

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy & Resources
DATE	4 December 2014
ACTING DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Shared Services – s.95 Officer
REPORT NUMBER	CG/14/166
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of the report is to outline the opportunity that exists for the Aberdeen City Council to enter into a trial shared service arrangement with Shetland Islands Council for the delivery of the remit of the Chief Financial Officer – commonly referred to as s.95 Officer, referring to s.95 of the Local Government (Scotland) Act 1973. In Aberdeen City Council this post holder is the Head of Finance.

The report seeks approval to enter into the arrangement and to delegate authority to the Head of Legal and Democratic Services, in conjunction with the Chief Executive and Director of Corporate Governance to conclude formal arrangements between the two local authorities for the trial period.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. Approve the proposals set out in the business case, attached, for shared working with Shetland Islands Council;
2. Delegate authority to the Head of Legal and Democratic Services in conjunction with the Chief Executive and Director of Corporate Governance to negotiate with Shetland Islands Council, and such of its officers as may be necessary, to conclude contracts that will arrange for the proper administration of both Councils;
3. Agree that any changes to management roles and responsibilities are agreed by the Director of Corporate Governance in conjunction with the Head of Human Resources and Organisational Development and Head of Finance;
4. Agree that the proposed arrangement is put in place for a period of 12 months, with a review of its operation after the first 6 months; and
5. Receive a report back on the outcome of the trial no later than in December 2015.

3. FINANCIAL IMPLICATIONS

The opportunity to for shared services is proposed on the basis of there being no additional cost to Aberdeen City Council as the cost of creating capacity within the Finance structure, travel and associated costs will be met by Shetland Islands Council.

4. OTHER IMPLICATIONS

Legal – an appropriate legal relationship will have to be created with Shetland Islands Council, ensuring that the role of s. 95 Officer for Aberdeen City Council whose appointment is a statutory requirement for the local authority, is appropriately maintained. This requires to be taken forward by the Head of Legal and Democratic Services.

Human Resources – The proposals in this report mean that it will be necessary to consider, in particular, the capacity and availability of the Head of Finance to enable suitable arrangements are put in place to provide adequate cover to both Councils. This requires to be taken forward by the Head of Finance and Director of Corporate Governance. Directly affected staff have been consulted on these proposals and all staff will be further advised of these arrangements, if approved, to ensure management roles and responsibilities are clearly defined and to ensure the change process is managed effectively.

5. BACKGROUND/MAIN ISSUES

Working collaboratively is a key factor in which local authorities and their partners are looking to identify and achieve efficiencies, learn from each other and take advantage of opportunities that can arise from working closely together for the greater good of the public purse.

At the last Cipfa Scotland Conference in March 2014 the Chief Executive of Aberdeen City Council challenged the s.95 officers (Chief Financial Officers) of all the North Scotland and Island local authorities to consider where and what could be done collaboratively in the area of finance and accounting. This was to build on the strength and depth of knowledge and experience that exists in local authorities.

Discussions have taken place between Aberdeen City Council and a number of other Local Authorities since then on general and specific opportunities that may exist.

This proposal stems from that initial discussion and the further exploration of alternatives to recruitment of a permanent replacement by Shetland Islands Council, following the decision of the s.95 officer there to resign from his post.

Defining and developing a shared s.95 working arrangement that meets the needs of both Aberdeen City Council and Shetland Islands Council has therefore been explored. The s.95 officer is required in law to administer the finances of the local authority and the duty and responsibility for a local authority to have a s.95 officer is defined by s.95 of the Local Government (Scotland) Act 1973.

It is proposed to undertake a trial for the sharing of a s.95 officer to establish how successful such an arrangement can be; to ensure that each local authority receives a seamless service from the point of view of financial leadership, strategic financial advice, maintaining financial stewardship levels and continued delivery of appropriate professional finance advice, guidance and front line service delivery to the internal and external customers of both local authorities

This will require an operational structure that enables Aberdeen City Council's Head of Finance to undertake the role of s.95 officer for both local authorities. Additionally to do this in such a way that they are not only adequately supported by finance teams in both local authorities but that draws on the experience, knowledge and talent within both those teams to provide high quality financial management and financial services to the internal and external customers who are in receipt of those services.

The proposal seeks to provide proof of what works in combining this role and in leading and managing the finances of two local authorities.

It is, however, not intended to be a mechanism for combining the finance teams in any material way nor is it about one local authority taking over the other.

This opportunity provides the chance to review operational structures with a view to providing greater experience for existing staff in both structures as well as having the potential for providing opportunities for staff. This will hopefully lead to better retention and development of staff during a time when it is difficult to recruit into key positions. Both Councils have embarked on recruiting trainee accountants in the last couple of years as part of a strategy to address future accounting and finance professional staff needs.

A business case reflecting the proposal and current situation is presented as an attachment to this report.

The benefits to Aberdeen City Council that it highlights include the chance to share its very positive experiences of financial management leadership of recent years (including winning Public Sector Finance team of the year 2 years running) to use this experience to provide the strategic and financial leadership support to another local authority to deliver on their objectives while managing tight financial resource allocations.

This puts Aberdeen City Council at the forefront of the opportunity to explore a very different way of working that will develop the finance team and has the potential to present unexpected opportunities to improve the use of resources and public money.

It offers the opportunity to share ideas and support each other in the delivery of high quality financial management and to learn from each other.

Furthermore it builds business resilience and business continuity in terms of the strength in depth of senior finance staff being available and able to apply their expertise to their own and the other local authority, which will add to the flexibility and responsiveness of the service.

6. IMPACT

Corporate – The Council is required by law to have a designated officer as s.95 Officer, being responsible for the proper administration of the Council. This proposal impacts on the Head of Finance in so far as there must be suitable capacity and business continuity to support the requirements of both Council's. Any adjustments and changes to roles and responsibilities to support the proposal will be worked through with the Head of Human Resources and Organisational Development and Director of Corporate Governance.

7. MANAGEMENT OF RISK

Capacity risk, the risk of not being able to support both local authorities to the required levels. This can be mitigated by ensuring that a suitable management structure is put in place quickly to address any capacity issues;


Availability risk, the risk that the s.95 officer is required to attend to pressing issues in both local authorities at the same time. This can be mitigated by ensuring that a suitable management structure is put in place with suitably experienced individuals to ensure that influence and authority can be provided by others in the absence of the appointed s.95 officer – as is the case when s.95 officer is on annual leave.

8. BACKGROUND PAPERS

None.

9. REPORT AUTHOR DETAILS

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	Corporate Project Management Toolkit Outline Business Case	Project Stage Define
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Project Name	Collaborative Working with Shetland Islands Council	Date	11 November 2014
Author	Steven Whyte, Head of Finance; Jonathan Belford, Corporate Accounting Manager	Version	3

Contents

1	BACKGROUND	7
2	OBJECTIVES	7
3	STRATEGIC FIT	7
4	SCOPE	9
5	OPTIONS	9
5.1	Option 1 – Do Nothing	9
5.2	Option 2 – Shared Service	10
5.3	Recommendation	12
6	BENEFITS	12
7	COSTS	13
8	RISKS	13
9	TIME	13
10	GOVERNANCE	13
11	ENVIRONMENTAL MANAGEMENT	13
12	STAKEHOLDERS	13
13	DEPENDENCIES	14

14 NEXT STEPS..... 14

15 DOCUMENT REVISION HISTORY 14

1 Background

Working collaboratively is a key factor in which local authorities and their partners are looking to identify and achieve efficiencies, learn from each other and take advantage of opportunities that can arise from working closely together for the greater good of the public purse.

At the last Cipfa Scotland Conference in March 2014 the Chief Executive challenged the s.95 officers (Chief Financial Officers) of all the Northern Scotland and Island local authorities to consider where and what could be done collaboratively in the area of finance and accounting. This was to build on the strength and depth of knowledge and experience that exists in local authorities.

As part of this the Head of Finance for Aberdeen City and the Executive Officer (Finance) of Shetland met initially on an informal basis to discuss whether anything could be defined and established to support the challenges that the local authorities were facing. Shetland identified that providing cover and support when vacancies in key positions arise and the challenge that SIC has for securing suitably qualified and experienced candidates to fill the roles on a permanent basis gave them a workforce planning problem.

Before a clear idea had been developed the matter was brought to a head because the s.95 officer at SIC resigned. His departure from the Council takes place in early December 2014.

This proposal stems from that initial discussion and the further exploration of alternatives to simply trying the well-trodden path of recruitment of a permanent replacement.

Defining and developing a shared s.95 working arrangement that meets the needs of both ACC and SIC has therefore been explored. The s.95 officer is by definition required in law to administer the finances of the local authority and the duty and responsibility for a local authority to have a s.95 officer is defined by s.95 of the Local Government (Scotland) Act 1973.

The proposal presented outlines a trial arrangement between ACC and SIC for a period of 12 months, with a 6 month review.

2 Objectives

The purpose of this trial is to establish how successful a shared s.95 officer arrangement can be; to ensure that each local authority receives a seamless service from the point of view of financial leadership, strategic financial advice, maintaining financial stewardship levels and continued delivery of appropriate professional finance advice, guidance and front line service delivery to the internal and external customers of both local authorities.

3 Strategic Fit

All local authorities require to designate a chief financial officer as referred to above and their role, according to authoritative guidance from Cipfa, is:

To be a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;

To be actively involved in, and be able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisations financial strategy; and

To lead the promotion and deliver by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

This in itself therefore does not make Aberdeen City and Shetland natural partners so what else makes this a good fit strategically?

In answer to this there is a clear similarity between both local authorities which provide a very clear fit, strategically, that offer opportunities for further work and collaboration on shared solutions to be found or to take advantage of those opportunities for mutual benefit.

Similarities include:

- Economic environment – low unemployment, oil and gas driving private sector economic development with large amounts of growth in this area;
- Housing - high demand for housing and shortage of supply; plus high housing rental values.
- Infrastructure – transportation remains key for both with remote communities in Shetland and oft criticised road / bus networks in Aberdeen which have been highlighted as a critical improvement area that needs to be addressed.
- Financial challenges – making better use of scarce and expected to reduce resources; improving the use of those resources and making them work harder for the benefit of customers and citizens.

This shows a significant amount of synergy between two local authority areas that at first glance are quite different. Other similarities exist.

Aberdeen has emerged from an extremely challenging and reputationally damaging Best Value Audit situation while Shetland has been publicly criticised for its historic financial management and use of its 'oil funds' (these funds set it apart from all other local authorities in Scotland). Shetland, like Aberdeen City has come through this and continues to work to place itself in the most sustainable and financially advantageous position it can so that future strategic objectives can be achieved successfully.

Both local authorities now have operational finance structures that are almost exactly aligned and this similarity offers opportunities to organise and manage the services in each local authority so that experience and assurance is built around common areas of work.

It offers both local authorities the opportunity to share ideas and support each other in the delivery of high quality financial management and to learn from each other.

Aberdeen and Shetland do enjoy good transport links with both ferry and air services available on a daily basis.

4 Scope

Primarily this will deliver an operational structure that enables Aberdeen City's Head of Finance, as s.95 officer, to undertake the role of chief financial officer for both local authorities and to do this in such a way that they are not only adequately supported by finance teams in both local authorities but that draws on the experience, knowledge and talent within both those teams to provide high quality financial management and financial services to the internal and external customers who are in receipt of those services.

It will seek to provide proof of what works in combining this role and in leading and managing the finances of two unique local authorities.

It is not intended to be a mechanism for combining the finance teams in any material way nor is it about one local authority taking over the other.

This opportunity provides the chance to review operational structures with a view to providing greater experience for existing staff in both structures (by offering greater business continuity and resilience) as well as having the potential for providing opportunities for staff. This will hopefully lead to better retention and development of staff during a time when it is difficult to recruit into key positions.

5 Options

5.1 Option 1 – Do Nothing

Description	Aberdeen City's finance team continues to work on its priorities and does this in isolation of the external environment; Shetland try to recruit a permanent replacement for the s.95 officer.
Expected Costs	Aberdeen City – no costs; Shetland - £40,000 to run a chief officer recruitment and provide temporary cover for the statutory s.95 officer
Expected Benefits	No particular benefits are achieved from simply doing what we've been doing for the last 18 years as separate local authorities.
Risks Specific to this Option	Aberdeen City – Missed opportunity, the opportunity cost of not engaging with another local authority is to not find out what could be achieved from exploring in detail this option. Shetland – Long-term gap in clear financial leadership of the local authority with the possibility of poor decision making and governance emerging from that gap.
Viability	This is a viable option.
Other Points	None.

5.2 Option 2 – Shared Financial Leadership (s.95 Officer)	
Description	The sharing of the s.95 officer of Aberdeen City Council with Shetland Islands Council, to provide financial leadership and strategic financial advice to both local authorities, along with leading the delivery of robust financial services and accounting teams to both local authorities.
Expected Costs	Aberdeen City – cost neutral – additional costs to be met by Shetland. Shetland – within financial resources previously related to the employment of the s.95 officer and any additional financial management / leadership support procured.
Expected Benefits	Aberdeen City - the chance to share its very positive experiences of financial management leadership of recent years (including winning Public Sector Finance team of the year 2 years running) and to support another local authority to deliver on their objectives while managing tight financial resource allocations. The opportunity to explore a very different way of working that will develop the finance team and present unexpected opportunities to improve the use of resources. Shetland – no ‘gap’ in financial leadership, maintaining a strong grip on the financial priorities and path already set for the local authority. Both local authorities – the opportunity to share ideas and support each other in the delivery of high quality financial management and to learn from each other. Furthermore business resilience and business continuity in terms of the strength in depth of senior finance staff being available and able to apply their expertise to their own and the other local authority will add to the flexibility and responsiveness of the service.
Risks Specific to this Option	Capacity risk, the risk of not being able to support both local authorities to the required levels. This can be mitigated by ensuring that a suitable management structure is put in place quickly to address any capacity issues; Availability risk, the risk that the s.95 officer is required to attend to pressing issues in both local authorities at the same time. This can be mitigated by ensuring that a suitable management structure is put in place with suitably experienced individuals to ensure that influence and authority can be provided by others in the absence of the appointed s.95 officer – as is the case when s.95 officer is on annual leave;
Viability	This option is workable with a degree of flexibility required by both local authorities to enable the working arrangements to be

	<p>developed and modified based on what works best for different situations. The long term viability will depend on the success of embedding a new way of working for each local authority and effective communication. There will be a 6 month review point.</p>
<p>Other Points</p>	<p>In analysing this option a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) has been undertaken.</p> <p>Strengths</p> <ul style="list-style-type: none"> ○ Skilled / professional finance team that is flexible and adaptable to achieve the delivery of high quality business activities. ○ A large senior team that can address and respond to the changing environment that local authorities face. ○ The key components of excellent financial management are in place with a view to remaining on a course that has already been approved. ○ Strong history of delivering financial support and leadership. ○ ACC's Head of Finance has over 20 years' experience of local government and he would be supported by a leadership team with cumulatively over 100 years of local government experience across Accounting, Revenues and Benefits and Pensions. ○ Improvement remains a key aim and seeking ways of working with other local authorities to deliver this is a significant part of how the finance team are looking to progress in the future to make public funding work effectively and achieve more. ○ The finance teams are structured organisationally to support an Accounting team, Revenues and Benefits team and a Pension Fund so there is a common alignment of skills, knowledge and experience. <p>Weaknesses</p> <ul style="list-style-type: none"> ○ This has never been done before and there are risks in sharing the s.95 officer, although there are many alternative examples in place and at work today across Scottish local authorities. Responding and developing to the situation will be a learning experience and ensuring that communication remains a core feature of the engagement between s.95 officer and both local authorities will facilitate this – as well as strong diary management! ○ There will always be a point in time when the needs of Shetland or the needs of Aberdeen will draw the s.95 officer in different directions or will place a competing demand on his time. Building a suitable and reliable team around this will ensure delivery of services to both local authorities at the same time. This is particularly important as the financial annual cycle is statutory for all local

	<p>authorities and this could create conflict of time.</p> <p>Opportunities</p> <ul style="list-style-type: none"> ○ To learn from each other and identify where common processes and procedures (we both have a responsibility and duty to deliver on the same statutory powers) can be better delivered for the benefit of internal and external customers. ○ To communicate in effective and innovative ways to provide seamless services to our internal and external customers. ○ To collaborate and take advantage of knowledge and experience to address common issues rather than both local authorities trying to work out different solutions, which could duplicate certain aspects of the work. <p>Threats</p> <ul style="list-style-type: none"> ○ Potential reduction in effectiveness of control environment due to focus now including both Councils. ○ Capacity of senior staff to service an as yet unknown set of circumstances. ○ Challenge of distance and not being available locally all the time.
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5.3 Recommendation
<p>The opportunities that have not, as yet, been explored in the shared s.95 officer option provide a suitable basis upon which to take this forward as a <u>trial</u> project to explore the practical challenges and real life experiences of working with a shared chief financial officer. The option will be for either one or both of the local authorities to reconsider the position after 6 months and work towards an alternative model. Option 2 should be progressed.</p>

6 Benefits
<p>Aberdeen City - the chance to share its very positive experiences of financial management leadership of recent years and to support another local authority to deliver on their objectives while managing tight financial resource allocations. The opportunity to explore a very different way of working that will develop the finance team and present unexpected opportunities to improve the use of resources</p> <p>Shetland – no ‘gap’ in financial leadership, maintaining a strong grip on the financial priorities and path already set for the local authority.</p> <p>Both local authorities – the opportunity to share ideas and support each other in the delivery of high quality financial management and to learn from each other.</p> <p>Furthermore business resilience and business continuity in terms of the strength in depth of</p>

senior finance staff being available and able to apply their expertise to their own and the other local authority will add to the flexibility and responsiveness of the service.

7 Costs

For Aberdeen City additional costs will arise as a management structure is put in place and there will be the consequential travel costs associated with being on the Islands. This will be fully funded by Shetland on the basis that they will achieve savings from not employing directly a s.95 officer and have budget for this.

8 Risks

Those set out in option 2 above.

9 Time

The s.95 officer at Shetland leaves on 5 December 2014 and as such a handover and passing on of knowledge and key operational information is expected to occur during November. This will require regular visits to Shetland in advance of the formal 'start' date, which would follow on from the departure of the s.95 officer.

10 Governance

The Head of Finance would require to work with both the Director of Corporate Governance in Aberdeen City and Director of Corporate Services in Shetland and be responsible to the elected members of both local authorities for the delivery their role.

It is expected that the Chief Executive of each local authority will also have a close working relationship with the Head of Finance in order to discharge their duties and responsibilities to the organisations.

A joint approach to be defined will need to be put in place to review the effectiveness of the arrangements at the 6 month point.

11 Environmental Management

None.

12 Stakeholders

Elected Members – interest in ensuring that the local authority has appropriate financial leadership, with the necessary knowledge and experience to lead the development of the

strategy financial planning of the local authority.

Chief Executive – as head of paid service the reliance and trust in the chief financial officer is essential to the effective leadership of the local authority;

Directors of Corporate Governance / Services – responsible for the effective delivery of corporate services across the local authority the directors requires the effective and efficient delivery of services to customers, both internal and external to the local authority.

Finance staff – they require clear financial leadership and support.

External and Internal Auditors – they need to be assured and see the evidence of quality financial stewardship and control as well as effective leadership, to be able to form an opinion on the finances of the local authority and to rely upon the arrangements that are in place to managed those finances.

Partners – seek to have confidence in the contribution that the local authority makes to projects, initiatives and joint working.

13 Dependencies

The key requirement is to develop a suitable structure under which to operate and ensure that it is evaluated and put in place at the earliest possible moment. This will require resource / time spent on developing job profiles, job evaluation and clarification of roles and responsibilities as well as recruitment of vacant posts.

A clear agreement requires to be put in place for the effective management of the arrangement by both local authorities, Appendix A indicates the initial requirements of Shetland.

14 Next Steps

Shetland is preparing a paper for Council to set out for Elected Members the proposal and for approval of undertaking a shared s.95 officer arrangement with Aberdeen City for a period of 12 months.

Aberdeen City to seek approval from Elected Members for the proposal.

Aberdeen City Head of Finance and Corporate Accounting Manager to build knowledge and understanding of key elements of Shetland objectives, priorities and current activities that need to be addressed in the short / medium term.

Appendix A outlines the key requirements for services from Shetland and this will form the basis of an agreement which will need to be drawn up and finalised by each local authority.

Meeting with the management team, Elected Members and finance staff will be required and should commence in November to deliver an effective handover.

15 Document Revision History

Version	Reason	By	Date
1	Initial framework	J Belford	3 Oct 2014
2	First full draft of business case	J Belford	30 Oct 2014
3	S Whyte review amendments	J Belford	11 Nov 2014

APPENDIX A

Requirements for Financial Management & Support package from Aberdeen City Council

The broad areas that require input are –

- Provide financial leadership and advice to elected Members in committees, council meetings, seminars and any correspondence;
- Liaise closely with the Director of Corporate Services, Chief Executive and Monitoring Officer to ensure key governance officers share intelligence and are well briefed on Council activities;
- Provide financial leadership and advice to CMT and senior management throughout the organisation as required;
- Provide financial input and advice on key projects and issues that the Council is facing;
- Provide leadership and support to the Finance Service within Shetland Islands Council;
- Proper Officer for Finance for ZetTrans (Passenger Transport Authority); Treasurer for Valuation Joint Board and Chief Advisor to the SIC Pension Fund.

The specific requirements of the support during a calendar year are –

- Presenting Quarter 3 Management Accountants to Performance Committee meetings (End January/Early February)
- Presenting Annual Investment & Treasury Strategy and Debt Write Off report to Policy & Resources Committee (March)
- Presenting Quarter 4 Management Accountants to Performance Committee (May)
- Presenting draft Outturn Report to Policy & Resources and Full Council (May)
- Annual Performance Review of Fund Managers Council Meeting – attended by Fund Managers – (May)
- Presenting updated Medium Term Financial Plan to Policy & Resources and Council (June)
- Review and sign off of Annual Accounts (June)
- Developing budget strategy and timetable and reporting to CMT (August)
- Presenting Quarter 1 Management Accountants to Performance Committee (August)
- Attend Annual Accounts being reported to Audit Committee and Council (September)
- Regular budget progress and issues papers presented to CMT throughout September/October/November
- Six Monthly Performance Review of Fund Managers Council Meeting (October)

- Members' budget seminars (November)
- Presenting Quarter 3 Management Accountants and Budget Proposals to Performance Committees (November)
- Presenting draft budget to Policy & Resources Committee and Council (December)
- Monthly reporting of financial position to CMT (Period 3 to Period 12)

Key finance documents that will require to be kept up to date –

- Medium Term Financial Plan (Annual)
- Long Term Financial Plan (Annual)
- Annual Investment & Treasury Strategy (Annual)
- Council Investment Strategy (3-yearly)
- Pension Fund Investment Strategy (3-yearly)
- Borrowing Policy (3-yearly)
- Financial Regulations (As necessary)
- Charging Policy (As necessary)