

CORE OFFER BUDGET FOR FINANCIAL SERVICES

WHY DOES THE COUNCIL HAVE TO PROVIDE THIS SERVICE AND WHAT DOES IT NEED TO COVER?

This is the cost of audit, accountancy, treasury management, budgetary management and control, transactional finance functions including invoicing and payment functions the Council would need to maintain to cover statutory requirements and responsibilities as long as there are ongoing council functions. This does not include any 'variable' areas that can be scaled back dependent upon demand e.g. payroll numbers or advisory functions.

In its simplest form Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and must appoint a Chief Finance Officer to lead and direct a finance function that is resourced to be fit for purpose.

This service works behind the scenes to ensure the management of the Council £220m gross budget, £20m capital budget and live construction projects of over £100m are legal and effective with robust treasury management practices where budgets are set and managed, accounts are closed down at year end, creditors and staff are paid, debtors are invoiced and chased, grant claims are made, fraud is identified and dealt with and managers have the accurate and timely financial information required to make good business decisions.

As well as the functions above the service provides technical financial assistance, VAT management and insurance services, publishes accounts information, completes statutory financial returns and administers and manages the insurance contracts. Included in the cost is the financial systems costs and administration.

VALUE FOR MONEY

Whilst not a front line service, the finance function is important to the sound governance of the Council and fulfils a statutory duty. Value for money is therefore paramount to ensure the service runs as efficiently and effectively as possible so as much resource as possible is directed to our front line services. There is a constant focus on improving processes and removing waste and this can be seen in the latest Cipfa benchmarking figure (2014/15) which pitches Darlington against all other unitary authorities. The headline figure show the function is in the lowest quartile for cost against all unitary authorities.

FP1 Finance function cost as % of organisational running costs
Average 1%, Darlington 0.5%, Lower Quartile 0.7%

FP1(a) Transaction processing cost as a percentage of finance function costs
Average 28%, Darlington 26%, Lower Quartile 25%

With regard to Transactional Services, the Council has been in a shared service partnership with Stockton Borough Council since 2008 where over £13 million has been

saved for Darlington and Stockton, the costs below are Darlington's cost of the partnership.

DOES THIS DIFFER FROM THE CURRENT SERVICE?

The core offer only includes the 'fixed element' of the finance function i.e. that which would be required as long as there were ongoing council functions. This would mean a smaller finance team which by definition would be less resilient to staff absence or the ability to respond as quickly to service demands and there would also be a knowledge base loss.

WHAT IS THE CORE BUDGET MADE UP OF?

2019/20 cost - £872,264

Xentrall – Transactional Services

| | £ |
|---------------------------|----------------|
| Debtors | 28,500 |
| Creditors | 52,600 |
| Income and Banking | 40,600 |
| Financial systems | 88,800 |
| | |
| Total | 210,500 |

DBC Financial Services

| | £ | Staffing FTE |
|--|----------------|--------------|
| Banking contract | 101,400 | N/A |
| Archives | 68,000 | N/A |
| Treasury Management/VAT/Insurance * | 98,800 | 2 |
| Corporate finance * | 207,216 | 4 |
| Internal Audit * | 159,600 | 2.5 |
| Overheads | 26,748 | |
| Total | 661,764 | 8.5 |

The areas denoted with a * are mainly (95%) staffing budget and whilst the roles in the division are not specific an estimation of the resource taken in the areas has been added for information.