



**Report to:
Lead Officer**

Cabinet
Head of Finance

14 January 2016

Finance Shared Services

Purpose

1. This report provides an update on the plans to create a shared finance service between CCC and SCDC, and seeks approval for further work.
2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to this Council's budget for the service or function to which the decision relates.

Recommendations

3. Cabinet is recommended:
 - a) To note the success of the current interim arrangements to share the Head of Finance and other housing finance staff; and to agree to make these permanent to support the development of the shared service.
 - b) To support further work to develop the finance shared service, as outlined in this report, noting that the final structure of the service will be determined after the implementation of the replacement financial management system.
 - c) To note that a further report, including a business case, will be brought back to the Cabinet in due course.

Reasons for Recommendations

4. Sharing services presents an opportunity for the councils to save money and build resilience across their current services, which often contain highly specialised roles. It also provides the opportunity to improve services to customers, by ensuring a focus on seamless service delivery. See also the potential benefits for sharing finance services listed in 10 below.

Background

5. Cambridge City Council ('CCC'), Huntingdonshire District Council ('HDC') and South Cambridgeshire District Council ('SCDC') have agreed the principle of working in partnership to deliver a range of shared services and have agreed general principles to underpin the approach. It is proposed that this takes place on a phased basis, introducing new shared services as and when agreed by the three Councils. Finance services are to be included in phase 2 of the shared service programme, as reported to all councils in July 2015.

6. The three councils are procuring and implementing a single replacement financial management system (FMS). This will be a key enabler of the finance shared service (FSS), allowing common, standardised and streamlined processes and reports to be used across the councils. CCC and SCDC plan to build on the implementation of the common FMS to share their finance services to meet immediate, identified needs. HDC will consider sharing certain aspects of the service once the FMS is implemented.
7. The two services employ 60 staff (52.19FTE) and have a total operating budget, excluding recharges / overheads, of £2.3m. The services provide the following functions:-
 - accounting services – General Fund and Housing Revenue Account
 - transactional and payroll services
 - financial and tax advice
 - treasury management
 - insurance and risk management

However, there are differences in scope between the finance services, particularly around income accounting and collection.

8. Payroll services already operate as a shared service between the two councils, with CCC as the employing authority. This shared service commenced on 1 April 2014, with associated savings being taken at that time.
9. The two councils also share four finance posts, the Head of Finance, the Principal Accountant (Housing) and two other housing finance posts, through a service level agreement which expires in February 2016. This arrangement provides cover for vacancies, operational resilience and has enabled the sharing of expertise. It is proposed to make this arrangement permanent and to build on it in a flexible, collaborative way over the next 12 – 18 months to develop and implement the common FMS and standardised processes. The outcome of this work will inform the design of the shared service which will be created at that point. All staff will remain with their current employer during this time, with the eventual organisation and delivery vehicle for the service being determined by the latest thinking at that time.
10. There are a number of benefits that could be achieved through sharing, including:-
 - Savings through reduced management costs and economies of scale.
 - Removing unnecessary bureaucracy and driving towards standardisation - consequently reducing costs and increasing value for money
 - Improving resilience – better able to cope with peaks in workload, annual leave etc.
 - Keeping expert knowledge in a larger team will also give each council access to a greater breadth and depth of professional expertise, with the possibility of sharing specialist roles which individually are not viable in the longer term.
 - Reduced external expenditure – additional resources and a broader skills base will lead to a reduction in the need for external advice. Where this is required, the combined purchasing power of the councils should lead to more competitive procurement rates.
 - Improved customer service – a larger, more resilient team will result in a better and a more responsive service to officers and members.
 - Staff development – a larger service will increase the opportunity for staff development, by allowing staff to work across a broader range of areas, or to become more specialised as appropriate.
 - Staff recruitment/retention – greater work opportunities should improve staff retention and help to reduce turnover. A larger shared service will enable succession planning and could provide increased opportunity to consider participating in professional training schemes (growing our own).

Key Risks

11. One of the reasons the councils are planning to share services is there are significant risks in doing nothing. Each council needs to find significant savings and they also need to recruit and retain skilled staff in a competitive market place and improve the resilience of relatively small teams. Shared services offer a way of mitigating these risks.
12. There are also a number of risks associated with the proposal to share services across three councils. These were highlighted in the Shared Services Overview Report to Cabinet on 9 July 2015.

Options

13. Other options to consider are as follows:
 - retaining services as they are for each respective Council;
 - operate a shared services model with different partners;
 - outsourcing of the services.

These other options have not been developed as they do not appear to present opportunities.

Implications

14. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:-

Financial

15. The development phase will be managed within existing budgets. A savings target for the shared service will be included in the business case.

Staffing

16. The finance teams will be managed flexibly to achieve the FMS implementation and maintain business as usual. There may be opportunities for secondment and personal development during this project. The staffing implications of the shared service will be determined once the replacement FMS is in place and staffing requirements as a result of this major change are understood.

Equality and diversity

17. An Equalities Impact Assessment (EQIA) will be carried out when the FSS is designed. It will be reviewed at all key stages of the project.

Consultation responses (including from the Youth Council)

18. This will be conducted in accordance with the council's agreed policy.

Background papers

Cabinet Shared Services Overview Report – 9 July 2015

Report Author:

Caroline Ryba – Head of Finance
01954 713032