



**Report Reference Number: E/19/50**

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**To: Executive**  
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**Status: Key Decision**  
**Ward(s) Affected: All**  
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**Title: BETTER TOGETHER FINANCE – REVIEW**

**Summary:**

This report reviews the Finance collaboration arrangement currently in place, 12 months in advance of the contract end date (31 March 2021). Overall the arrangement demonstrates a sustainable solution and provides resilience, and flexible resources. Rather than extend the agreement this report recommends renewing the arrangements for a further 5 years in order to provide a reasonable time frame for forward resource planning. A number of improvements have been identified through the review and recommendations are put forward for consideration.

**Recommendations:**

**It is recommended that:**

- i) the agreement be renewed for 5 years with effect from 1 April 2021 (specific terms to be subsequently agreed);**
- ii) the links between the s151 Officer and the wider finance functions are strengthened;**
- iii) the council's commitment to budget manager ownership and the previously agreed operating model be reconfirmed.**
- iv) a further 2 days per week of a Senior Accounting Technician is added to the SLA with effect from 1 April 2020;**

**Reasons for recommendation**

To ensure that the Council has in place the financial management arrangements it needs to fulfil its statutory obligations and support sound decision making.

## **1. Introduction**

- 1.1 The current collaboration agreement for Finance expires on 31 March 2021. The current agreement allows for termination at this point; or extension for 2 years.
- 1.2 To enable the Better Together Steering Group and Executives Members for both authorities to make an informed decision on whether to renew the Collaboration Agreement for a further term, each of the 12 service agreements are to be reviewed to ensure that:
  - performance levels are meeting the standards as set out in the service schedules
  - the specification and scope of services is accurate and costs are aligned
  - there is still a requirement for the services to be delivered
  - any challenges and risks are identified
  - the joint agreements are still delivering value to both organisations and ultimately the public
  - any further opportunities for improvement of the service have been identified
- 1.3 This paper reviews the Finance arrangements to date to inform the decision on the agreement, and makes recommendations on the arrangements should it be decided to extend or renew for a further 5 year term.

## **2. BACKGROUND**

- 2.1 The Better Together Finance arrangements have been in operation from 1 April 2016 following a successful 12 month trial (involving the secondment of the Selby team to NYCC) and subsequent TUPE transfer of staff from Selby to NYCC.
- 2.2 The arrangement aligned to Selby's plans for their finance function, was built upon NYCC's 2020 Finance vision and presented a blue print for providing financial services. The aim was to achieve an integrated service for SDC that could then be replicated for other potential clients in the future.
- 2.3 The scope includes the full financial management service from strategic financial leadership and the s151 Officer, through to the day-to-day processes needed to support budget managers throughout the organisation.
- 2.4 The scope does not include the operation of the wider finance function i.e. accounts payable and receivable, Housing Benefits and Council Tax Support and financial administration such as bank and feeder system reconciliations. It does however provide a basis for these areas to be considered in the future and the s151 officer continues to undertake their statutory role in terms of statutory accountability for these functions.

- 2.5 As part of the arrangements, Selby's Executive Director (and s151 officer) role became a dual role as an Assistant Director Strategic Resources (and Lead Business Partner) NYCC and Chief Finance Officer (s151) SDC – split 50:50 across the 2 organisations and replacing 2 previous full-time roles. With dual reporting lines to Selby's Chief Executive and NYCC's Corporate Director of Strategic Resources, the post holder is a member of Selby's Leadership Team and NYCC's Strategic Resources Management Team with overall responsibility for the whole Finance team at NYCC (including Credit Control).
- 2.6 The rest of the Selby Finance Team were integrated into the wider Finance Function. The existing staff in the Selby team remained based at Selby and continue to provide services to Selby but they are supplemented by support from the wider team based in Northallerton, for more specialist tasks (capital accounting, treasury management, final accounts, VAT management, insurance).
- 2.7 The objectives of the original proposal were based on a basket of services ranging from strategic financial leadership through to day-to-day- support for budget managers.
- 2.8 The business case for the service identified savings of £58k for SDC and £82k for NYCC as at 2016/17.

### 3. BENEFITS AND OUTCOME REVIEW

- 3.1 **Appendix A** sets out an assessment of progress against the original objectives for the Finance collaboration. Overall good progress has been made and the service is delivering the anticipated benefits and outcomes for the following key objectives:
- **Objective 1:** Provide tailored strategic financial management support that meets the specific needs of Selby District Council and their leadership team.
  - **Objective 2:** Facilitate self-service for budget managers.
  - **Objective 3:** Re-align staff resources to value-adding activities and reduce time spent on transactional tasks.
  - **Objective 4:** Improve quality of financial (and non-financial) data/analysis and business intelligence.
  - **Objective 5:** Deliver a range of technical financial/accounting tasks through deployment of dedicated professionals from within the wider NYCC team.
  - **Objective 6:** Review and make recommendations on the Finance IT system (SDC's current system v NYCC's Oracle system) that will be used to support the future service.

3.2 3 plus years into the arrangements the review has highlighted some areas for improvement and a number of recommendations are proposed:

- **Scope** - As stated in the background section, the current scope for Selby does not include the operation of the wider finance function i.e. accounts payable and receivable, Housing Benefits and Council Tax Billing and Recovery and financial administration. As s151 Officer the CFO is accountable to the Council for these financial services (effectively in a quasi-client capacity) but does not directly manage the resources associated with delivering them. This is not uncommon and there is no suggestion that this should be changed but it has led to some challenges and the arrangements would benefit from greater clarity for all concerned.

#### **Recommendation**

**It is recommended that consideration be given to these arrangements going forward and how the links between the s151 Officer and the wider finance functions can be strengthened to ensure the s151 Officer can fulfil their statutory role and support the organisation more effectively.**

- Budget manager ownership - The team have built strong working relationships with budget managers; training (and subsequent refresher training) for budget managers has been delivered and improvement in forecasting is evident although there continues to be more work to do to fully embed across all services. The team continue to work closely with budget managers and Heads of Service to build knowledge and confidence.

#### **Recommendation**

**In order to maximise the benefits from the arrangements it is recommended that the council's commitment to budget manager ownership and the previously agreed operating model be reconfirmed.**

- **Project Support** - The amount of project related work has grown significantly since the collaboration agreement was put in place and the team has worked hard to support this work by prioritising tasks where possible and appropriate but this has impacted on other work (notably the value for money review in 2018/19).

Examples of the type of activities Finance are involved with include: Housing development business cases; strategic programmes/projects with associated grant applications and claims; commercial investments; savings identification and quantification.

#### **Recommendation**

**Whilst we continue to prioritise workload to meet all commitments, the pace of growth in project related activity shows no signs of diminishing and therefore additional resources are recommended to support the Council in these often higher risk areas. The amount of**

**resource required is dependent upon the level and complexity of projects but as a minimum a further 2 days per week of a Senior Accounting Technician is recommended with on-going monitoring to ensure this is sufficient.**

#### **4. PERFORMANCE**

- 4.1 The performance report for the first half of 2019/20 is attached at **Appendix B**. To date, with the exception of the 2018/19 Value for Money Review, all key targets have been met. Delays to the VFM work are the result of other competing demands from project related work as highlighted elsewhere in this report.
- 4.2 The service specification sets out the services provided as part of 'business as usual' activity and those that are ad-hoc in nature.

#### **5. KEY STAKEHOLDER FEEDBACK**

- 5.1 In November 2018 the Finance Team surveyed its customers to gain feedback on the services provided, to identify areas for improvement and the potential for unmet demand. The results of the survey showed that across the Team's external client base the majority of questions demonstrated good customer feedback. The highest ranking question was associated with the team being approachable and professional with over 90% of respondents either agreeing or strongly agreeing. 80% of respondents also agreed or strongly agreed that the team are trusted to provide quality support and advice. Areas identified for improvement were: self-help intranet tools, and self-help tools and training generally – areas which have been and continue to be prioritised. A summary of the results is attached at **Appendix C**.
- 5.2 As part of this review, direct feedback from Selby's Chief Executive and NYCC Corporate Director has been sought. In summary Selby's CE feels the arrangements have been valuable, allowing Selby to benefit from the added strategic support and capacity (support for the variety of financial consultations over the past couple of years in particular have helped Selby to 'punch above its weight') and feels Selby's status as a valued partner within the sub-region has grown as a result. They also expressed concern that resources appear to be stretched but keen to ensure that the arrangements demonstrate value for money and opportunities for further efficiencies are sought.
- 5.3 NYCC's Corporate Director also feels that the arrangements have been beneficial - not only are they delivering annual savings, they are enabling the County Council to build its knowledge of council tax and business rates and also its capability in delivering services to other clients.

6.2 Therefore, rather than extend the agreement this report recommends renewing the arrangements for a further 5 years in order to provide a reasonable time frame for forward resource planning.

## 6. Alternative Options Considered

6.1 The alternative options are:

- Terminate the arrangements from 1 April 2021 – the arrangements have delivered the benefits and termination would leave the Council open to the risks which instigated consideration of this collaboration.
- Extend the current arrangements for up to 2 year – this is an option but it would not provide sufficient time to effectively resource the arrangements and would not support medium to longer term planning.

## 7. Implications

### 7.1 Legal Implications

7.1.1 The Finance agreement is within the overarching Better Together Collaboration Agreement. The service specification will be refreshed as required subject to the recommendations in this report.

### 7.2 Financial Implications

7.2.1 The annual charge of the service in 2019/20 is £264k + £21k incidental costs – a total of £285k for the year. A financial breakdown is set out below.

7.2.2 The cashable savings achieved against the original structures along with the income generated through the property fund investments are:

<b>Summary Cashable Benefits @ 2019/20</b>	<b>SDC £000</b>	<b>NYCC £000</b>	<b>Comments</b>
Cashable savings delivered p.a.	73	91	Original savings per business case (index linked)
Additional resources agreed	-8	8	0.2 FTE Senior Accounting Technician
Property fund investment returns p.a.	148	2	Returns over and above standard treasury returns (NYCC fee = 1%)
<b>Total cashable benefits achieved p.a.</b>	<b>213</b>	<b>101</b>	

7.2.3 The Selby 'team' structure and associated salary cost is currently:

<b>Current Structure 2019/20</b>	<b>FTE</b>	<b>Salary Cost (excl oncosts) £</b>
CFO/s151*	0.5	32,838
Head of Finance	0.5	22,796
Senior Accountant	0.4	15,825
Accountant	1.8	66,377
Senior Accounting Technician	0.6	18,304
Accounting Technician	1.0	26,317
Various (equivalent to SAT)	0.5	14,800
<b>Total</b>	<b>5.3</b>	<b>197,257</b>

\*Net of £10k discount

7.2.4 The estimated direct service cost to NYCC in 2019/20 is £260k which allows for employer salary on-costs of £53k. The agreed service charge is £285k which provides a net £25k to cover miscellaneous costs (general training and some subscriptions) and a contribution to NYCC's management costs and overheads.

7.2.5 National benchmarking data for financial management services is not available but local benchmarking has been undertaken with the other districts in North Yorkshire. The summarised results are shown at **Appendix D**.

7.2.6 The results show that the average salary costs per FTE range from £27k to £42k with an average of £36k against Selby's figure of £37.5k. Selby's 'other staff' cost per FTE is slightly higher than the average (£32.6k against an average of £30k) which is a result of the core Business Partnering service being delivered through qualified accountants (or equivalent) – this reflects the business model which directs resources towards higher risk budgets and activities. Selby's management costs (just below average) compare well to the other districts and Selby has the highest ratio of other staff compared to managers. Although a relatively crude measure, Selby scores well against salary cost per £1000 of gross expenditure (from 2018/19 accounts) - costs range from £1.69 to £7.12 with an average of £4.70 compared to Selby's at £4.02.

### **7.3 Policy and Risk Implications**

7.3.1 The agreement addresses the potential for conflicts of interest with the s151 role and recognises the importance of the arrangements in place to deal with such conflicts - it is stressed that the s151 role takes precedence if conflicts arise. 3½ years into the arrangements it is pleasing to report that there have been no issues of concern in this regard, with positive feedback from Selby's CE on the nature of the advice received.

7.3.1 Any revised collaboration agreement will emphasise the potential for conflicts of interest and specify how such conflicts will be managed.

## **7.4 Corporate Plan Implications**

7.4.1 The arrangements support the Council's 'delivering great value' priority.

## **7.5 Resource Implications**

7.5.1 The structure has flexed over the life of the agreement in order to meet the needs of Selby and to respond to changes within the wider team. The CFO's statutory obligations ensure that the necessary resources have been made available whilst, wherever possible, working within the cost envelope agreed.

7.5.2 The Head of Finance post has been reduced to 0.5 FTE (from 0.8 FTE) to reflect the wider management role for the External Client section of the NYCC team and their greater involvement in the North York Moors National Park Authority. This key role for Selby is responsible for the management accounts and the support service provided to Directorates. To compensate for this reduction and in order to provide sufficient managerial support to the Selby team, a Senior Accountant role has been created, which is shared with Ryedale DC (0.4 FTE SDC and 0.6 FTE RDC) and brings added synergy.

7.5.3 The standard chargeable days per quarter are 274. Analysis of the team's time allocations for the first quarter of 2019/20 showed that 1,946 hours (equivalent to 375 days) were recorded on Selby tasks. The top three tasks were: 975 hours (50.1% or 187.75 days) on closedown; 214 hours (11.0% or 41.25 days) on Strategic Financial Leadership and Management; and 210 hours (10.8% or 40.5 days) on Financial Planning with the remainder spread over a number of other tasks.

7.5.4 Closedown is a resource pressure point and therefore hours in excess of the standard are expected, although Q1 is significantly higher – we will continue to monitor and would normally expect this to even out over the year although demand for project support continues to grow.

## **7.6 Other Implications**

7.6.1 No other significant implications.

## **7.7 Equalities Impact Assessment**

7.7.1 There are no equalities implications associated with this report.



## **8. Conclusions**

- 8.1 The arrangement demonstrates a sustainable solution and provides resilience, and flexible resources.
- 8.2 Access to the broader skills mix within the wider team allows tasks to be matched with the right skills sets, which in turn leads to more efficient and effective delivery of services and improved outcomes for SDC.
- 8.3 The integration of SDC staff into the wider NYCC team has provided exposure to a more varied mix of work which has helped to build the necessary skills and experience to add further value to both organisations. And a larger team also provides career progression and assists succession planning – we have already seen one staff member promoted into a management position within the wider team.
- 8.4 Integration has also allowed the re-profiling of skills employed on SDC's financial management service – changing the emphasis and resources towards higher level accountant skills and away from transactional work.
- 8.5 For NYCC the arrangement has delivered cashable savings and broadened the Finance Team's experience into district council services and fostered a more commercial client centred approach to service delivery - an approach which has been replicated and successfully rolled out to two further clients.
- 8.6 Overall the arrangement has achieved the desired service outcomes to date and when bringing into account the additional income generated through treasury investments for Selby, has exceeded the original savings target that was set.
- 8.7 However, going forward growing service demand from both SDC and NYCC is challenging team capacity and the need to appropriately resource major projects work and prioritise service delivery to achieve further efficiency will be crucial to continued success.
- 8.8 Further embedding of financial management within the role of budget managers would release team capacity for redirection to other value adding work. Further opportunities to facilitate this will be explored with Selby's Leadership Team but in the meantime confirmation of financial service operating model and support to raise the profile of this agenda would be helpful.

## **9. Background Documents**

None

## **10. Appendices**

Appendix A – Assessment of objectives  
Appendix B - Performance Framework 2019/20 (to Q2)  
Appendix C - Customer feedback results  
Appendix D - Benchmarking

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## 1. BENEFITS AND OUTCOMES REVIEW

### 1.1 Objective 1: Provide tailored strategic financial management support that meets the specific needs of Selby District Council and their leadership team.

#### 1.1.1 A number of key strategic financial outcomes have been achieved:

- Financial advice to senior management and members – including support following Local Government Finance Settlement/Rate relief matters/project financing etc, attendance at Executive and Audit and Governance Committee, support for Lead Member for Finance and Resources;
- Sign-off of statutory accounts (including Value for Money judgement) by 31st July (following the bringing forward of the statutory deadline by 2 months from 2017/18) – statutory deadlines met and unqualified external audit opinion achieved for all years;
- Refresh of Medium Term Financial Strategy – approved by Council in September every year;
- Leadership of budget process – support for Executive budget workshops and draft budget approved for consultation (including wider member engagement, reporting to and gaining feedback from Policy Review Committee and on-line public consultation);
- Oversight of quarterly management accounts and treasury reports to Executive, including the procurement of 2 property funds in 2018/19;
- Liaison with internal and external auditors (and Director of Veritau North Yorkshire on behalf of Selby);
- Leadership of the internal control environment (internal audit, risk management, counter fraud, information governance and oversight of the Annual Governance Statement and associated actions).

1.1.2 The Assistant Director responsible for Selby's s151 service is the Lead Finance Business Partner to NYCC s151 officer with the 'Corporate Finance' portfolio. The post holder is also chair of NYCC's Finance Leadership Team, with responsibility for the management of the whole Finance team, working closely with the other Assistant Directors within Strategic Resources. The role enables significant synergy through the arrangements, which is important for the overall viability of the package of support.

1.1.3 The agreement addresses the potential for conflicts of interest with the s151 role and recognises the importance of the arrangements in place to deal with such conflicts - it is stressed that the s151 role takes precedence if conflicts arise. 3½ years into the arrangements it is pleasing to report that there have been no issues of concern in this regard, with positive feedback from Selby's CE on the nature of the advice received.

1.1.4 As stated in the background section, the current scope for Selby does not include the operation of the wider finance function i.e. accounts payable and receivable, Housing Benefits and Council Tax Billing and Recovery and

financial administration. As s151 Officer the CFO is accountable to the Council for these financial services (effectively in a quasi-client capacity) but does not directly manage the resources associated with delivering them. This is not uncommon and there is no suggestion that this should be changed but it has led to some challenges and the arrangements would benefit from greater clarity for all concerned.

## **Recommendation**

**It is therefore recommended that consideration be given to these arrangements going forward and how the links between the s151 Officer and the wider finance functions can be strengthened to ensure the s151 Officer can fulfil their statutory role and support the organisation more effectively.**

### **1.2 Objective 2: Facilitate self-service for budget managers.**

**1.2.1** Progress against this objective is positive and a business partnering approach has been implemented. This approach has required a culture shift amongst service managers and the support of the Leadership Team. It has also required a review of Selby's Financial Procedure Rules to ensure they appropriately facilitate budget manager ownership whilst providing strong financial governance.

**1.2.2** The team have built strong working relationships with budget managers; training (and subsequent refresher training) for budget managers has been delivered and improvement in forecasting is evident although there continues to be more work to do to fully embed across all services. The team continue to work closely with budget managers and Heads of Service to build knowledge and confidence.

**1.2.3** A review of the Council's Finance intranet page has been undertaken and improvements are in the process of implementation during 2019/20. Improvements to date include a salary ready reckoner, on-line budget manager training/guidance

## **Recommendation**

**In order to maximise the benefits from the arrangements it is recommended that the council's commitment to budget manager ownership and the previously agreed operating model be reconfirmed.**

### **1.3 Objective 3: Re-align staff resources to value-adding activities and reduce time spent on transactional tasks.**

**1.3.1** Selby has a small centralised finance team and whilst the team can cope with the day to day financial management of the Council, there is limited capacity due to the broad variety and increasing demand and complexity of work.

- 1.3.2** The reshaping of the skills profile of the team has enabled a shift in focus however further embedding self-service for budget managers could help to release further capacity for more value added work and whilst there are signs that this is improving, pressure on the team continues to grow and therefore this remains a priority moving forward.
- 1.3.3** The amount of project related work has grown significantly since the collaboration agreement was put in place and the team has worked hard to support this work by prioritising tasks where possible and appropriate but this has impacted on other work (notably the value for money review in 2018/19).
- 1.3.4** Examples of the type of activities Finance are involved with include: Housing development business cases; strategic programmes/projects with associated grant applications and claims; commercial investments; savings identification and quantification.

## **Recommendation**

**Whilst we continue to prioritise workload to meet all commitments, the pace of growth in project related activity shows no signs of diminishing and therefore additional resources are recommended to support the Council in these often higher risk areas. The amount of resource required is dependent upon the level and complexity of projects but as a minimum a further 2 days per week of a Senior Accounting Technician is recommended with on-going monitoring to ensure this is sufficient.**

### **1.4 Objective 4: Improve quality of financial (and non-financial) data/analysis and business intelligence.**

- 1.4.1** This is an area where considerable progress has been made. Examples include: a zero based approach has been taken to SDC's higher risk budgets; and financial modelling to support projects (such as housing development and commercial investments).
- 1.4.2** The Council has also recently subscribed to Grant Thornton's CFO Insights benchmarking tool and we are currently developing our approach to utilising this to support our value for money analysis.
- 1.4.3** This crucial activity will help the Council to understand how its costs and performance compare to similar councils and help to identify opportunities for transformation and efficiencies.
- 1.4.4** There is also opportunity to improve use of Business Objects reporting and skills development in this area will be taken forward in the coming year.
- 1.5 Objective 5: Deliver a range of technical financial/accounting tasks through deployment of dedicated professionals from within the wider NYCC team.**

**1.5.1** We have seen significant benefits from having access to more specialist support from the wider NYCC team:

Final Accounts

A senior officer within the team takes ownership of the final accounts process and working closely with the Selby based team achieved approval of the accounts by 31 July 2017, 2018 and 2019 – bringing forward the deadline by 2 months and achieving the new timescale that applied from 2017/18.

For 2018/19 accounts there were some significant issues identified late in the audit which impacted on deadlines and reports to the Audit and Governance Committee. As part of our annual review process, lessons learned will be captured and any necessary improvements to the team's working practices etc will be implemented well ahead of 2019/20 and we will work closely with Mazars LLP to improve the external audit process.

Capacity is always a challenge at peak times such as closedown and further improvements could be made in flexing resources from the wider team in times of greatest need.

Treasury Management

Treasury Management has been successfully integrated, with SDC funds being swept into NYCC's bank account on a daily basis. The annual Treasury Management Strategy and quarterly monitoring reports are prepared by the Treasury team. In addition a joint consultancy service has generated cash savings. The County Council's venture into more commercial investments provides improved returns for Selby through investment in property funds which would not have been possible without the expertise of the NYCC treasury team (Selby alone would not qualify for this type of investment under the Markets in Financial Instruments Directive [MiFID ii] regulations). This initiative is already delivering additional revenue returns (approx. £150k p.a. based on a return of 4% and treasury investments of 0.95%) to Selby over and above those that would have been achieved through traditional investments and therefore is a direct 'cashable benefit' that can be attributed to the arrangements.

Business Rates and Council Tax Accounting

Opportunities to share learning and understand the accounting requirements for both billing and precepting authorities are key strengths of the integrated Finance team, with the Assistant Director providing support to both organisations through responses to consultations and involvement in the successful 75% Business Rates Pool pilot for 2019/20 (which has delivered an additional £60k in the share of the pool receipts in 2019/20 as well as additional project funding from the pool 'top-slice' (a further £200k). It is felt that Selby's relationship with NYCC was a key factor in achieving this outcome.

VAT

Provision of ad-hoc VAT advice has been provided as needed – most commonly to support projects that may require the exercise of the Council's

'Option to Tax', and a review of the Council's 'partial exemption' calculation is also in progress (no issues of concern anticipated). This is a technical area and one which requires dedicated expert support which is difficult to sustain in a smaller council. Over the coming months support will be provided for 'making tax digital' and for a review of Selby's VAT arrangements.

**1.6 Objective 6: Review and make recommendations on the Finance IT system (SDC's current system v NYCC's Oracle system) that will be used to support the future service.**

**1.6.1** A review of NYCC's Oracle system was undertaken and reported to Programme Board. However the cost of the system and some key functional gaps (for example no scanning for creditor invoices) meant that it was not recommended.

**1.6.2** The original business case for Finance integration acknowledged that a shared system would provide some potential for operational efficiency but it was not a requirement for team integration.

**1.6.3** This will be kept under review as Selby consider its future system requirements and as NYCC potentially develops its own system offer for external clients. Should the collaboration agreement be ultimately extended or renewed this could be revisited.