

# **EAST DEVON DISTRICT COUNCIL AND SOUTH SOMERSET DISTRICT COUNCIL SERVICE INTEGRATION**

## **FINANCIAL SERVICES**

Executive Summary

6<sup>TH</sup> September 2010

Produced by



## 1. Purpose

This document summarises the Financial Services business plan and provides the outline scope, plan, timescales risks, benefits and costs for moving towards a joint approach to service management, operations and delivery.

## 2. Objectives of the project

The project will focus on delivering against the following objectives:

- Implement a shared management structure and complete recruitment to the new structure by 31<sup>st</sup> January 2011. Have the structure operational by 1<sup>st</sup> April 2011.
- Develop and implement, processes and systems to support shared operation and delivery
- Implement shared operation and service delivery, starting 1<sup>st</sup> April 2012.

## 3. Project scope

The scope will include all service elements associated with audit, governance and risk management: financial services of accountancy, insurance, cashiering, debtors and creditors and procurement.

Total Staff: 32.75 FTE (EDDC 13.6, SSDC 19.15)

Total Budget for 2010/11: £1.042m (EDDC £417k, SSDC £625k)

The scope does not include the costs to enable ICT to provide new infrastructure for a shared finance system.

Outsourced service options are outside the scope of the plan,

## 4. Options

In order to address the forecasted budget deficits of £1.2m(EDDC) and £1.8m(SSDC) in 2011/12 and those expected in later years, we have discounted the 'do nothing' option. The report covers the Audit, Governance and Financial Services (accountancy, payment of invoices, collection of sums due, cashiering, procurement and insurance. The report excludes the collection of housing rents, council tax and business rates).

### 4.1. Implement a new shared finance organisation structure

Create a centralised finance team providing services to both EDDC and SSDC utilising existing systems and new processes.

#### Audit

EDDC<sup>1</sup> have recently resolved to apply to join the South West Audit Partnership (SWAP). A successful application will result in a member of staff being the subject of

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<sup>1</sup> SSDC is already a member of the partnership.

a TUPE agreement with the current post Internal Audit and Governance Manager being declared surplus to requirements.

With EDDC and SSDC working together within SWAP there will be opportunities to reduce the cost of this activity in future years. The speed and degree of that saving will largely be dependent upon the appetite to merge the support and front line services of both councils.

### Governance

As separate entities each council will need to ensure it has in place appropriate arrangements to undertake, monitor and evaluate their governance activities.

The S151 officer will act as the link between SWAP and the Authority, similar to the relationship that would exist with a head of internal audit, were the activity undertaken in-house. With a shared S151 post greater emphasis should be placed on the direct reporting link between the internal audit function and the Audit Committee.

Other than the shared positions referred further cost saving are not anticipated from governance activities.

### Financial Services

Within the current establishment there are 3 senior finance posts at 2nd and 3rd tier. The new shared management structure could see these reduced to one. The Finance Manager post at South Somerset could be shared enabling both authorities to share savings of around £25,000 per annum each.

<b>Costs (New Structure)</b>	<b>2011/12 (£,000)</b>	<b>2012/13 (£,000)</b>	<b>2013/14 (£,000)</b>
Current Total	1042	?	?
Anticipated Total	992 <sup>2</sup>	?	?
<b>Total Savings</b>	<b>50</b>	?	?

## **4.2. Implementation of a new shared organisation and financial systems**

Create a centralised team finance team and integrate corporate financial systems.

Work with the ICT project to establish the infrastructure that will be needed to support the new combined corporate finance system. Develop the specification for the new system, train staff and implement.

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<sup>2</sup> Additional savings have yet to be calculated

### Corporate Finance System - Investment Requirement

Description Financial System	2011/12 (£,000)	2012/13 (£,000)	2013/14 (£,000)
Migration		75	
<b>Total Cost</b>		<b>75</b>	

### Operating Costs

Merging the financial systems saves **£20k per year** against the original costs. This provides a return on investment within 4 years, assuming the necessary ICT infrastructure is in place

A structure will be put forward once the senior management structure has been agreed. If a joint S151 officer is appointed there is a strong argument for aligning processes within councils to bring a degree of standardisation, based on best practise. If this is agreed it would also make sense to have a joint Finance Manager. At present this post is frozen at East Devon but there would be a need to have a manager between the S151 and the senior accountants. South Somerset currently has a postholder that could be shared enabling savings to be shared between the two authorities.

## 5. Milestones for delivering the preferred option

- Stage 1 – Appointment of shared S151 officer Jan 2011
- Stage 1b – Shared Finance Manager in place if shared S151 Jan 2011
- Stage 2 – Review of structures and capacity of both finance teams April – May 2011
- Stage 3 – Agreement on and adoption of standard report templates, annual timetables, methods of working, and provide business case for joint Finance System, etc  
April–September 2011
- Stage 4a – Agree protocol for joint working on procurement initiatives and finance function by March 2012
- Stage 4b – Shared team in place April 2012
- Stage 5 – consider further options for sharing specialist staff by June 2012
- Stage 6 – timetable to migrate to Finance System would then be dependent upon the speed and extent of service mergers. TBD
- Stage 7 – Finance teams fully merged. TBD

These dates are subject to change and will be influenced by the availability of ICT infrastructure.

## 6. Resources

Resources will be made available from the existing finance team to manage the development and migration to the new structure. Some external resource may be required to assist with financial system migration during the latter stages of transition to the merged service.

## 7. Risks and Issues

- Maintaining statutory identities of EDDC and SSDC.

The structure, processes and systems must allow each council to retain their constitutions, executive arrangements, priorities, aims and ambitions. Each will be required to set a council tax, prepare estimates, monitor and report on financial performance and maintain independent records and accounts. Each will be subject to scrutiny by external audit and other performance monitoring bodies.

- With the 3 statutory officers (Chief Executive, Monitoring Officer and S151 Officer) all serving both councils there is a danger that governance will become less focussed.

This must remain a key consideration as we progress migration. The supporting structures and team accountabilities must reflect this need. However, governance has been managed successfully in this way at South Somerset for some time.

- Investment funding may not be available in 2010/11 or 2011/12 for the purchase and implementation of a combined financial system.

If enough savings can be found from structure and process changes there is a better chance of securing funding for investment in the more cost beneficial systems initiatives.

## 8. Conclusion / Recommendation

To ensure the new finance organisation structure delivers the maximum benefits required to meet our objectives i.e. to contribute to savings of £3m in 2011/12, we need to investigate all the opportunities to share process and people. The investment in structure change and new process appears to be justified, however further benefits could be realised if we invested in a new combined finance system. These additional savings could be in excess of £20k per annum starting in FY 2013/14.

It is recommended that we progress with the structural and process changes at the same time develop the business justification to progress the new financial system to the point where we have fully explored all costs and benefits of financial system migration and our dependency on ICT infrastructure delivery.