

## **Response to Issues raised in Consultation about the future Structure of the Resources Department**

At the beginning of May I issued a consultation document on proposals for changes to the structure of the Resources department to separate the role of Section 151 officer (s151) (or Chief Finance Officer) from the role of Director of Resources, to enable strategic focus on financial issues to be concentrated in a new post of Head of Finance. This new post would report to a revised Director role which would not have s151 officer responsibilities.

The new post would have responsibility for key financial advice to the organisation and maintaining the council's internal control environment. I said I would expect the new Head of Finance to also be part of the Strategic Leadership team.

I received 7 formal responses from staff in the Resources department and from Unison to that consultation. The majority did not support the proposals. In this document I seek to summarise the consistent themes in the comments I received and my responses to them.

### **1. In CIPFA's guidance on the role of the Chief Financial Officer (CFO), principle 1 requires that not only should the CFO be professionally qualified but they should also report directly to the Chief Executive, and be a member of the Leadership Team with a status at least equal to other members**

This is CIPFA's guidance and has been the more traditional model of local government structure. But it is guidance, not a statutory requirement and a number of councils have their s151 officer reporting to a Director and not reporting in line management terms directly to the Chief Executive. This includes Southend and Luton which are unitary authorities, Surrey County Council and Oxford City Council. It is now also common to see shared s151 officers across more than one council, which is not covered by the CIPFA guidance.

As I made clear in the consultation document, it is my proposal that the Head of Finance should be a full part of the management team and I would expect them to report directly to me on financial matters, as the Head of Legal Services does in his Monitoring Officer role or the Head of Internal Audit does in his role. It does not mean the Chief Executive needs to have day-to-day line management responsibility for the post or the whole of the finance service. To address the concern expressed, I will make it clear in the Job Description for the new post that they have a right of direct access to the Chief Executive.

It was also suggested that CIPFA guidance states that the Head of Internal Audit should report to the Chief Financial Officer.

In fact the guidance states that the Chief Financial Officer should ensure 'that the authority has put in place effective arrangements for Internal Audit...' and 'implement appropriate measures to prevent and detect fraud'. This does not require the direct

management of the function by the s151 officer to ensure this. The CIPFA statement on the role of the Head of Internal Audit suggests that the post should report to a member of the management team and is not specific about which this should be. There is in fact more independence if they are not managed directly by the s151 officer, who is responsible for the majority of the systems they are assuring.

I have discussed the consultation document with our External Auditor and he is content that my proposals address his comments.

The CIPFA guidance also says

*"There is a growing trend for CFOs to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, authorities must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio."*

I believe my proposals address this concern directly.

## **2. There could be a conflict between the Director and role of the Head of Finance and it may be unclear where the ultimate decision would lie**

I would expect the Director of Resources to work with the Head of Finance on strategic resource planning including finance but the ultimate responsibility for final the decision on financial issues would be the Head of Finance – the statutory position of this role is quite clear. One could argue there would be the same potential for conflict if the S 151 officer reports directly to the Chief Executive.

## **3. The proposed structure will not help in addressing the issues raised in Ernst & Young's report**

Some consultees suggested that the error was not dependent on structure. I agree that the issues surrounding the error were not primarily about structure; there were a range of issues that need to be addressed including improvements to the control environment and working practices. The report I took to Civic Affairs on the forecasting error identified a number of actions that needed to take place to address the issues raised. The issue of structure was one part of that response because I do believe that the current structure blurs accountabilities between roles and therefore it makes sense to ensure there is stronger and more focused responsibility at Head of Service level for wider financial planning and not just financial management. The new structure is also about providing capacity at the Director level to drive significant change in the way we deliver our back office services, in particular driving forward a comprehensive programme of shared services.

## **4. The fact that the Director of Resources is not physically based with the Finance team may have contributed to the error**

A Director cannot physically sit in close proximity to each team for which they are responsible in an organisation which runs a complex range of services, across a number of sites. The Council's control environment cannot rely on the physical

location of individuals. In an era where technology facilitates remote working, we need to make sure we have management systems that work regardless of location.

**5. The proposals will effectively devalue the role of the s151 officer**

I do not agree that this is the case. The role of the s151 officer is one of the Council's three statutory roles and I see the post being a key part of the Council's management team. The post of Monitoring Officer has operated at Head of Service level over the last three years and there has been no suggestion that this role has been devalued in the organisation. As Chief Executive I feel very well served by the post, even though I do not manage it directly. Members rely on that post-holder for direct advice in his areas of responsibility as they do with other Heads of Service with specific areas of professional responsibility, such as the Head of Planning.

**6. Where will role the deputy s151 officer reside?**

This will need to be considered as part of the structure of the finance service. A variety of models are used by councils. A number do not specify a nominated deputy and some refer the role upward to the Director.

**7. The service is already stretched and this will create further pressure**

Concern has been expressed that the change in structure will cause further pressure in the service as work will be cascaded down the structure. I acknowledge this is a risk and this is why I believe that the structure needs to be implemented alongside a review of how we do key pieces of financial business such as producing the Medium Term Strategy (MTS) and the Budget Setting Report (BSR). I recognise that I am bringing responsibilities together that currently sit across two posts and the balance of how that workload is managed in the service needs to be addressed.

A number of consultees could see the potential for doing things differently to free up capacity. Across the Council we need to streamline the way we do business and manage what we do within the reduced resources available. We do not have the option to simply do things as we have always done them, without considering whether we could achieve the same outcomes with different inputs.

**8. The Council will not be able to recruit because of levels and responsibility and salary**

I would expect the new job to be evaluated at JNC 1. We will not know how difficult it will be to recruit until we have tested the market. Given the rate of change in many parts of the public sector, I would be surprised if there was not a good field for this post.

**9. The Estates & Facilities team would sit much better under the Director of Customer & Community, alongside City Homes**

This point was made by a number of consultees. As I had not consulted on this particular change, I do not propose to make any changes in this area at this point in time, but given a number of comments were made on this, I will commit to review this as a separate issue. On a related issue, I would also expect the Head of Finance to

consider whether it makes sense to have the financial management of the HRA located in a separate part of the Council, as part of their review of the structure of the finance team. The job description for the new Director will be clear that Director's portfolio of responsibilities may change over time.

**10. What would be the situation if we were unable to appoint to the post of Head of Finance in the short term?**

I am proposing a phased implementation of the proposals to minimise risks in this area and to manage any external recruitment that may be required.

**11. Will the Director of Resources need to be a qualified accountant in future?**

This will not be an essential criterion of the person specification. The formal professional expertise will sit with the Head of Finance, in the same way legal expertise sits with the Head of Legal Services and we do not expect the Director to be a lawyer.