – 2nd February 2021

Report of: Acting Chief Executive, Jackie King

Purpose: For Decision

Publication Status: Unrestricted

Wards affected: All

Executive Summary

The Council has set a priority of putting our finances onto a significantly more robust and sustainable footing. Significant progress has been made under the current interim s151 Officer who is a part-time secondee from Surrey County Council. The secondment arrangement is due to conclude at the end of March 2021 and this report proposes that an options appraisal and business case be undertaken to identify a future model for providing the Council's financial leadership.

This report supports the Council's priority of:

Building a better Council – making the Council financially sustainable and providing residents with the best possible services.

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Recommendation to Committee

That the Committee agrees that an options appraisal and business case is undertaken to identify a future model for providing the Council's financial leadership, with the Acting Chief Executive reporting back to this Committee in March 2021 for decision.

Reason for Recommendation

The Council is required by law to designate a named finance professional as its s151 (Chief Finance) Officer. With the expiry of the current secondment arrangement at the end of March 2021, the Council must determine its future model for providing financial leadership.

Introduction and Background

- 1 The Council has, in recent months, embarked on a significant programme of improvement. Our Corporate Improvement Plan was approved in January 2020, followed by our four-year Strategic Plan which was approved in July. Central to both is financial recovery, with the objective of putting our finances onto a significantly more robust and sustainable footing.
- 2 The Local Government Act 1972 requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. This role is commonly referred to as the S151 officer. The term S151 Officer has been used as a short-hand expression to refer to the role and duties of the 'Responsible Financial Officer' as defined by CIPFA (the function of the most senior finance officer employed by an organisation). The Council has not had a permanent s151 Officer for over a year and, since summer 2020, the role of s151 Officer has been provided on a part-time secondment basis by a senior finance officer from Surrey County Council.
- 3 The Interim s151 Officer (secondment from Surrey CC) has instigated a series of financial recovery actions, to ensure more robust management of the Council's finances. Notably this has changed the approach to financial management of the Council's finance team with the introduction of a finance business partnering model, placing finance at the heart of the Council's decision-making. A Finance Improvement Programme has focused on "getting the basics right" with improvements to reporting, grip and control, and capitalisation policy; and has contributed to a closing of the projected budget gap for both 2020/21 and 2021/22. Positive feedback has been received from MHCLG.
- 4 The secondment arrangement is due to conclude at the end of March 2021, and the Council must therefore consider its options for securing future financial leadership and further transformation of the finance function. There is an imperative to sustain the Council's financial recovery trajectory and strengthened financial management capability and capacity. The continuation of a secondment is not considered a sustainable option from a cost, capacity or capability perspective.
- 5 There are a number of options available to the Council to secure ongoing appropriate financial leadership. In brief, the in-house options are to:
 - Seek to recruit a permanent employee to the post of s151 Officer – this would provide in-house leadership, but Committee will be aware that the Council has unsuccessfully advertised for the post previously. There is also the challenge of recruiting an officer with the necessary range of capabilities, so this option does have an uncertain outcome;
 - Seek to recruit a replacement Interim s151 Officer – this option is not recommended due to cost and disruption.
- 6 There are then two other options for sharing finance leadership and financial support:
 - Surrey County Council has suggested that it could offer to provide the Council with a comprehensive finance function comprising the s151 role and a full range of financial services.

- Alternatively, consideration could be given to a sharing arrangement with neighbouring authorities to share finance functions, comprising s151 role and a full range of financial services. At the time of drafting this report approaches had yet to be made but the Acting Chief Executive will provide a verbal update on progress with initial discussion with other councils and, subject to feedback, they will form a key part of the proposed options appraisal.
- 7 Any option that involves sharing will need to demonstrate how this Council's interests are protected, and any potential conflicts of interest managed.
- 8 This report recommends that a full options appraisal and business case is undertaken, in order for the Committee to make an informative decision on its future finance leadership arrangement.

Options Appraisal and Business Case

- 9 **Stage one** will appraise the options listed above against a range of key criteria notably:
- Impact on financial recovery, financial management transformation and sustainability
 - Deliverability (including urgency)
 - Cost
- 10 **Stage two** will develop the business case for the preferred option, considering all aspects of best practice business case methodology – strategic, economic, commercial, financial and management. This stage will involve detailed design, including a proposed operating model and structures, and implementation planning including staffing issues.
- 11 The scope of the appraisal and business case will be all functions currently managed by the Interim s151 Officer - the finance team (covering the Business Partner team plus case officers conducting the Accounts Payable, Accounts Receivable and some of the Debt Management Function, c10 staff), insurance and the internal audit contract. In addition, consideration will be given to how, in each of the options, the s151 Officer is able to influence and be assured over key financially related activities such as payroll and revenues and benefits.
- 12 Given our limited internal capacity to undertake an options appraisal of this kind, I have agreed with SCC that it provides an experienced finance project manager for us to support the options appraisal and business case. The project manager has extensive experience of such projects, and it is understood by him and SCC that he will report to me objectively on all options not just that suggested by SCC. The aim is to present the results of the full evaluation to this Committee in March. No decision will be made until the business case is complete, and there will be engagement with members, senior officers, staff conference and the TDC finance team throughout the project.

Other Options Considered

- 13 The Committee could decide not to undertake the recommended options appraisal. It would however need to determine a course of action to secure appropriate statutory financial leadership from the end of March 2021. The proposed options appraisal and business case will enable the Committee to consider all options against criteria and to make an informed decision on the way forward.

Consultation

- 14 Initial discussion has been undertaken with the political Group Leaders, to gather views to inform the drafting of this report. Engagement with members, senior officers, staff conference and the TDC finance team will be undertaken as part of the options appraisal and business case.

Key Implications

Comments of the Chief Finance Officer

- 15 The report identifies options for filling the statutory post of the CFO (s151) from 1st April 2021. The current arrangement is not sustainable, and a permanent solution must be sought. The next steps should rightly be for a full options appraisal and business case and timeline, including pros and cons of each proposal for the Committee to review and agree at the March Strategy & Resources Committee. The most viable option is one which allows the Finance function to be more resilient and sustainable and allows it the opportunity to transform into a high performing function. Over the last 2-3 years as with many functions in the Council, Finance has been decimated due to the implementation of the Customer First Operating Model. Dealing with the day-to-day workload in the team is constant challenge and one which needs to be addressed with urgency.

Comments of the Head of Legal Services

- 16 The Section 151 Officer is one of three statutory posts that the Council must have in place, the others being the Head of Paid Service and the Monitoring Officer. Under Section 151 of the Local Government Act 1972, it is stated: "Without prejudice to section 111 above, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 17 Section 113 of the Local Government Finance Act 1988 requires that the officer appointed as the Chief Finance Officer (CFO) must be a member of a specified accountancy body.
- 18 The role of a S151 Officer lies at the heart of any effective and well governed organisation. The over-riding duty of this officer is to fulfil the statutory responsibilities attached to the position in a manner that enhances the overall reputation of the Council.
- 19 Shared arrangements between local authorities are not new and much of the legal framework in place to enable such arrangements has been in existence for some time and is well tested in the legal sense. However, there are potential areas of legal risk and uncertainty. This is particularly the case in respect of employment law considerations.

- 20 However, the existence of a legal risk should not prevent the Council progressing a business plan provided that there is recognition of the risk, a judgement as to whether it lies within the risk appetite of the Council and that it is reasonable in all the circumstances. As part of this work undertaken there has to be a process of reviewing the legal risks as well.

Equality

- 21 It is not foreseen that there are any direct equality implications as a result of the recommendations in this Report. Options will be rigorously assessed as part of the appraisal and business case for equalities implications.

Climate Change

- 22 There are no significant environmental / sustainability implications associated with this report.

Background Papers

None.