

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet

DATE: 20 June 2022

SUBJECT: Finance Department Restructure

CHIEF OFFICER: Steven Mair, Director of Finance

CONTACT OFFICER: Mike Thomas Interim Financial Adviser

WARD(S): All

PORTFOLIO: Cabinet Member for Financial Oversight and Council Assets - Cllr Anderson

KEY DECISION: NO

EXEMPT: NO

DECISION SUBJECT TO CALL IN: YES

APPENDICES: None.

1 Summary

1.1 This report seeks approval to a restructure of the finance and commercial services sections within the Corporate Operations Department in line with the proposals contained within this report.

1.2 The Council's external auditors and various recent Government reports have highlighted the need to significantly strengthen the finance and commercial services function and to develop a structure that is sustainable and underpins the future success of the department and the Council. The proposed structure is underpinned by:

- detailed job descriptions for all posts which have been evaluated by the HR Department and Trade Unions
- a comprehensive business plan for the Department, which includes the services robust plans to improve succession planning, communications, training and development, and productivity among other matters.
- regular comprehensive reporting to Audit and Corporate Governance, Cabinet and Council on issues and work being undertaken by the finance and commercial services function through the finance action plan developed and regularly updated during 2021/22 and 2022/23.

1.3 The overall budget for the restructure is within the amounts approved by Cabinet in the 2022/23 budget which is underpinned by the assumptions made in the Capitalisation Direction agreed by DLUHC.

2 Recommendations:

2.1 Cabinet is recommended to:

- a. approve the restructure of services to consolidate them into a wider finance directorate, including the core operational finance teams (financial management and strategic and corporate finance), transactional finance teams (accounts payable and accounts receivable excluding revenues and benefits), a strengthened commercial services team and a new team that brings together financial governance, risk, insurance, internal audit and counter fraud and investigations and involving the following specific changes:
 - i. Increased internal capacity in the commercial services team to replace services provided by an external contractor;
 - ii. Increased internal capacity in the team covering internal audit to replace services provided by an external contractor;
 - iii. The transfer of the counter fraud and investigations team into a wider financial governance team;
 - iv. The transfer of the revenues, benefits and charges team into the finance department.

Reason:

2.3 Various recent reports have highlighted the need to significantly improve capacity and capability within the finance department including the revenues and benefits service, most notably:

2.4 The external auditors included a section 24 recommendation in their report in 2021 that highlights the need to significantly invest in financial capacity.

2.5 CIPFA recommended

- 'the organisation makes further provision to enhance the capacity within the finance team including exploring other delivery avenues, such as the use of shared services.'
- The S151 officer immediately commences the appointment process for a permanent Deputy S151 Officer.'
- The Council seek to re-negotiate the contractual terms for the S151 officer and his team to extend the notice period they are required to give prior to departure.

The recommendations enable the s.151 officer to meet his statutory responsibilities.

2.6 The department is currently operating with significant numbers of interim staff at the senior level. This is expensive and needs to be replaced by permanent staff in order to reduce cost and drive a sustainable future for the department.

Commissioner review

"Commissioners are content with the proposed structure and recommend that the payroll function is moved to operate under finance transactional services."

3 Report

Introduction

- 3.1 The DLUHC governance report, the CIPFA review and the Section 24 recommendations from the Council's External Auditors highlighted the need to enhance the capacity and capability within the finance department. Following the 'Our Futures' review a substantial number of finance staff left the department and have yet to be replaced. The Department currently has an Interim Director of Finance and a management team that is made up of interim consultants barring one permanent member of staff, the Group Manager Commercial. At the managerial level almost all staff are interim consultants and there are substantial numbers of staff at lower levels who are also interims. Approximately 50 per cent of staff within the department are permanent employees of Slough BC. There is a significant risk for the Council should it not move to resolve the current position.
- 3.2 As part of the development of the High-Level Functional Capacity and Capability assessment and the Finance Action Plan a revised structure has been developed to ensure the future sustainability of the function and to enable recruitment and development of the financial expertise required to move the Council forward. The costs of moving to this new structure and the transitional costs during 2022/23 have been included in the departmental budget and as part of the Capitalisation Direction agreed with DLUHC.
- 3.3 The proposed structure includes 2 Deputy Director posts covering financial management, and strategic and corporate finance to replace the Associate Director – Finance and Commercial. The latter postholder will also be the Deputy s151 officer – a recommendation made by CIPFA. Heads of commercial services and a post managing financial governance, internal audit, risk, insurance and counter fraud will report into these Deputy Directors. A head of transactional services will report into the s.151 officer on an interim basis until a further planned restructure is undertaken for the revenues and benefits service. The structure recognises the need to respond positively to the significant number of recommendations made with respect to the weaknesses identified in commercial services, governance, financial management, risk management and internal audit. A separate report has been presented to the Employment and Appeals Committee to recommend to full council approval of the two new deputy chief officers at a remuneration of potentially over £100,000.
- 3.4 A high-level benchmarking exercise has been undertaken and identified the number of filled posts within the Finance department was significantly lower than the approved structure. The proposals indicate a full structure of 67 is needed excluding commercial, audit, fraud and procurement ie including financial management, strategic and corporate finance and accounts payable and recoverable. Comparator authorities for like services are showing around 54 fte's although it is known that the two authorities able to be identified for comparison are also considered to be operating at a minimum level of service. Members should note that the increase in more senior posts is part of the overall plan to bring greater leadership, direction and capability to the function and the organisation during a period of stabilisation for the function in the next three to four years. It is envisaged that once the function has stabilised there will be a need to review the structure again post 2025/26.

Table 1 shows the new structure compared to the old, and, Table 2 shows the comparison of the numbers in the core finance function with two other authorities of a similar size. The number of staff in internal audit, commercial and counter fraud are similar to comparator authorities.

Table 1: Comparison of Old and New Structure

Slough Old Job title	Slough Old Total In structure	Slough New Job Title	New Finance and AP/AR	I A, Comm, CF Risk	Slough New All
Director Level 16	1	Executive Director Finance and Commercial Level 16	1	0	1
Asst. Director Level 12	1	Deputy Director (Dep s151) Level 13/14	2	0	2
Group Mgr Level 10	4	Strategic Finance Manager, Level 11/12	9	2	11
Level 9	6	Finance Manager Level 9	21	2	23
Level 8	14	Specialist Level 8	0	8	8
Level 7	16	Financial Acct Level 7	12	4	16
Level 6	7	Finance Officer Level 6	6	5	11
Level 5	10	Finance Assistant Level 5	13	2	15
Level 4	2	Graduate Trainees Level 4/5	3	0	3
Total	61	Total	67	23	90

Table 2: Comparison with Councils of a similar size

Job Title	Slough New	Council A	Council B
Director	1	1	1
Deputy Director	2	1	1
Strategic Finance Manager	9	2	3
Finance Manager	21	24	9
Financial Accountant	12	13	7
Finance Officer	6	13	15
Finance Assistant	13	INCL ABOVE	3
Graduate Trainees	3	0	2
TOTAL	67	54	42*

* DOESN'T INCLUDES AP and AR – average 12 or IA and Counter Fraud

Business Planning

The restructure proposals are part of a much broader Departmental Business Plan. The business plan sets out the services vision and objectives at Slough BC and the ambition to be recognised as one of the best finance functions in local government where the staff to feel proud to work for the function. Our ambitions are to:

- ensure financial plans enable Long Term Financial Sustainability
- deliver value for money for the taxpayers of Slough
- ensure the financial implications of decisions are understood
- operate an efficient and effectively customer focussed department
- improve capacity, capability and culture to enable future success
- embed strong Financial Governance and risk management

3.5 The business plan is supported by a number of key policy statements including a departmental approach to communications, succession planning, training and development, rotation and productivity. Details of the high-level plans in each of these areas are shown below.

Communications

3.6 It is recognised that in the current challenging times it is more important than ever that the Department has an internal communications plan. The on-going changes and uncertainty due to the current financial situation have highlighted the need to maintain a constant dialogue with our people and customers. The departmental communications plan has been developed to ensure that the service is:

- utilising the most effective communications channels to deliver key messages
- ensuring key messages are being effectively disseminated to the appropriate individuals and stakeholders
- meeting the business plan objective to place staff engagement at the heart of what the service does

- developing a consistency in the way in which it communicates both within and outside the department

This plan will fit with the overall corporate communications strategy once this is developed.

Productivity

- 3.7 Slough BC like all local authorities has been bearing the brunt of continued fiscal austerity measures for a number of years. In the face of these challenges, the Finance and Commercial Services Leadership Team (FCLT) continues to seek out new, more effective and innovative ways of working to improve operational efficiency and generate cost savings. Productivity improvements are aimed at improving the efficiency of the finance team's labour pool thereby increasing the overall value added to the Council.
- 3.8 Productivity improvements will be defined as a means to increase the value added to the Council by the finance team whilst measurement seeks to establish the potential for improvement and make people accountable for the state of productivity. The productivity plan paper sets out how productivity will be considered holistically as a means to add value rather than myopically as a set of KPIs.

Achievements to date and challenges ahead

- 3.9 In 2021 the team underwent great change including significant turnover of experienced staff following the restructure. The aim is to re-build the team on a stronger and more sustainable base. Despite the challenges there were some significant achievements during 2021/22 as shown below:
- overhauling the final accounts process implementing new ways of working which should not only expedite the audit process but also support the production of more accurate accounts in future
 - improving budget setting and delivering the capitalisation direction
 - implementing processes for seeking options for financial savings by transforming, stopping, deferring or reducing services
 - developing financial business partnering
 - improvements to financial accounting and control
 - reviewing Interests in companies
 - developing an asset disposal programme
 - bringing internal audit in-house
 - stabilising the Insurance function
 - improving revenues and benefits Services
 - implementing a business case review process

The current finance and commercial teams have achieved a massive amount during 2021/22. It has been very much a year of discovery and reaction to put the department and the finances of the Council on a sustainable footing for the future. The scale of what has been achieved reflects the dedication and hard work of many staff and interim colleagues during the year. Whilst achievements to date have been significant, it is known that the delivery of the future will be even more challenging and the business plan and related service plans set out these challenges for 2022/23 and beyond in a more proactive and balanced manner.

Restructure Project Planning

3.10 A detailed project and communications plan has been developed to implement the restructure proposals. Support has been sought from the HR department and any additional specialist requirements will be sought from the marketplace, for example, support for assessment centres which will be used to draw up a baseline for existing matched staff and to test external applicants before appointment and external recruitment campaigns.

Deliverables

3.11 Delivery of a revised structure for the finance and commercial services department that will sustain the function for the future. It will allow the Council to address now and avoid weaknesses in the future in the functions of:

- statements of accounts and year-end close
- budget setting and delivery
- medium term financial planning and strategy development
- investments in companies
- internal audit and procurement
- financial systems
- development of a sustainable finance team
- Dedicated Schools Grant
- insurance
- business planning
- PFI review
- revenues and benefits
- risk management and assessment
- corporate governance including financial governance
- Treasury management
- capital accounting and investment appraisal
- cash flow forecasting
- asset management and disposal

Timeline

3.12 The restructure is projected to be in place by late Autumn 2022 to enable a smooth transition from the current structure to a more sustainable position. The proposed timeline is challenging but achievable as shown in Table 2 below:

Table 2: Timeline

ACTIVITY	DATE
Proposals issued to Trade Unions	May 2022
Briefing for affected staff	9 June 2022
Proposals reported to Cabinet for approval to consult	20 June 2022
Consultation Starts on 28 June 2022 - Ends 27 July 2022	
One to ones - affected staff with Line Manager	29 June – 8 July

End of formal consultation period and any formal responses to have been submitted to Mike.Thomas@slough.gov.uk	27 July 2022
Formal response to comments made during Consultation Process and final proposals and structure confirmed in report from Director of Finance	1 August 2022
Implementation of the outcomes of the consultation	8 August 2022
Internal recruitment process begins	8 August 2022
Internal Recruitment process ends	31 August 2022
Internal and External advertising	5 Sept – 30 September
Applications reviewed, assessed and invitations for interview sent	3-7 October
Offers made	4 November 2022
Interviews and Assessments	17-21 October 2022
External Candidates notified of outcome	26 October 2022
Offers made	4 November

4. Implications of the Recommendation

4.1 Financial implications

- 4.1.1 The budget for the Finance department (excluding Revenues & Benefits) is scheduled to be £7.002m in 2022/23, inclusive of the amounts set out in the capitalisation direction. The forecast projected expenditure is containable within this figure, including the cost of contractors covering currently vacant positions and fulfilling advisory functions helping to transform the service as well as to bring the backlog of financial statements up to date. This will also enable the function to transition to a permanent structure by the end of the year.
- 4.1.2 In 2023/24, the budget is scheduled to drop by £1.6m as one-off capitalisation direction monies are removed and the complete permanent staffing structure is due to be in place. The budget of £5.402m in 2023/24 caters for the new structure in full.

4.1.3 The table below sets out the budget by year:

	£'000	£'000
Budget 2022/23 composition:		
Permanent staff	1,866	
Temporary staff	4,180	
Other budgets ie third party internal audit support, investigations team, Agresso support	956	
Total Budget 2022/23		7,002
Remove one-off CD monies		(1,600)
Total Budget 2023/24		5,402

4.1.4 It is envisaged that once the structure is in place and the service is in a more stable and sustainable position there will be opportunities to develop further efficiency savings across the whole department and the wider council.

4.2 Legal implications

4.2.1 The rules governing appointment of certain senior officers are governed by legislation. The function of appointment of staff must be discharged by the head of paid service or an officer nominated by him, with the exception of statutory chief officers, non-statutory chief officers, deputy chief officers or political assistants. Under the Chief Officer Employment Rules chief officers are appointed at a member level, however deputy chief officers are appointed at an officer level. As none of the roles on the structure, with the exception of the Executive Director of Corporate Resources (s.151 officer) are chief officers, all appointments will be made at an officer level. However, for all deputy chief officers no offer of appointment should be sent until notice has been given to every member of the cabinet to allow material and well-founded objections to be made.

4.2.2 The determination of remuneration of or other terms and conditions applying to chief officers and deputy chief officers must comply with the Council's pay policy. Full council should decide any new roles where the salary is £100,000 or more. A separate report is being taken to the Employment and Appeals Committee to make this recommendation and provides a rationale for the higher evaluated grades.

4.2.3 The Local Government Act 1972 requires every council to appoint a chief finance officer. This officer must have specific finance qualifications. Whilst there is no legal requirement to have a deputy s.151 officer, many authorities do have an officer who can deputise for the statutory s.151 officer. Consideration has been given to the qualifications required for this role and the extent to which this officer

can exercise the functions of the s.151 officer. In addition, functions under s.151 of the Local Government Act 1972 are part of the statutory direction and can be exercised by the appointed DLUHC commissioners. The deputy s.151 officer should therefore not take decisions in accordance with s.151 without considering the extent of delegation and consulting with the appointed commissioners.

4.3 Risk management implications

Summary of risks.

Category	Risk/Opportunity	Controls	Residual Risk Score (1 (Low) to 10 (high))
Reputational	Finance Team reverts back to being under resourced and under skilled	Current team of interims are secured for the short to medium term Skills transfer taking place Training being developed Additional temporary and permanent resources are identified and secured	6 if the last control is not achieved 2 – if the last control is achieved
Reputational	DLUHC/CIPFA/Grant Thornton may not have confidence that the Council can address all the matters to the quality and in the time needed	Employment of new finance team Employment of temporary additional resource Creation of appropriate permanent finance structure as part of this report External review comments on the newly instigated finance service	7 if the penultimate control is not achieved 2 – if the penultimate control is achieved
Legal	Accounts not completed	Employment of national experts Creation of robust project plan as developed and successfully used elsewhere Utilisation of proven whole team methodology On-going engagement with external audit Extensive training	As above
Financial	Poor financial management practices continue New practices are not embedded	Range of new processes introduced on a phased basis Officers trained in the new approaches	As above
Reputational	Weaknesses in Council's strategic use of companies, governance, management, financial reporting and performance management continue	Holistic reviews of all companies underway Some issues already being addressed through Cabinet and Council. (Others will take place over the coming 18 months)	As above
People	A lack of permanent leadership impacts the ability to recruit and retain and the health and well-being of current team	Recruit permanent team Implement communication strategy across the department with regular updates Ensure department managers are engaging regularly with staff on a 1-1-2 basis Undertake regular full team briefing sessions at least twice per year.	As above

4.3.1 Failure to implement the restructure will limit the ability of the council to move forward on the financial challenges it faces.

4.3.2 Failure to recruit to the structure will potentially mean the s151 officer and the council cannot meet their statutory responsibilities.

- 4.3.3 The current levels of permanent staffing are not sustainable and are potentially impacting the health and well-being of the team and the council's ability to recruit and retain staff.
- 4.3.4 Without a strong finance function the rest of the organisation will be unable to meet its responsibilities and the challenging savings targets set out in the MTF5.
- 4.3.5 The current marketplace for experienced public sector finance professionals is very competitive and this has been reflected in the salaries offered in order to attract the right calibre of people.

4.4 Environmental implications

- 4.4.1 No specific environmental implications arise.

4.5 Equality implications

- 4.5.1 The assessment and recruitment process is constructed to ensure equality of access and non-discrimination. A full equality impact assessment will be undertaken.
- 4.5.2 Any contractor procured to provide specialist services will do on the basis that they are knowledgeable and understanding of Equality Act duties. An Equality Impact Assessment has been undertaken as part of the project.

4.6 Procurement implications

- 4.6.1 The procurement of any specialist support will be compliant with both the Contract Procedure Rules and the Public Contracts Regulations 2015.

4.7 Workforce implications

- 4.7.1 There are significant implications for the current workforce who will be put through a review process for the second time in three years. The new structure is designed to invest additional capacity and experience within the team.
- 4.7.2 There may be the need to consider voluntary redundancy for some staff.

4.8 Property implications

- 4.8.1 This Framework has no direct implication on properties. There may be some collateral implications depending on the ability to recruit local people to undertake the roles. A more hybrid approach may require less property.

5. Background Papers

None