Council

21st January 2021

Report of the Chief Executive

RESILIENCE, RESOURCES, PRIORITIES - FINANCIAL SERVICES TEAM RESTRUCTURE

PURPOSE OF REPORT

This report sets out proposals to amend the structure of the Financial Services Team to provide adequate resilience and resources to meet the ongoing demands of the service and seeks approval for the creation of additional posts and associated expenditure.

RECOMMENDATION

That the proposed changes to the structure of the Financial Services Team be approved with immediate effect and the costs be included in the revised estimates for 2020/21 and the draft budget for 2021/22.

WARDS AFFECTED

None

STRATEGIC LINK

The Financial Services Team has a key role in supporting the District Council to deliver on its Corporate Plan and key objectives, especially the Corporate Savings Target, the Medium Term Financial Strategy, Capital Strategy, Investment Strategies and Treasury Management Strategy. These all support the overall financial health and sustainability of the Council.

1 BACKGROUND

1.1 There are significant expectations and demands placed upon the Financial Services team. These demands are underpinned by statutory requirements, good practise and expectations from within and outside the organisation. The Financial Services team provides a number of services in addition to the core Accountancy function, including Insurance, VAT and Treasury Management. Responsibility for Accounts Payable and Receivable will return in-house from 18 January 2021, following the expiry of the contract with Arvato. The responsibility for the management and operation of the Income Management System also falls within the remit of the section, and this has taken up a significantly higher amount of resource in recent months.

2 REPORT

2.1 It has been obvious for some time that the current Financial Services structure is insufficient to meet all of the requirements of the service. This has resulted in prioritising certain tasks to the detriment of others, whilst also contributing to high workloads and stress across the team, contributing to the resignations of key team members. The turnover of the Financial Services Manager post (twice in a two year period) may also have impacted effective process improvement, and it has recently been found that some tasks, which were previously routinely completed, are no longer being carried out as frequently or to the required standard. There is also evidence of Single Person Dependencies, which is a risk in terms of business continuity. Another key team member resigned in December 2020, citing workload and stress as the reasons.

2.2 The increase in the workloads pre-date the increased demand arising during the coronavirus pandemic. The demands placed upon the service have grown over a number of years due to:

- increasingly complex accounting rules;
- a new requirement for the completion of the Statutory Statement of Accounts in two months, rather than three;
- changing requirements for Collection Fund (council tax and business rates) accounting;
- the outsourcing of revenues and benefits (some decisions have to be made by the Council even though the service is outsourced);
- late finance settlements and long term uncertainty about the funding of the Local Government sector;
- increased sanctions from HMRC for VAT accounting errors (at the same time as the loss of VAT knowledge from the organisation with the turnover of the Financial Services Manger post), as well as the Making Tax Digital project;
- An increase in the number and complexity of reports to central government.

These factors have all contributed to increasingly difficult and complex workloads.

2.3 Going forward, the team is also expected to address:

  - The management of the accounts payable and accounts receivable functions from 18 January 2021;
  - The standards required by the CIPFA Financial Management Code from 1st April 2021;
  - A new accounting standard for leases;
  - Improvements / upgrades to the Financial Management and Income Management Systems.

2.4 Whilst workloads are seen to be extremely high across the team at present, much of this pre-dates the additional workload arising from the coronavirus pandemic. There appear to be bottlenecks and pinch points as seniority increases; a consequence of this is understood to be the turnover of the Financial Services Manager role (which has been vacated twice in the last few years, partly due to the pressures and responsibilities placed upon this post). A number of team members have highlighted issues with workloads and a struggle to take annual leave. Increasing demand for financial expertise, aligned with inadequate resource and more complicated issues creates a perfect storm environment.

2.5 Furthermore, it is not expected that additional external pressures and priorities will subside and this could result in a spiral of declining performance and output from the service, and the associated pressure and poor mental health impacts that would follow.

There is a high risk that other members of staff will leave the organisation if these issues are not addressed resulting in a situation where key tasks may not be completed within deadlines or controls, such as budget monitoring, will cease to be applied.

Proposals

2.6 An exercise has been undertaken to identify the demands on the financial services team and to then assign responsibilities to posts to ensure that there will be adequate capacity. The structure of the financial services team has been reviewed in light of this exercise.

2.7 In order to create some stability in the post of Financial Services Manager, it is necessary to create capacity by increasing resources in the tiers below so that some duties can be cascaded down. This particularly applies to the line management responsibilities where the post currently has three direct reports but this could potentially increase to seven in January with the return of the accounts payable and accounts receivable functions. It will also:

- remove areas of single person dependency (such as VAT);
- contribute towards the good stewardship of the organisation and compliance with CIPFA's Financial Management Code;
- allow more time for coaching, mentoring and continuing professional development; and
- provide more support to the Director of Resources.

2.8 The following changes are proposed (at top of grade, including NI and pension contributions and subject to JE):

Table 1: Proposed changes

	Proposed change	Estimated additional cost p.a.	Additional FTEs
A	Increase the Principal Accountant post from 0.8 FTE to full time (the current post holder has just resigned)	£9,929	0.2
B	Create additional full time post of Senior Accountant	£46,195	1
C	Create additional post of Accounting Technician	£29,014	1
D	Create additional full time post of Accountancy Assistant	£24,080	1
E	Delete apprentice post	-£19,940	-1
F	Review grades of other posts due to taking on additional responsibilities	£6,812	0
	Total	£96,090	2.2

Some job titles will also be updated, with no change to grading.

2.9 The financial impact of the proposed structure (at top of grade) is summarised below:

	FTE	Cost
Current Structure	10.2	£343,659
Proposed structure*	12.4	£439,749
Increase	2.2	£96,090
Less amount available from budget for revenues and benefits and invoice processing contract		-£55,000
Additional Annual Funding Requirement		£41,090

*subject to JE and consultation with team & HR.

3 RISK ASSESSMENT

3.1 Legal

The Council is required to comply with the relevant financial regulations and the additional posts will ensure the Council is not a risk of breaching any of the requirements due to workload pressures. Further, reports of stress put the Council at risk of possible employer liability claims. The additional posts are a proportionate measure to reduce the risk to the Council. The consequences of not approving the additional posts means the risk is high.

3.2 Financial

The report proposals result in additional ongoing revenue expenditure of £41,090 per annum. In 2021/22 this can be funded from the additional government funding received as part of the 2021/22 provisional Local Government Finance Settlement. For future years all spending will be reviewed if the outcome of the Fair Funding Review and the Business Rates Review mean that there is a significant funding gap. The financial risk is assessed as medium. However, the financial risk from inadequate staffing levels leading to VAT errors, missed grant deadlines and substandard financial management would be high.

4 OTHER CONSIDERATIONS

4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

5 CONTACT INFORMATION

Karen Henriksen, Director of Resources,
Telephone: 01629 761284, Email: karen.henriksen@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

None

7 ATTACHMENTS

None