

## Lancashire County Council

### Cabinet

**Monday, 21st August, 2017 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

### Agenda

**Part I** (Open to Press and Public)

#### **No. Item**

**1. Apologies for Absence**

**2. Disclosure of Pecuniary and Non-Pecuniary Interests**

Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.

#### **Matters for Decision:**

**The Leader of the County Council - County Councillor Geoff Driver CBE**

**3. Senior Management Restructure** (Pages 1 - 76)

**4. Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

**5. Date of Next Meeting**

The next meeting of the Cabinet will be held on Thursday 14 September 2017 at 2.00 pm at County Hall, Preston.

Jo Turton  
Chief Executive

County Hall  
Preston



**Report to Cabinet**

Meeting to be held on Monday, 21 August 2017

**Report of the Chief Executive**

Electoral Division affected: (All Divisions);
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**Senior Management Restructure**

(Appendices 'A' to 'G' refer)

Contact for further information:

Jo Turton, Chief Executive

jo.turton@lancashire.gov.uk

**Executive Summary**

The Leader and Cabinet have indicated that one of their highest priorities is the restructuring of the Council's senior management and that they would wish to see the changes introduced as speedily as possible.

This report sets out for Cabinet's consideration three options for the restructuring of the Council's senior management at director grade and above. Option A comprises proposals developed by Cabinet and the Lead Member for Human Resources; Option B sets out proposals made by the Chief Executive in her capacity as Head of the Paid Service which she considers will deliver the principles underpinning Cabinet's aims but which addresses the risks which she considers are inherent in Option A; Option C would involve a review of the Council's business and operating model as approved by Full Council in February 2016 in budget option 018.

The report provides the necessary officer advice in relation to each option consistent with advice provided by James Goudie QC.

**Recommendation**

Cabinet is asked to:

1. Note the contents of the report including the officer advice in relation to each of the Options identified in the report.
2. Approve, for the purposes of consultation with the staff affected, a proposed new senior management structure including the proposed arrangements for appointments to be made to the structure, the outcome of the consultation to be reported back to Cabinet at its meeting to be held on 14 September 2017.

## Background and Advice

In October 2014, following an extensive consultation exercise with staff and the trade unions, Cabinet approved a new employee structure for the Council for posts at or above grade 11 and the principles for making appointments to all posts within the new structure, including those below grade 11. The Employment Committee were authorised to make appointments to the most senior posts in the new structure which was implemented with effect from 1 April 2015.

The change in the structure was introduced to achieve significant financial savings, and represented a fundamental re-design of the existing operating model, moving away from the directorate model to one intended to be more joined up, flexible, focussed on the needs of customers and able to maximise the impact of available funding. The decision resulted in a reduction of over 150 posts at grade 11 and above (circa 28% of the posts in scope), achieving cost savings of £11.4 million per annum. Cabinet committed that, wherever possible, employee numbers would be reduced on a voluntary basis.

At its meeting held on 13 July 2017 Cabinet considered an item of urgent business comprising a diagram of a proposed senior management structure. Advice has been obtained from Leading Counsel that Cabinet's decision based on the information provided was unlawful.

Officers have subsequently worked to develop the proposals initially made to Cabinet which are presented below as Option A and to provide the advice set out in the report.

### **Option A - The proposals developed by the Leader of the Council, Cabinet Members and Lead Members**

The proposals initially provided to officers, setting out Cabinet's rationale and outlining its objectives underpinning the proposed changes is set out below, shown in bold type, along with a commentary provided by officers. The proposed structure referred to is at Appendix 'A'. The following paragraphs are taken from Cabinet's initial proposals provided to the Chief Executive, with officer advice in response. The full text of the proposals is at Appendix 'B'.

- **"The County Council faces serious financial problems. The previous Administration commissioned Price, Waterhouse Cooper (PWC) to report on the extent of the Council's financial problems and following their review in September 2016 PWC said "... the Council is forecasting a cumulative deficit of £398m by the end of 2020/2021. It also found that even if the Council was to reduce its expenditure to the level of the lowest quartile within the term of this financial planning period it would still be facing an in year deficit of £79m and a cumulative deficit of £227m by 20/21. The Council has been drawing on its reserves to plug the financial gap. On the current trajectory, these will be exhausted by 2018/2019."**

## Advice

The financial position quoted from the September 2016 PWC report has since been updated in the County Council Budget Report in February 2017 to reflect the current financial position. Whilst the fundamental issues underpinning the statement remain unchanged the timescale has changed, the Council's finances are in a better position with its reserves now being forecast to be exhausted a year later, 2019/20.

- **"Clearly, this is a very serious situation which, somewhat obviously, cannot be allowed to continue and PWC advised most strongly that it was vital that the Council acted "before September"."**

## Advice

This is not a statement that can be found or implied anywhere in any document prepared for the County Council by PWC with respect to the need to restructure the Council's senior management.

However, the Leader has indicated in correspondence to the Chief Executive that this advice was given in a private briefing to him and Councillor Green, in December 2016, on the PWC report. There are two PWC reports; The Statutory Services Budgetary Review (SSBR) dated 23<sup>rd</sup> September 2016 and The Lancashire Public Services Delivery Model dated 9<sup>th</sup> January 2017.

The work of PWC was overseen by the Political Governance Working Group. PWC made presentations to the Working Group on a number of occasions but at no time did they raise the issues referred to above.

The briefing to Councillors Green and Driver took place on the 12<sup>th</sup> December 2016, and was to provide them with an update on the conclusions of the second report. The content of the briefing was the same as that given to the then Cabinet and to the Leader of the Liberal Democrat Group at the time. Neither of these other briefings included any content that supports Councillors Driver's and Green's interpretation.

PWC have subsequently been asked to comment on this assertion and have provided the following clarification:

*"PwC were engaged pursuant to a framework agreement dated May 2016 and associated contract for Work Services dated June 2016. The stated purpose of the engagement was to provide an independent review of the resources LCC needs to deliver its statutory services. This was done in the wider context of the LCC's statutory duty, to continuously improve the way functions are exercised, having regard to a combination of economy, efficiency and effectiveness. PwC's conclusions and findings can be found in the report dated 9 January 2017. The executive summary of this report states:*

*"This report was commissioned by Lancashire County Council (LCC) to articulate a vision for integrated and sustainable public service delivery across Lancashire. The whole of the public sector in Lancashire is under significant*

*pressure financially and in delivering against key outcomes. This document sets out a rationale and approach for an integration of public services that will improve the experience for citizens when accessing services, reduce cost and above all provide a platform for improving health and prosperity for Lancashire."*

*As part of the engagement, PwC were asked by the Chief Executive of LCC to provide a series of confidential briefings to the leaders of the three main political parties. The confidential briefings were to explain PwC's review and the provisional recommendations made.*

*It is my understanding that the purpose of the briefings were to reflect the Chief Executive's desire to ensure that the political parties concerned understood the need for a transformation agenda and to build a detailed understanding of the budget required to deliver LCC's statutory services and the urgent need to bridge the financial gap. In the report and the briefings PwC emphasised the scale of the financial challenge to LCC and the need to implement a whole range of programmes as quickly as possible to deliver benefits. The report and the briefings made the point that the transformation agenda needed strong and robust management in order to carry out the transformation.*

*We understand that the full draft report has been made available to the LCC officers and members and its management. Therefore to the extent that there is any need for clarification as to PwC's views and conclusions, including what was said during the briefings, you are referred to the full text of the draft PwC report prepared for LCC.*

*You have asked us to comment on the content of the confidential briefing with Councillor Driver. Specifically you have asked if during the briefing PwC reported on the then current management team and/or structure. This briefing took place eight months ago, and PwC did not prepare a speaking note for the briefings. However, the PwC engagement leads, Messrs House and Gold, confirm that the briefing to Councillor Driver followed and was consistent with the contents of the draft report and the briefings given to the leaders of the other political parties. The PwC report does not include findings or recommendations in relation to any individual member of LCC, its management, or structure.*

*While PwC undertook the engagement, LCC retained ownership of the overall programme for transformation and responsibility for all decisions relating to the implementation. Since delivering the draft report PwC has not been involved in the implementation phase."*

- **"There are also serious concerns that rather than enabling a solution to be found to the Council's financial problems, the current senior management structure actually inhibits the identification of possible solutions that can be put to Elected Members for their consideration. This is because all the services the Council provides to the people of Lancashire, including Children's Services and Adult Services which have the most serious financial and service delivery problems, report to one Corporate Director."**

## Advice

The proposal cites the PWC report of September 2016, with respect to the budget and the exhaustion of reserves by 2018/19.

The current Management Team have taken significant action to stabilise the council's financial position since that time.

To date the current Management Team has been highly successful in delivering the council's budget reduction and transformation programme. The current Medium Term Financial Strategy (MTFS) and approved budget includes the delivery of a £212m savings programme over the period 2015/16 through to 2018/19.

In mid-2016, as part of their analysis and as set out in their report, PWC reviewed the council's risks with respect to the delivery of the savings programme and "*identified a delivery risk factor of up to 41% on their planned savings*".

The Leader of the Council has recently been briefed on the delivery of the programme which is currently forecast to deliver at a level of c91%. The Management Team has applied significant skill, expertise and creativity in both maintaining the council's services, motivating employees and delivering an ambitious saving programme in the face of such a high delivery risk factor.

The Council's Management Team were instructed by the previous administration to identify options for how the council could reduce its expenditure to lowest quartile in line with the position set out in the PWC report. This was reported verbally by the previous Deputy Leader of the Council to Cabinet and Full Council as part of the budget setting debates.

Significant and detail preparatory work was undertaken by the Management Team prior to the County Council elections in May 2017 in readiness for engagement with the new Cabinet. Detailed options have been prepared for every area of the council's expenditure; some 126 detailed templates to date have been prepared covering c£113m of possible expenditure reductions. Each detailed template has been signed off by the respective Director for the service area.

These detailed templates were provided to the Leader of the Council for consideration on the 28th June 2017. He has subsequently confirmed to the Director of Financial Resources that approximately £50 million of these proposed savings should be reported to Cabinet in September for them to consider.

Additionally, a range of corporate options with respect to terms and conditions of service have been developed for discussion with the new Administration.

Furthermore, the Corporate Director for Commissioning and Deputy Chief Executive wrote to the Leader, every Cabinet Member and every Lead Member on the 9<sup>th</sup> June 2017 setting out a detailed programme for the *Development of the Corporate and Financial Strategies 2018/19 to 2021/2022* and seeking the views of Cabinet. To date no response has been received to this proposal.

It is not considered that there is cogent evidence that the current structure of the senior management team is an impediment to the development of budget solutions. Indeed, the track record to date has shown that it is particularly effective at facilitating such processes.

- **"It is also a serious concern that the County Council's most senior Finance Officer ('the Section 151' Officer) is at fourth tier level in the management structure and is therefore not a member of the Council's senior Management Team in his own right."**

### **Advice**

Since the implementation of the current senior management structure and the appointment of the Director of Financial Resources, he has been a key member of the Council's Management Team. Both the Council's Monitoring Officer and s.151 Officer have direct access to the Chief Executive as they consider necessary in connection with their statutory functions.

- **"It should also be noted that the budget proposed by the previous Administration and approved by Council in February 2016, includes a reduction of 7 in the number of Directors to save over £900,000. This reduction has not been implemented and is currently being funded from the Council's reserves"**

### **Advice**

The way all organisations are managed needs to be kept under continuous review to ensure that they are responsive to current and evolving circumstances and business requirements. It is for this reason that the current Management Team put forward a proposal as part of the 2016/17 budget that a new senior management structure be in place as of 1<sup>st</sup> April 2018 (BOP 018, Appendix 'C').

Budget Option 018 is discussed in more detail under Option C. However, in summary it proposed a review of the Council's business and operating model and as a minimum a reduction in the number of Directors and Corporate Directors by 7 FTEs so that it has the potential to deliver significantly greater financial savings than either Options A or B.

The revenue budget was reduced to reflect this reduction in number of posts from 1<sup>st</sup> April 2016, with provision being made from reserves to fund all posts until 31<sup>st</sup> March 2018. This was in recognition of the significant processes that needed to be undertaken to give effect to the proposal, and the delivery timeline also recognised the possibility of a change of political Administration and therefore the potential to realign the structure to the political priorities of any incoming Administration.

The policy option therefore recognised the preparatory work that needed to go into developing a new structure, involving the development of the new Administration's Corporate and Financial Strategies to a point where a new business and operating



model can be articulated. However, as identified earlier in the report, it has not been possible to undertake this work

### **Cabinet's proposed Executive Director Structure**

Based on the above considerations Cabinet's initial proposals were to adopt the management structure shown at Appendix 'A'. Cabinet has described the proposed structure in the following terms:

- ***Chief Executive and Director of Resources and 'Section 151' Officer***

***Especially in the current financial situation it is felt that the Chief Executive Officer should also be the Council's most senior finance officer and the statutory 'section 151' officer. This will enable him/her to advise the Administration on the financial as well as the policy dimensions of all proposals and to ensure that the financial problems are at the heart of all decisions made at every level of the organisation. The proposed structure for the Directorate of Resources is shown in the attached Appendix A.***

### **Advice**

The key feature of Option A is the proposal to combine the roles of Chief Executive/Head of the Paid Service and the Chief Financial Officer (the S.151 officer) role into a single post at the head of the organisation.

In considering the proposed combination of the roles of the Chief Executive and the Chief Financial Officer/s.151 officer consideration should be given to the following factors:

- The impact upon good governance.
- The dilution of the leadership capacity of the Council
- The ability to effectively discharge the s.151 officer responsibilities and those of the Head of the Paid Service.

### **Impact on Good Governance**

Lancashire County Council is the fourth largest local authority in the UK. Its governance arrangements have always been an exemplar of probity and good practice. The roles of the three statutory officers; the Head of the Paid Service (currently the Chief Executive), the Monitoring Officer (currently the Director of Governance, Finance and Public Services) and the s.151 Officer (currently the Director of Financial Resources) are set out in statute and are designed to ensure probity and good governance. The roles are designed to be independent of one another and the combination of the roles would inevitably weaken that independence.

Section 151 of the Local Government Act 1972 requires every council to make arrangements for the proper administration of their financial affairs and must secure

that one of their officers has responsibility for the administration of those affairs, the role being usually described as the "s.151 officer". The officer so appointed must be a member of a specified accountancy body.

In particular, there are circumstances where statute requires consultation between the Chief Executive and the s.151 Officer and vice versa before decisions are made or actions taken. Combining the roles would seriously weaken good governance and remove the effective checks and balances that are built into the system.

This is particularly critical in the current financial circumstances of the County Council where there is the potential for the Council to be unable to set a balanced budget. In these circumstances the s.151 Officer has a specific statutory duty set out in s.114 of the Local Government Finance Act 1988 which requires him to report to all Members, in consultation with the Monitoring Officer and Head of the Paid Service, if there is, or is likely to be, unlawful expenditure, which includes the situation where a council cannot set a balanced budget.

The potential political pressures surrounding such a scenario require the highest levels of independence, probity and good governance. The combination of the roles would therefore be ill-advised, particularly at this time, as it would remove the checks and balances provided for by way of the statutory consultation requirements.

### **Dilution of the leadership capacity of the Council**

In a local authority the size of Lancashire the roles of both the Chief Executive and the s.151 officer are both full time, very demanding jobs. A key stated objective of the proposal set out in Option A is the strengthening of the financial leadership at the very top of the organisation. However, it is considered that by combining two full time jobs into one would have the inevitable effect that it would significantly dilute both the capacity of the Chief Executive function and the capacity of the s.151 Officer function.

Therefore, whilst this aspect of the proposal may appear sensible, particularly given the financial challenges facing the Council, any detailed analysis demonstrates that the outcome would be contrary to the objective set. Alternative options are available that can achieve Cabinet's objectives and these are set out later in the report.

### **The ability to effectively discharge the s.151 Officer responsibilities**

Because of the scale and responsibilities attached to the s.151 role in the context of an authority the size of Lancashire, this means that there would be insufficient capacity to carry out the role effectively.

In this regard Cabinet's attention is drawn to the guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) attached at Appendix D, on the Role of the Chief Financial Officer in Local Government.

The guidance in particular addresses the issues relating to the dilution of the role of the Chief financial Officer; the relevant extract is set out below:

## **Helping resource and deliver organisational objectives**

*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. Dilution and/ or overload in the role of the CFO can result in poor financial outcomes for the authority. Setting out the core CFO responsibilities in this Statement is intended to allow local authorities and their CFOs to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.*

If Cabinet are minded to nevertheless agree to the combination of the roles, then they, or Employment Committee, would be advised to consider how some of the risks identified above could be mitigated.

Cabinet's proposals describe three Executive Director roles as follows:

- **Executive Director of Adult Services and Health and Well Being**

**The budget for Adult Services accounts for almost 50% of the Council's budget and is under huge pressure due to rising costs and increasing demand. In these circumstances, it is absolutely vital that Adult Services and Public Health work closely together and with colleagues in the National Health Service. If this is to be achieved to the necessary degree, it is vital that there should be an Executive Director responsible solely for these two services reporting directly to the Chief Executive and Director of Resources.**

- **Executive Director of Education and Children's Services**

**Children's Services was classified as 'inadequate' by OFSTED and the reports following their periodic inspections still include criticisms particularly regarding the caseloads of individual social workers and the proper recording of information on the Council's computer system. A statutory Improvement Board has been established and improvements are undoubtedly being made but if the continued proper emphasis required to ensure the safety of Lancashire's children is achieved, it is vital that there should be an Executive Director responsible solely for Children's Services and Education reporting directly to the Chief Executive and Director of Resources.**

- **Executive Director of Growth Environment Transportation and Community Services**

**Economic Development is one of this Administration's high priorities and if the Council is to maximise the benefits achievable from the City Deal, the Growth Deal, Transport for the North and of course the Northern Powerhouse, without experiencing the pitfalls and drawbacks that have bedevilled several schemes to date, it is vital that there is an Executive**

**Director responsible for Economic Development and the associated services reporting directly to the Chief Executive and Director of Resources. It is also proposed that this Executive Director is also responsible for 'Community Services' – ie Highways, Public Transport, Waste Management and Libraries, Museums, Cultural Services and Registrars.**

### **Advice**

In relation to the post of Executive Director of Education and Children's Services, as OFSTED currently classify Children's Services as "inadequate", the Council receives regular monitoring visits to assess progress. Initial criticisms included in the inadequate judgement included caseloads for social workers and information and data systems.

The most recent visit in July 2017 had the most positive feedback and outcome yet. Whilst it was accepted that there is pressure on caseloads for social workers it was acknowledged that they are in the 'good' range compared with other local authorities and OFSTED have for a while now indicated that they have confidence in our data and systems.

Improvement has been the result of significant additional resource and a clear corporate focus; it has not been left to Children's Services to effect the improvement itself. Rather the whole County Council has seen it as their priority as well., A good example of this is the improvement in data and systems.

### **The Monitoring Officer Role**

Cabinet's proposals include the role of Monitoring Officer within the responsibilities of the post of Director of Corporate Services. Whilst it is proposed that this post-holder reports direct to the new Chief Executive and Director of Resources, it is not clear why the Monitoring Officer does not form part of the Council's Management Team, as is proposed for the s.151 Officer.

This issue is discussed further under Option B.

### **The reasons for urgency**

Cabinet's reasons for wishing to approve and implement a new senior management structure as soon as possible are set out and commented upon above. Whilst, for the reasons given above, officers do not accept much of the rationale that has been advanced for the need to re-structure and the reasons why this is "urgent", the Chief Executive has consistently made clear to the Leader and Cabinet that she and Management Team recognise Cabinet's right to propose changes to the existing structure, to align the operating structure to their policy priorities and to deliver savings.

Although the savings which Option A would achieve are less than in the other two Options presented, and are significantly less than envisaged in BOP 018, nevertheless Cabinet are entitled to balance the cost savings aspect against their

wishes to align the structure to how they think their proposals best deliver their political priorities.

However, the wish for the re-structure to be implemented as a matter of "urgency" does not detract from the need to ensure that a fair, open and transparent process is applied, particularly as regards the need for full consultation with the staff affected as described in the section on Human Resources Implications below.

### **The process for making appointments to the proposed structure**

Cabinet have now clarified that:

- the three new posts of Executive Director will be advertised internally within the Council. Any posts that remain unfilled will then be advertised externally;
- the Director level posts will be filled by a combination of direct appointments and ring fenced recruitment;
- any posts not filled by these arrangements will be advertised through normal procedures;
- They wish to appoint immediately an interim Chief Executive and Director of Resources to assist in the appointments to the three Executive Posts and in the change to the new management structure.

The Leader has also confirmed that the intention under Option A would be to appoint an Interim Chief Executive and Director of Resources for a 12 month fixed term, the appointment to be made by the Employment Committee, and that the recruitment process for a permanent appointment would commence within the 12 month period.

Comments on the proposals set out above relating to the process of making appointments to a new structure are provided in the Human Resources section of the report.

### **The appointment of an Interim Chief Executive and Director of Resources**

It is in the interests of the Council that the new Management Team is a cohesive unit and works effectively as a team. It is therefore vital that the person appointed to lead that team should play an advisory role in its appointment.

Under Option A, if approved, it is considered that an appointment to the post of Chief Executive and Director of Resources could reasonably be concluded by mid-December and the new post-holder would then be able to provide support to the Employment Committee in making appointments to the Executive Director posts which will form part of his/her management team.

Given this timescale, whether it is necessary to first appoint an Interim Chief Executive and Director of Resources is debatable. The use of an interim to support the appointment of the Executive Directors would mean that the new Management Team would not have been appointed by the person then recruited to lead them. Furthermore, as the Chief Executive would still be able to continue in that role pending the appointment of a permanent Chief Executive and Director of Resources,

the need for an Interim appointment, with the associated cost to the Council, could be avoided. This is matter within the discretion of Cabinet.

## **Option B**

The proposals shown at Appendix 'E', seek to encompass and build on the objectives and priorities set out by the leadership in the most effective way. They, in particular, address the key issues of strengthening the financial leadership of the Council, health and social care integration across all age groups and the key transitional issues for service users moving from children's to adults' services.

The key proposal is for the retention of a separate Chief Executive. For a local authority the size of Lancashire this is seen as a necessary pre-requisite to effective leadership and good governance.

It is proposed that the Management Team consist of the Chief Executive, three Executive Directors, as proposed by Cabinet, albeit with a different balance of responsibilities. The Management Team also includes the Director of Legal and Democratic Services as the statutory Monitoring Officer. The Monitoring Officer plays a critical role in the decision making of the Management Team and to remove that role as proposed under Option A would, in the Chief Executive's view, be ill advised.

In order to directly address the issues raised with respect to strengthening the financial leadership of the Council, it is proposed that an Executive Director of Resources be established, the role carrying with it the statutory responsibilities of the s.151 officer. This Executive Director would be support by two directors; a Director of Finance and a Director of Business Systems & Transformation.

### **Executive Director for Resources**

This provides the Executive Director for Resources with the levers on control in respect of:

- Finance
- Procurement
- Business Intelligence
- Internal audit
- Human Resources
- Facilities Management
- Learning & Development
- Business systems and Processes
- Transformation Programmes.

These are all the key functions with respect of financial control, efficient use of resources and the ability to transform the organisation in the context of addressing the financial challenges of the Council.

## **Executive Director for Health and Wellbeing**

It is also proposed that an Executive Director for Health and Wellbeing be established with a specific remit within the employee specification of the post for "Facilitating All-age Health and Social Care Integration" and "Integrated Commissioning with NHS Partners". This post would include responsibility for children's services, adults' services, and health and wellbeing.

Positioning Children's Services within the remit of Executive Director of Health and Wellbeing is important to ensure that the children's agenda is an upfront priority with health colleagues as integration develops. Currently the focus for integration is very much on adult services given the current budget and service pressures yet there is cross-party consensus with the Council that children's health services have not and are not being sufficiently prioritised. This issue was most recently highlighted at the Health and Wellbeing Board discussion in July 2017 on Child and Adolescent Mental Health provision. This proposed structure gives the Executive Director with lead responsibility for integration with health both the strategic and operational drive to champion the inclusion of children's services.

A key focus of the improvement work to stabilise Children's Services is demand reduction; safely and correctly reducing the number of children, young people and families who are dealt with by Children's Services both by providing early action services that catch concerns before they reach a serious level and providing a safe place for children, young people and families to 'step down' to rather than remain in high-end services. The proposed structure positions Wellbeing, Prevention and Early Help as part of Public Health within the remit of the Executive Director Health and Wellbeing to ensure that there is this clear alignment between children's services and early help. This replicates the current structure with the Council which has been positively reviewed by the Chair of the Improvement Board.

This will be the single biggest area for potential public service integration and addressing system level expenditure. It is across the entirety of this agenda that the opportunity for efficiencies and financial savings is greatest.

Cabinet has proposed a dedicated Executive Director post in respect of Children's Services. Whilst, as indicated, this would provide focus, it has the potential to reinforce silo thinking with respect to Children's Services and ignore the need to address the key issues in terms of transitions for service users between Children's and Adults Services. It also fails to recognise the all-age issues in relation to "troubled families" and the Wellbeing, Prevention and Early Help Services.

By retaining the three key functions of Adults, Children's and Public Health Service under a single Executive Director, this would provide the maximum opportunity for public service integration with key partners, in particular the NHS and Police.

The proposal would, in effect, remove the responsibilities for Community Services and Customer Access Services from the existing post of Corporate Director for Operations. This would free up considerable capacity of the post which would allow additional Executive Director level resources to be deployed into children's services.

## **Executive Director of Growth, Environment, Transport and Community Services**

It is also proposed to establish an Executive Director of Growth, Environment, Transport and Community Services as proposed under Option A, but with a revised director cohort beneath the Executive Director. It is proposed that there be a Director of Development & Planning which integrates all the development processes in relation to the delivery of major infrastructure project. Land-use planning and transportation is key to implementation of any major infrastructure project as demonstrated through the success of the City Deal and the Cuerden development site. Combining planning, estates, design and construction under a single Director will provide the Council with a powerful implementation capacity.

Cabinet has indicated that it wishes to move quickly to implement a new senior management structure. Given this imperative, the proposal set out in Appendix B provides a means of moving forwards quickly whilst reducing the Council's risks, maintaining effective corporate governance and meeting the stated priorities of the Administration.

Option C, below, provides a better opportunity to align the senior management structure to the future business and operating model of the Council. As the Financial and Corporate Strategies of the new Administration evolve, there is likely to be a need for a further restructure to effect any necessary realignment.

### **Option C**

Option C involves continuing with the approved policy of the Full Council with respect to the restructuring of the senior management. This position was set out in the budget option (BOP018) approved by Full Council in February 2016. Subsequent budget proposals and amendments have maintained this position, most recently on 20<sup>th</sup> July 2107. A copy of BOP 018 is attached at Appendix 'C'.

There is no budgetary implication of continuing with this option as the Council's approved budget makes provision for funding from reserves of all existing senior management posts until April 2018. Option C has the potential to deliver significantly greater financial savings than either Options A or B.

Budget Option 018 proposed a review of the Council's business and operating model and as a minimum a reduction in the number of Directors and Corporate Directors by 7 FTEs.

The revenue budget was reduced to reflect this reduction in number of posts from 1<sup>st</sup> April 2016, with provision being made from reserves to fund all posts until 31<sup>st</sup> March 2018. This was in recognition of the significant processes that needed to be undertaken to give effect to the proposal.

The proposal approved by Full Council involved the appointment of consultants to support the council in the redesign of its business operating model. As referenced earlier in the report, PWC were appointed to carry out this work which resulted in the Statutory Services Budget Review and the Lancashire Public Service Delivery Model



reports. It was clear from this work that a sustainable financial position for public services in Lancashire required a much broader approach than looking at the County Council in isolation. The integration of local government and NHS services was a key area of consideration.

For this reason the original timeline for consultation on a new management structure, originally set for April 2017, was not achieved. The PwC report was presented to Full Council on 23<sup>rd</sup> February 2017 who agreed as follows:

*Full Council was asked to receive the PricewaterhouseCoopers (PwC) report, "Lancashire Public Service Delivery Model, Interim Draft Report".*

*Following a period of debate, County Councillor Geoff Driver moved the following amendment which was seconded by County Councillor Albert Atkinson:*

*To refer the report back to PwC asking them for their final report so that it can be given meaningful consideration and proper consultations can take place with other interested parties.*

*The amendment was accepted by the Deputy Leader and, on being put to the vote it was CARRIED and it was:*

***Resolved:*** - *To refer the report back to PwC asking them for their final report so that it can be given meaningful consideration and proper consultations can take place with other interested parties.*

The new Administration has yet to advise officers how it wishes this resolution of Full Council to be taken forward. Given the materiality of this work to the future senior management structure as set out in BOP 018, there is a need to resolve the Council's policy position in relation to this work before effective proposals can be brought forward.

It should be noted that these matters were referred to the Leader, every Cabinet Member and every Lead Member for consideration, on the 9<sup>th</sup> June 2017, as part of the proposal for the *Development of the Corporate and Financial Strategies 2018/19 to 2021/2022*. (Appendix 'F') as referred to earlier in the report.

Option C, therefore, involves the development of the new Administration's Corporate and Financial Strategies to a point where a new business and operating model can be articulated. A new senior management structure can then be presented based upon those priorities and that model.

## **Consultation**

Whichever senior management structure is agreed by Cabinet, a number of existing staff at Director grade and above will be affected, and some will almost certainly be at risk of redundancy.

In those circumstances the staff concerned must be consulted and this consultation must be "meaningful". Cabinet are therefore advised that their decision must be on the basis that a new structure is approved for the purposes of consultation with the staff affected, the outcomes to be reported back to a future meeting of Cabinet for them to consider.

Staff must be given a reasonable time to respond, a position complicated by the fact that the consultation will commence during what is the peak holiday season with several of the staff affected being on holiday. Staff who are not available to be consulted may challenge the process.

A failure to consult adequately may well result in subsequent redundancies being unfair. ACAS guidance provides that whilst the meetings with staff affected are not negotiations, nor are they simply about telling employees how things are going to be. The guidance states that an employer must listen to the employees affected and genuinely consider their suggestions, even if these are not accepted.

To date, whilst most staff will be aware of Cabinet's wish to implement a new senior management structure, there has been no effective communication on the options set out in the report with the majority of the staff affected.

It is therefore recommended that Cabinet agree to a consultation period commencing immediately after their initial decision on a proposed new structure, the outcome to be reported to the meeting of Cabinet to be held on 14 September 2017. This allows for a consultation period of around three weeks with the staff affected.

### **Human Resources Implications**

The proposals under Options A, B and C all involve the potential compulsory redundancy of some employees. As part of the consultation therefore, employees need sufficient information to be able to assess how the proposals may affect them individually.

Whilst it is proposed that the final employee specifications for new roles within the senior management structure will be for the Employment Committee to agree, to enable employees to be able to judge how the proposal affect them and their employment rights, the generic employee specifications used by the Council for the Executive Director and Director roles are attached at Appendix ' G'. These should be read in combination with the proposals set out in the body of this report.

The Council has an established redundancy policy which would apply to the staff affected.

The Procedure provides that where there is no alternative other than to reduce staff numbers then, wherever possible, the approach will be to first seek volunteers for redundancy where this can be achieved without the loss of key skills to the Council.

The appointment process would then normally be by either direct appointment or a ring fenced recruitment process. It is normal practice to consult on the proposed ring fences and propose direct appointments ("slot-ins") as part of the consultation process.

Cabinet have confirmed that the proposals set out in Option A would follow this procedure.

Cabinet are recommended to follow normal practice as this will be transparent, fair and minimise risk of challenge. This would in no way guarantee posts for existing officers, but would follow the Council's redeployment policies in giving employees facing redundancy the opportunity to be considered first for any vacancies before the external recruitment process. The Employment Committee would therefore consider/interview potential candidates in the normal way and determine whether they have the knowledge, skills and abilities to fulfil the role to the standards set by the Committee.

### **Implementation Milestones**

The timeline below recognises the importance of having the new Chief Executive or Chief Executive and Director of Resources (s.151 Officer) appointed and available to advise Employment Committee in the appointment of the new Executive Director posts.

The timeline set out below applies to Options A and B. Under Option C, only the provisions set out below with respect to the appointments of Chief Executive or Chief Executive and Director of Resources (s.151 Officer) would apply. The timeline also addresses the proposed appointment of an Interim Chief Executive and Director of Resources if Cabinet decide that they still wish to proceed on this basis, notwithstanding the comments in the report with regard to this aspect of the proposal.

- A consultation period with employees and Trades Unions commencing on 21 August and concluding on Friday 8 September 2017
- Consideration of consultation responses and the preparation of final recommendation to Cabinet on the 14 September 2017.
- The commencement of the process for recruitment of a new Chief Executive or Chief Executive and Director of Resources (s.151 Officer) **OR**
- The commencement of the process for recruitment of an Interim Chief Executive or an Interim Chief Executive and Director of Resources (s.151 Officer)
- Employment Committee selection procedures for the appointment of the new Chief Executive or Chief Executive and Director of Resources (s.151 Officer)
- The newly appointed Chief Executive or Chief Executive and Director of Resources (s.151 Officer) **OR** an Interim Chief Executive and Director of Resources to be available to support Employment Committee in the appointment of the Executive Directors.

- New Chief Executive or Chief Executive and Director of Resources (s.151 Officer) and new Executive Directors in post.

## **Financial Implications**

The proposed structures under Option A and Option B have both been costed at mean of grade and would result in full-year savings of £244k or £269k respectively. The proposed savings are a result of a reduction of 2 FTEs and a changes in the mix of grades. Both options would fail to fully achieve the savings built into the Council's budget for 2018/19 under BOP018 (Option C) of £930,000.

As stated in the Human Resources implications, the proposals under Options A, B and C all involve the potential compulsory or voluntary redundancy of some employees. The related costs could be significant but will vary dependent on the individual circumstances of any employee who is ultimately made redundant. Following the outcome of the consultation, an estimated range of potential redundancy related costs will be included in the report to Cabinet on the 14 September.

Given that Option C would involve a greater reduction in post numbers the redundancy cost would most likely be highest under Option C. The current MTFs envisages redundancies resulting from BOP018 and there is provision within the downsizing reserve to cover redundancy costs under any of the options.

The cost of an interim Chief Executive and Director of Resources for 12 months is likely to represent an additional cost, as compared to the current structure, and will need to be funded from the transitional reserve.

## **Legal implications**

The process by which Cabinet's proposals have been brought forward necessitated taking external legal advice from Counsel and subsequently Leading Counsel to enable the Council's statutory officers to advise the Cabinet and also to ensure that the statutory officers themselves have fulfilled their statutory obligations.

This report has also been referred to Leading Counsel for further advice to confirm that a decision taken by Cabinet based on the advice contained in this report is likely to be lawful.

Leading Counsel has stated that the process to be followed by Cabinet in reaching a decision based on the advice contained in this report is likely to be lawful, but that the decision could nevertheless be subject to legal challenge by way of judicial review based on usual public law principles. Leading Counsel has advised that such a challenge could potentially be brought by any person or organisation who has the necessary legal standing, which he considers would include any Lancashire council tax payer. There are clear risks attendant upon the introduction of a new structure, particularly that envisaged under Option A. The advice within the report with regard to the process for making appointments to the structure is intended to mitigate those risks as far as is practicable.

Further, this report does not provide any assurance to Cabinet in relation to the risks to the Council that may arise in respect of the position of individual officers who may consider that they have a civil claim or claims against the Council as a result of Cabinet's decision.

Cabinet are also advised that any proposal to appoint or dismiss any of the Council's Statutory Officers (the Head of the Paid Service, the Monitoring Officer and the s.151 Officer), including a dismissal by reason of voluntary redundancy, must be made in accordance with the Council's Constitution which reflects legislative requirements in this regard.

Where such circumstances arise the Employment Committee will be provided with the necessary advice from them to ensure that any appointment or dismissal is made in accordance with these legal requirements.

- **Risk management**

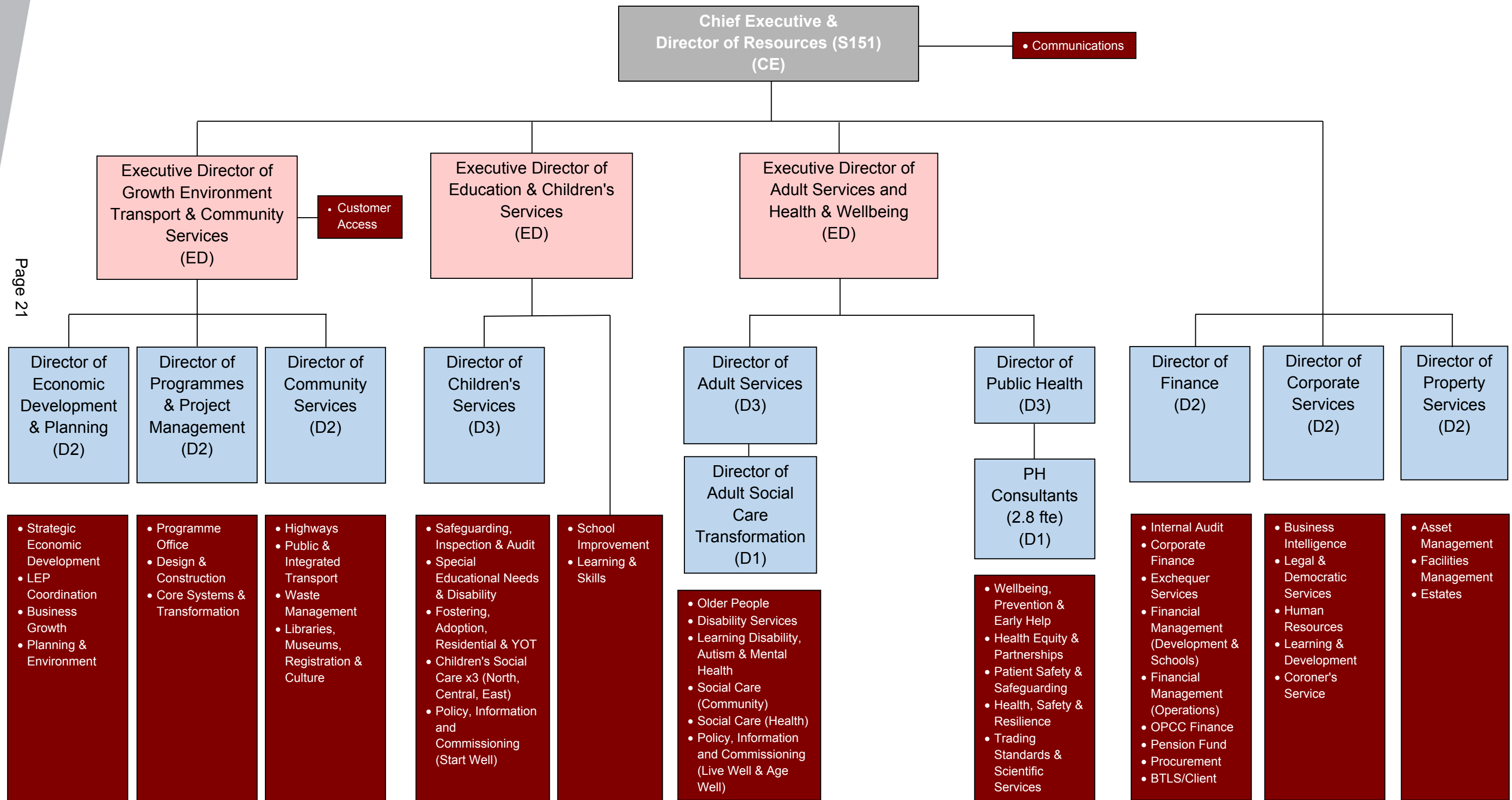
As set out in the report

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
PWC Report : Statutory Services Budget Review	23 September 2016	Chris Mather, 01772 533559
PWC Report: Lancashire Public Service Delivery Model	9 <sup>th</sup> January 2017	Chris Mather, 01772 533559



**Senior Management Operating Structure – July 2017 – Proposed Structure**







## Proposed changes to the Council's Senior Management Structure.

1. The County Council faces serious financial problems. The previous Administration commissioned Price, Waterhouse Cooper (PWC) to report on the extent of the Council's financial problems and following their review in September 2016 PWC said "*... the Council is forecasting a cumulative deficit of £398m by the end of 2020/2021. It also found that even if the Council was to reduce its expenditure to the level of the lowest quartile within the term of this financial planning period it would still be facing an in year deficit of £79m and a cumulative deficit of £227m by 20/21. The Council has been drawing on its reserves to plug the financial gap. On the current trajectory, these will be exhausted by 2018/2019.*"
2. Clearly, this is a very serious situation which, somewhat obviously, cannot be allowed to continue and PWC advised most strongly that it was vital that the Council acted "*before September*".
3. There are also serious concerns that rather than enabling a solution to be found to the Council's financial problems, the current senior management structure actually inhibits the identification of possible solutions that can be put to Elected Members for their consideration. This is because all the services the Council provides to the people of Lancashire, including Children's Services and Adult Services which have the most serious financial and service delivery problems, report to one Corporate Director.
4. It is also a serious concern that the County Council's most senior Finance Officer ('the Section 151' Officer) is at fourth tier level in the management structure and is therefore not a member of the Council's senior Management Team in his own right.
5. It should also be noted that the budget proposed by the previous Administration and approved by Council in February 2016, includes a reduction of 7 in the number of Directors to save over £900,000. This reduction has not been implemented and is currently being funded from the Council's reserves.
6. For these reasons, the Council's current senior Management structure requires a major overhaul and it is therefore proposed to adopt the management structure in the Appendix ('A') to this report:-
  - **Chief Executive and Director of Resources and 'Section 151' Officer**  
Especially in the current financial situation it is felt that the Chief Executive Officer should also be the Council's most senior finance officer and the statutory 'section 151' officer. This will enable him/her to advise the Administration on the financial as well as the policy dimensions of all proposals and to ensure that

the financial problems are at the heart of all decisions made at every level of the organisation. The proposed structure for the Directorate of Resources is shown in the attached appendix ('A').

- **Executive Director of Adult Services and Health and Well Being**

The budget for Adult Services accounts for almost 50% of the Council's budget and is under huge pressure due to rising costs and increasing demand. In these circumstances, it is absolutely vital that Adult Services and Public Health work closely together and with colleagues in the National Health Service. If this is to be achieved to the necessary degree, it is vital that there should be an Executive Director responsible solely for these two services reporting directly to the Chief Executive and Director of Resources.

- **Executive Director of Education and Children's Services**

Children's Services was classified as 'inadequate' by OFSTED and the reports following their periodic inspections still include criticisms particularly regarding the caseloads of individual social workers and the proper recording of information on the Council's computer system. A statutory Improvement Board has been established and improvements are undoubtedly being made but if the continued proper emphasis required to ensure the safety of Lancashire's children is achieved, it is vital that there should be an Executive Director responsible solely for Children's Services and Education reporting directly to the Chief Executive and Director of Resources.

- **Executive Director of Growth Environment Transportation and Community Services**

Economic Development is one of this Administration's high priorities and if the Council is to maximise the benefits achievable from the City Deal, the Growth Deal, Transport for the North and of course the Northern Powerhouse, without experiencing the pitfalls and drawbacks that have bedevilled several schemes to date, it is vital that there is an Executive Director responsible for Economic Development and the associated services reporting directly to the Chief Executive and Director of Resources. It is also proposed that this Executive Director is also responsible for 'Community Services' – ie Highways, Public Transport, Waste Management and Libraries, Museums, Cultural Services and Registrars.

- The proposed structure below the Executive Directors is shown in the Appendix ('A') to this report.

- It is proposed that the three Executive Director Posts be graded the same as the current Corporate Director of Operations and

Delivery and that the grades for the Director posts remain as in the current management structure.

7. Overall, compared with the Council's current senior management structure, this report proposes one additional post at Executive Director level and a reduction of three posts at Director level. It is not proposed to restructure below Director level other than, of course, to reflect the new lines of managerial accountability.

8. It is proposed:

- That the three new posts of Executive Director will be advertised internally and externally.
- That the Director level posts will be filled by a combination of direct appointments and ring fenced recruitment.
- That any posts not filled by these arrangements will be advertised through normal procedures.
- To appoint immediately an interim Chief Executive and Director of Resources to assist in the appointments to the three Executive Posts and in the change to the new management structure.

9. The Urgency Committee is recommended to:

- Approve the senior management structure described in the appendix ('A') to this report.
- Approve the appointment of an Interim Chief Executive and Director of Resources.
- Temporarily change the terms of reference of the Employment Committee to enable it to make appointments to the post of Interim Chief Executive and Director of Resources and the three Executive Director posts.



# Appendix C

<b>Continuing Statutory Service (Proposed Base Budget Reduction Targets) – Template 2</b>			
<b>BOP 018</b>			
Service name DIRECTORS, EXECUTIVE DIRECTORS AND EXECUTIVE SUPPORT (BBR 107 1)	Service description – please see below		
	2015/16 £m	2016/17 £m	2017/18 £m
Forecast before savings	4.551	3.714	3.774
Budgeted savings (cumulative)	-0.248	-0.127	-0.138
Planned net expenditure (Approved <b>2015 net budget</b> )	4.303	3.587	3.636
August 15 monitoring position	-0.381		
Demand variations (cumulative)		0.005	0.008
Price variations (cumulative)		-0.008	-0.016
Undeliverable savings (cumulative)			
Loss of grant (cumulative)	0.000	0.000	0.000
<b>Revised Resource Requirement</b>	<b>3.922</b>	<b>3.584</b>	<b>3.627</b>
Additional savings target for approval (cumulative)	0.000	-0.930	-0.930
<b>Revised proposed budget</b>	<b>3.922</b>	<b>2.654</b>	<b>2.697</b>
Proposed risk reserve provision (discrete year)		0.930	0.930
Policy Decisions needed to deliver the target savings	<p>As part of the proposed review of the council's business and operating model, as a minimum, to reduce the number of Directors and Corporate Directors by 7FTEs, together with 3.5 FTEs from executive support team by April 2018.</p> <p>Reduce the revenue budget accordingly from 1<sup>st</sup> April 2016 and fund the costs from reserves in 2016/17 and 2017/18 during the transition.</p>		
Impact on service	<p>Reduction in the Leadership capacity within the paid service.</p> <p>Reduction in the level of support for the Leadership, Cabinet and Elected Members in representing the council in external relationships and negotiations. This is likely to impact upon relationships with local communities, government, district and unitary councils, the health service, the business community and at a regional level.</p> <p>Loss of high level management and professional expertise and experience may lead to an increased reliance on external consultancy services.</p>		
Actions needed to deliver the target savings	<p>The appointment of consultants to support the council in the redesign of its business operating model, February 2016.</p> <p>Consultation on proposals/structure, April 2017.</p> <p>Statutory consultation process with Trades Unions with respect to potential for redundancies, April 2017.</p> <p>Cabinet approval of new management structure July 2017, for implementation by April 2018</p>		
Equality Analysis	<a href="#">Click here to view document</a>		

This is not a discrete service. This review covers the Directors/Exec Directors appointed in Phase 1 of the council's reorganisation. This analysis also includes Executive support functions for officers and members.



# the role of the chief financial officer

in Local Government

## CIPFA Statement on the role of the Chief Financial Officer in Local Government

### The chief financial officer (CFO) in a public service organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest
- must be actively involved in, and 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 authority's financial strategy
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the chief financial officer:

- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced.

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# \ foreword

This Statement on the Role of the CFO in Local Government describes the role and responsibilities of CFOs in local government. It builds heavily on CIPFA's Statement on the Role of The CFO in Public Services<sup>1</sup> and applies the principles and roles set out in that document to Local Government.

The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the CFO's role

in public service organisations, a duty enshrined in legislation for the CFO in local government.

In order to support CFOs in the fulfilment of their duties and to ensure that local authorities have access to effective financial advice at the highest level, CIPFA is introducing a 'comply or explain' requirement in the annual statement of accounts.

**Rob Whiteman**

Chief Executive  
CIPFA

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<sup>1</sup> [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

# definitions used throughout the document

The public services have a variety of organisational structures and governance arrangements. Some include elected representatives, while others are wholly appointed. The following terms are used throughout the Statement in a generic sense. The Statement and the supporting guideline and requirements need to be read in the context of these. Terms in use in different parts of the public services can be substituted for the generic terms used here.

## **Chief Financial Officer (CFO)**

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

## **Deputy Finance Officer**

Is the designated deputy finance officer for the chief finance officer.

## **Leadership Team**

Comprises the Board and management team.

## **Board**

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

## **Management Team**

The group of executive staff comprising the senior management charged with the execution of strategy.

## **Chief Executive**

The most senior executive role in the organisation.

## **Deputy CFO**

The deputy supports the CEO and has delegated authority.

## **Managers**

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

## **Finance Function**

The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.

## **Governance<sup>2</sup>**

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

## **Financial Management<sup>3</sup>**

The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

## **Audit Committee**

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

<sup>2</sup> *The Good Governance Standard for Public Services 2004*, OPM and CIPFA, 2004 [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

<sup>3</sup> *CIPFA FM Model*, [www.cipfa.org/fmmodel](http://www.cipfa.org/fmmodel)

**Internal Audit**

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives.

**Head of Profession**

The leading professionally qualified accountant charged with promoting professional standards within the organisation.

**Annual Governance Report**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

**Public Service Organisation**

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned, and receive public and/or charitable funding.

# introducing the CIPFA statement

This Statement on the role of the Chief Financial Officer (CFO) in Local Government aims to give detailed advice on how to apply the overarching public services Statement within local government.

The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. This statement should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. They must have regard to the fact that delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO. The role and responsibilities of the 'treasurer' were developed by case law in England and Wales. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements.<sup>4</sup>

Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires local authorities to make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and for those arrangements to be carried out under the supervision the chief financial officer.

This Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role. The Statement is not intended to be exhaustive and does not negate the personal responsibility of finance professionals to ensure that they comply with all professional standards and legislative requirements. It is intended to codify the key responsibilities of the CFO in local government and assist those carrying out that role in ensuring that they meet the key personal duties of the role. The Statement refers to CIPFA's Statement of Professional Practice with which all CIPFA members are required to comply. For members of other accountancy bodies this represents best practice within the public sector. All professional accountants should also have regard to their own body's Code of Ethics as well as that produced by International Ethics Standards Board for Accountants (IESBA) on behalf of the International Federation of Accountants (IFAC).

Contained with the appendices for completeness is a description of the legislative framework.

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<sup>4</sup> For the Greater London Authority and its four functional bodies (Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority,) the chief finance officer is not a s151 officer but a s127 officer (GLA Act 1999). For the City of London the chief finance officer the 1989 Local Government and Housing Act that places the Chamberlain in the same relationship to the Court of Common Council as applies to local authority chief financial officers to their councils.

# using the CIPFA statement

## Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation
- the role
- the individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

## CIPFA Statement on the role of the chief financial officer (CFO) in public service organisations

### The CFO in a public service organisation:

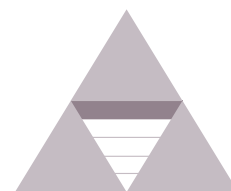
- 1 is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- 2 must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced to be fit for purpose
- 5 must be professionally qualified and suitably experienced.



# \ principle 1



The chief financial officer in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

## Key member of the leadership team

The leadership team in public services organisations takes many forms, with different mixes of executive and non-executive members and elected representatives. Collectively the leadership team are responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. In recognition of the centrality of financial issues to organisational success it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other Board members. HM Treasury recommends 'It is good practice for all other public sector organisations to do the same, and to operate the same standards'.<sup>5</sup> CIPFA fully supports the Treasury's recommendation.

Local authorities operate a number of different democratic models. In local authorities, therefore, the concept of the leadership team will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority. The CFO should play a key role within these leadership teams whilst balancing their responsibility to advise all members.

Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers.<sup>6</sup> The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the chief executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report<sup>7</sup>, together with how these deliver the same impact.

## Developing and implementing organisational strategy

All local authorities face competition for limited public funds and have to balance expenditure needs against the burden of local taxation. Many will have allocated cash limits, while others have tax raising powers. All will be concerned to examine opportunities, with suitable assessment of legal powers and risk, for building income streams, whether through attracting external grants, charging for services, or commercial activity. Strategic planning needs to be based on an understanding of the external political landscape, the authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Increasingly local authorities are working with statutory and in partnership, requiring strategy and development across a number of different partners. Local authorities strategic planning frameworks need to allow for this.

Finance translates ambitions and goals across the authority into a common language, so the CFO must share in the strategy development and implementation responsibilities of the leadership team. These include supporting elected representatives under the proper governance arrangements and the CFO must be in a position to provide unfettered advice to elected representatives to inform their decision making.

The CFO must also ensure the members of the leadership team have the financial capabilities necessary to perform their own roles effectively. There is a duty on the leadership team to ensure the decisions framework is sufficient to allow this, e.g. LEP and partnership decisions. The CFO must encourage continuous improvement and development to enable the authority to deliver at the highest levels. As well as having the fundamental concern for probity and control,

<sup>5</sup> HM Treasury 'Managing Public Money' Annex 4.1. 2007

<sup>6</sup> The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body. There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

<sup>7</sup> The Annual Governance Statement is currently voluntary in Scotland.

the CFO must be proactive in managing change and risk, be focussed on outcomes, and help to resource the authority's plans for change and development in the public services it provides. As a key member of the leadership team, the CFO must also behave in ways that are consistent with the authority's agreed values, objectives and appetite for risk.

### **Helping resource and deliver organisational objectives**

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. Dilution and/or overload in the role of the CFO can result in poor financial outcomes for the authority. Setting out the core CFO responsibilities in this Statement is intended to allow local authorities and their CFOs to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.

Local authorities also need to engage with partners through a range of collaborative or commissioned relationships in order to realise their goals. Partnership working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the authority and have appropriate involvement in partnerships' business decisions. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in partner organisations. Where the CFO is providing advice to partner bodies and organisations it remains the CFO's responsibility to ensure that where actual or potential conflicts of interest may occur, the local authority has access to appropriate financial advice independent of that partnership.

### **Delivering the authority's strategic objectives sustainably and in the public interest**

Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short-, medium- and longer-term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often then needs to grapple with service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long-term need to match financial resources to the authority's purposes and policies, within constraints of affordability, taken

with the responsibility to citizens and taxpayers for financial stewardship, mean that the CFO must contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives.

Public finance is complex and highly regulated, and the CFO must contribute expert technical advice and interpretation. CFOs must act in the public interest, even if necessary against a perceived organisational interest. In some types of public service organisation, including local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. This remains applicable to the CFO.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 95 of the Local Government (Scotland) Act 1973 substantially repeats these words for Scottish authorities. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires that "a council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO".

The CFO's duties in England and Wales were significantly extended by section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer (MO) and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

As holders of the 'red card', the CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the CFO must have direct access to the chief executive, other leadership team members, the audit committee and also to external audit.



## Governance requirements

## Principle 1

- Set out a clear statement of the respective roles and responsibilities of the leadership team and its members individually.
- Ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.
- Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.
- Ensure that authority's governance arrangements allow the CFO:
  - to bring influence to bear on all material business decisions
  - direct access to the chief executive, other leadership team members, the audit committee and external audit.
- Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.
- Assess the financial skills required by members of the leadership team and commit to develop those skills to enable their roles to be carried out effectively.
- Review partnership arrangements to ensure that the authority always has access to financial advice in relations to its role in partnership.



## Core CFO responsibilities

## Principle 1

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of
  - corporate governance arrangements, risk management and reporting framework<sup>8</sup>
  - corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

<sup>8</sup> CIPFA LAAP 99 Bulletin on Local Authority Reserves





## Personal skills and professional standards

## Principle 1

- Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other leadership team members with political awareness and sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short- and longer- term trade-offs.
- Facilitate the growth of effective partnerships whilst balancing the need to protect the individual financial position.
- Demonstrate strong commitment to innovation and performance improvement.
- Manage a broad portfolio of services to meet the needs of diverse communities.
- Facilitate the growth of effective partnership enabling improved service delivery.
- Maintain an appropriate balance between the technical financial aspects of the CFO role and broader focus on the environment and stakeholder expectations and needs.
- Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by virtue of their professional status as a member of CIPFA or another accountancy institute. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

# \ principle 2



The CFO in a local authority must be actively involved in, and 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 authority's overall financial strategy.

## **Responsibility for financial strategy**

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the authority.

Within the overall corporate governance and management structure, the CFO has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the authority's strategic objectives sustainably. The CFO must therefore work closely with decision makers to establish a medium- to long-term strategy that ensures the financial sustainability of the authority. This may require the CFO to provide comprehensive advice on alternative delivery models to inform debate.

The CFO must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass partnership working, alternative delivery models, capital investment programmes and annual operations, as well as financial targets and benchmarks. They must also take into account future commitments, resources available and the desirable levels of reserves, to ensure that the authority's finances remain sustainable.

The statutory guidance issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the CFO and the monitoring officer have

access as necessary to meetings and papers and that members must consult with him/her regularly.<sup>10</sup> The advice continues that the finance director will have an important role in the management of the local authority in particular by:

- contributing to corporate management in particular to the provision of professional financial advice
- maintaining financial administration and stewardship
- supporting and advising all members and officers in their respective roles
- examining alternative delivery models and supporting members in their understanding of each approach
- providing financial information to the media, members of the public and the community.

There is no equivalent legislative requirement in Scotland or Northern Ireland, but the guidance is equally relevant.

## **Influencing decision making**

Local authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

The CFO must be able to advise the leadership team directly, including elected representatives, in order to discharge responsibilities in relation to the authority's financial health and long-term viability. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others,

<sup>10</sup> In Wales the statutory guidance does not include this reference but implies that this should be the case.

and influence material business decisions. The CFO's advice and reports to the leadership team must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of, and options for action.

The CFO must also work to develop strong and constructive working relationships with both the executive and non executive members of the authority's leadership, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.

The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. Advice on fulfilling this responsibility is set out in CIPFA's Prudential Code.<sup>11</sup>

In England and Wales there is also a statutory duty on the CFO to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. There is no equivalent specific legislation in Scotland or Northern Ireland.

The CFO also has a key role to play in fulfilling the requirements of the statutory duty to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.<sup>12</sup>

### **Financial information for decision makers**

At all levels in the authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The CFO has an important role in ensuring necessary financial information and advice is provided to the leadership team and decision makers at all levels across the authority. Meaningful financial analysis and

robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

Although not a specific responsibility of CFOs alone, they – along with the monitoring officer and chief legal officer (CLO) – should be alert to the 'Wednesbury' rules<sup>14</sup> which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an authority's action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:

- in making its decision it took into account matters which it ought not to take into account, or
- it did not take into account matters which it should have taken into account, or
- even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.

These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented. The 'Wednesbury' rules do not apply specifically in Scotland or Northern Ireland, but adherence to these will demonstrate good governance and proper decision making.

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<sup>11</sup> The Prudential Code for Capital Finance in Local Authorities, CIPFA [www.cipfa.org/publications](http://www.cipfa.org/publications)

<sup>12</sup> Associated Provincial Picture Houses v Wednesbury Corporation (1948).



## Governance requirements

## Principle 2

- Establish a medium-term business and financial planning process to deliver the authority's strategic objectives, including:
  - a medium-term financial strategy to ensure sustainable finances
  - a robust annual budget process that ensures financial balance
  - a monitoring process that enables this to be delivered.
- Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- Ensuring that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.
- Ensure that those making decisions are provided with information that is fit for purpose – relevant, timely and giving clear explanations of financial issues and their implications.
- Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.
- Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.
- Ensure the authority understands the budgetary commitment of a contracted service including the longer term financial implications.
- Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance<sup>13</sup>
- Ensure compliance with CIPFA's *Prudential Code for Capital Finance in Local Authorities* and CIPFA's *Treasury Management in the Public Services Code of Practice*.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role.
- Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.
- Ensure that medium-term business and financial planning systems along with ongoing performance monitoring cover the services provided through partnerships and alternative delivery models
- Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted future services

<sup>13</sup> LAAP 99 – Local Authority Reserves and Balances, [www.cipfa.org.uk/pt/download/laap77.pdf](http://www.cipfa.org.uk/pt/download/laap77.pdf)

**Responsibility for financial strategy**

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

**Influencing decision making**

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.

**Financial information for decision makers**

- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.



## Personal skills and professional standards

## Principle 2

- Take all reasonable steps to ensure that:
  - budgets are planned as an integral part of the strategic and operational management of the authority and are aligned with its structure of managerial responsibilities
  - budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner
  - responsibilities for budget management and control are unambiguously allocated, that commitments are properly authorised, and that budgets are related to clear objectives and outputs
  - the accounting and financial information systems make available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority.
- Implement other appropriate management, business and strategic planning techniques.
- Link financial strategy and overall strategy.
- Demonstrate a willingness to take and stick to difficult decisions – even under pressure.
- Take ownership of relevant financial and business risks.
- Network effectively within the authority to ensure awareness of all material business decisions to which CFO input may be necessary.
- Role model persuasive and concise communication with a wide range of audiences internally and externally.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards both personal and organisational.
- Demonstrate a strong desire to innovate and add value.
- Challenge effectively, and give and receive constructive feedback.
- Operate with sensitivity in a political environment.

# \ principle 3



The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

## **Promotion and delivery of good financial management**

Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The leadership team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the authority. The CFO will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the authority's strategic direction.

Financial management is the business of the whole authority. When the leadership team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept authority. The CFO must actively promote financial literacy throughout the authority and in partnership bodies so that the leadership team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

## **Best value and value for money**

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role in the local authority.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the CFO will need to take the lead in coordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:

- enabling the authority to measure value for money, and making sure that it has the information to review value for money and performance effectively
- advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources
- providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical
- ensuring the rigorous financial appraisal and oversight of change programmes, partnership working, income generation proposals and investment projects.

## **Safeguarding public money**

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the authority implements appropriate measures to protect

its assets from fraud and loss and to identify and meet the assurance needed.

Where services are provided by partnership and 3rd party arrangements the CFO must ensure the mechanics and assurance mechanics are in place and compliance is monitored.

The CFO also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the finance director's responsibilities to the authority, a wider role also exists in relation to the general public. The local authority is regarded as the trustee of local citizens' money, and the finance director has the prime obligation and duty to them to manage the authority's resources prudently on their behalf as established in the 1906 de Winton case.

In effect this means that the finance director has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the finance director's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the finance director to report inappropriate financial management as well as wrongdoing.

Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972. Further guidance recommending courses of action to be followed when a report under s114 may be required is attached at appendix B to this Statement. Although

section 114 does not apply to Scotland or Northern Ireland the principles that underlie it and the actions proposed in appendix B are recommended to finance directors as a means of discharging their overall responsibility for sound financial management.

Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest. As a minimum the CFO would exercise this through ongoing monitoring and obtaining rights of access to information in order to ensure financial probity. CFO's must be satisfied that what ever is being monitored is needed and the information available

The CFO should oversee the appropriate arrangements with respect to service contracts and alternative delivery models.

### **Assurance and scrutiny**

Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the authority on financial matters and in building relationships with stakeholders. The CFO must also provide information and advice to those who officially scrutinise and review the authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

Internal audit is an important independent internal scrutiny activity. Internal audits remit does not necessarily end within the organisation boundary but can extend to a partnership and alternative delivery model. The CFO must support the authority's internal audit arrangements and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.



Public service providers face a variety of regulatory requirements and standards for external financial reporting, while measures of value are expressed both as financial and as non-financial performance targets. The role of the CFO in external reporting is to meet the reporting requirements relevant to the authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the CFO maintains a constructive professional relationship with external auditors and inspectors.

The Accounts and Audit Regulations 2003 (England and Wales), in Scotland, the Local Authority Accounts (Scotland) Regulations 1985 and in Northern Ireland the Local Government (Account and Audit) regulations (Northern Ireland) 2006 impose responsibilities on the finance director relating to accounting records and supporting information, control systems and the statement of accounts.

A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'. Similar references exist for Northern Ireland in regulation 3a of the Local Government (Account and Audit) regulations (Northern Ireland) 2006. Although there is no specific reference to internal audit for Scotland the successful discharge of the finance director's responsibilities depends in part on effective internal audit.



## Governance requirements

## Principle 3

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.
- Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the authority's underlying framework of corporate governance and that they are reflected in its local code.
- Address the authority's arrangements for financial and internal control and for managing risk in Annual Governance Reports.
- Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.
- Ensure an effective internal audit function is resourced and maintained.
- Develop and maintain an effective audit committee.
- Ensure that the authority makes best use of resources and that taxpayers and/or service users receive value for money.
- Embed financial competencies in person specifications and appraisals.
- Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.
- Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.
- Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models and that appropriate access to information is maintained.

**Promotion of financial management**

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

**Value for money**

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.
- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

**Safeguarding public money**

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.<sup>14</sup>
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.

<sup>14</sup> CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom* developed by the CIPFA/LASAAC Joint Committee  
[www.cipfa.org/publications](http://www.cipfa.org/publications)



## Core CFO responsibilities

## Principle 3

- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

### Assurance and scrutiny

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.



## Personal skills and professional standards

## Principle 3

- CFOs should take all reasonable steps to ensure that:
  - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and that appropriate reporting mechanisms are in place
  - payments, including benefits and taxation, are made on time, accurately and in accordance with legal requirements
  - cash is handled with special care to avoid loss, particularly loss through theft and secure arrangements are in place to deal with the handling of electronic or other cash-less transactions
  - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of the authority's financial transactions
  - all financial reports are relevant, reliable and consistent, are compatible with the authority's accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority
  - within the specific legislative framework for each authority, systems exist to secure the efficient and effective management of taxes, in particular to ensure that tax liabilities and obligations are properly reported and accounted for and to prevent any tax losses
  - treasury management is carried out in accordance with CIPFA's treasury management code and that effective treasury management arrangements are in place.
- Generate 'buy-in' to, and support delivery of, good financial management across the authority.
- Develop and sustain partnerships, and engage effectively in collaboration.
- Deploy effective facilitation and meeting skills.
- Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.
- Place stewardship and probity as the bedrock for management of the authority's finances.

# \ principle 4



The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

## **Meeting the finance needs of the business**

The organisation of finance functions is changing rapidly. Traditionally they have been centralised services, but increasingly they include devolved finance teams in business areas. Arrangements may also now include outsourced functions, or services shared between organisations.

Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

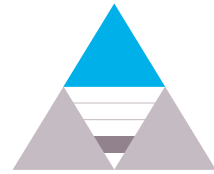
The finance function must also have a firm grasp of the authority's financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their CFO with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (i.e. s114) to be performed'. There is no equivalent requirement in Scotland or Northern Ireland.

## **Appropriately developed finance skills**

The CFO must promote financial literacy throughout the authority, including championing training and development of relevant skills at all levels. However the CFO has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that the head of profession role for accountants and finance specialists authority-wide is properly discharged in order to ensure compliance with regulatory and professional standards. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the CFO, where this is not a direct line management relationship.



## Governance requirements

## Principle 4

- Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.
- Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority.



## Core CFO responsibilities

## Principle 4

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.



## Personal skills and professional standards

## Principle 4

- Create, communicate and implement a vision for the finance function.
- Role model a customer focussed culture within the finance function.
- Establish an open culture, built on effective coaching and a “no blame” approach.
- Promote effective communication within the finance department, across the broader authority and with external stakeholders.
- Apply strong project planning and process management skills.
- Set and monitor meaningful performance objectives for the finance team.
- Role model effective staff performance management.
- Coach and support staff in both technical and personal development.
- Promote high standards of ethical behaviour, probity, integrity and honesty.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.



# \ principle 5



The CFO in a local authority must be professionally qualified and suitably experienced.

## **Demonstrating professional and interpersonal skills**

The CFO must be able to demonstrate their own professional standing to exercise financial leadership throughout the authority. As a member of a professional body, the CFO's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.<sup>15</sup>

The CFO must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.<sup>16</sup> There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

The statutory role must be performed by an 'officer' of the authority. Although 'officer' is not defined the legal view is that the terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities. It is permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.

## **Applying business and professional experience**

The CFO must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the leadership team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the authority that finance matters and is a key part of everyone's job throughout the authority.

<sup>15</sup> Further information on behaviours can be found in the *IFAC Code of Ethics*, [www.ifac.org](http://www.ifac.org)

<sup>16</sup> Defined to mean a qualified member of one of the six bodies comprising the Consultative Committee of Accountancy Bodies (CCAB) in the UK and Ireland, that is

- Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in Ireland
- Chartered Institute of Management Accountants
- The Association of Chartered Certified Accountants.



## Governance requirements

## Principle 5

- Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the authority.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.



## Personal skills and professional standards

## Principle 5

- Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
  - ethics
  - Continuing Professional Development.
- Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services or equivalent.
- Understand public service finance and its regulatory environment.
- Apply the principles of public financial management.
- Apply relevant commercial skills and understanding of relevant alternative delivery models
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.

# legislative requirements

## **Section 151 of the Local Government Act 1972 – England and Wales**

This section requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The words “proper administration” are not statutorily defined nor have they received judicial consideration. Section 58 of the Local Government Act 1958 had somewhat narrower wording requiring authorities to make “safe and efficient” arrangements for the receipt and payment of money.

“Proper administration” requires a somewhat wider consideration of all aspects of local authority financial management and should include:

- compliance with the statutory requirements for accounting and internal audit
- ensuring the authority’s (and ultimately its members’) responsibility for securing proper administration of its financial affairs (Lloyd v McMahon (1982) AC 625)
- proper exercise of a wide range of delegated powers both formal and informal (Provident Mutual Life Assurance Association v Derby City Council (1981) 1 WCR 173)
- responsibility for managing the financial affairs of the local authority in all its dealings
- recognition of the fiduciary responsibility owed to local taxpayers (Attorney General v De Winton (1906) 2 CH 106).

This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

## **Section 95 of the Local Government (Scotland) Act 1973 – Scotland**

Section 95 states that: “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”.

The same considerations as to the meaning of ‘proper administration’ as set out above apply in Scotland. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Scotland although in both cases, this is widely acknowledged to be good practice.

## **Section 54 of the Local Government Act (Northern Ireland) 1972 – Northern Ireland**

Section 54 requires that “council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO”.

The Northern Ireland Act uses the more narrow wording previously used under the 1958 Local Government Act. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Northern Ireland although in both cases, this is widely acknowledged to be good practice.

## Section 114 of the Local Government Finance Act 1988 – England and Wales

The responsible officer under Section 151 of the 1972 Act had his or her duties significantly extended by Section 114 of the 1988 Act which requires a report to all the authority's members to be made by that officer, in consultation with the council's monitoring officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

### Introduction

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the CFO to report certain matters to the authority. Serious consequences could follow making such a report and this note recommends sound procedures and consultation, particularly with the authority's CLO if that person is not the MO, prior to making the report.<sup>17</sup>

The duty of the CFO to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

In those circumstances the CFO is required to make a report to the authority and send a copy to every member and the external auditor. The course of conduct which led to the report must not be pursued until the full council has considered the report. The council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

Likewise the CFO must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the council has considered the report.

Regulations under the Local Government Act 2000 have amended section 114 for those authorities in England operating executive arrangements. In those cases such reports are submitted to full council in respect of non-executive functions and to the executive for executive functions.

If the unlawful expenditure relates to actions undertaken by the executive then under sections 114A and 115B, the CFO's report must be submitted to the executive. Copies

must be sent also to all members of the authority and the external auditor (and the council manager if there is one).

No action should be carried out until the executive has considered the report. The executive must then provide a report to the authority, the CFO and the external auditor, explaining what action, if any, is to be taken and the reasons.

This guidance note is intended to assist in the provision of sound legal (and financial) advice to members of the authority the duty to make a part VIII report rests with the CFO and nothing in this note derogates from that responsibility.

The legislation raises issues that could place the CFO in conflict with his or her employers. The consequences of submitting a part VIII report are unlikely to be in the long-term interests of the authority, its officers (or even local government generally) if many have to be made. The need to issue a number of s114 reports would also indicate that there are underlying problems with the overall performance of the authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day section 114 imposes a statutory duty on the CFO.

### Preliminary matters

Information resulting in the need for a part VIII report could come from the CFO's staff, an officer, a member of the authority, the public or the auditor. All elected members and officers should be made aware that it is the CFO's duty to raise possible issues requiring investigation which may lead to a formal report. This could in part be achieved by including details of the CFO's statutory duty in the member/officers' protocol in the local authority's written constitution which must be prepared and maintained under section 37 of the 2000 Act. The topic should also be included in members' training programmes.

Making a report under sections 114 (2) and 114A(2) requires the CFO to make a decision that an act or omission is or could be unlawful; this decision should only be taken after full consultation with the head of paid service, the authority's MO (and chief legal officer where the CLO is not the MO) whereas a report

<sup>17</sup> The statutory duty is to consult the head of paid service and MO.

under section 114 (3) requires a financial judgement on (essentially) the budget which the CFO could take alone. Even in a section 114(3) report the CFO is required by statute to consult the head of paid service (chief executive) and the MO because other corporate and legal issues may well flow from the report and because there may be overlaps with the MO's duty to report to the authority about unlawfulness under the Local Government and Housing Act 1989 section 5.

MOs have a reciprocal duty to issue reports under section 5 of the 1989 Act and to consult the head of paid service (chief executive) and CFO on their reports.

Circumstances of a developing situation (for example, shortage of budget resources or a prospective unlawful act) should be distinguished from the imminent or actual situation. Timing of a part VIII report will need careful thought and decision.

There may well be occasions when the chief executive, the MO, the CLO or the CFO will be asked for a view on matters which the authority has under consideration but which if developed might lead to a part VIII report. A mere preliminary enquiry or request should not lead to a formal report under the Act. If the situation develops the need to report must be reviewed.

It is not considered that the provisions of sections 114 (2) and 114A (2) relate to cases of discovered fraud (which could be the subject of criminal prosecution) – these should normally be dealt with under the authority's financial regulations.

A decision will be needed whether to report or not on items which could be regarded as outside sections 114 (2) and 114 A (2) such as trivial expenditure or loss of income although there may be circumstances in which such a report may be justified.

In the case of action under section 114 (3) the need for a report arises only where an authority's total resources fall short of likely expenditure. It does not apply where, say, a committee's budget is overspent – this might be the subject of a report outside the provisions of part VIII although this could in some circumstances amount to a loss or deficiency under section 114 (2) (b) or 114 A (2) (b).

This note assumes that within the authority the chief executive, MO/CLO and CFO are three separate posts. They may not always be so, although there is now a

statutory bar on the chief executive or CFO being the authority's MO. The authority's MO may also be the CLO. Where the roles are separate both should be consulted.

### Recommended procedures

Having regard to the circumstances and the preliminary matters mentioned above the procedure for a report under section 114 (2) or 114 A (2) – an unlawful act or omission – is suggested as follows:

- Consult with the MO/CLO on the issue of unlawfulness.
- Consult the chief executive on the matter (s114(3A) and s114 A (3)).
- If there is disagreement or doubt the CFO should ask the MO/CLO to obtain Opinion of Counsel.
- If there is still disagreement after Counsel's Opinion, the CFO and MO/CLO refer the matter to the chief executive for assistance on procedures but chief executives should not substitute their own advice, even where legally or financially qualified.

Under section 114 (3) where the matter is an unbalanced budget – real or potential – the CFO is in a better position to come to a decision unaided. However it is recommended:

- an informal indication is given by the CFO at a very early stage and an attempt made to get immediate remedial action
- the likelihood of a report under section 114 (3) should be made known to the chief executive at an early opportunity
- the CFO should consider informal consultation with the internal and external auditor

At this point the CFO has to decide the course of action. If it is decided to proceed, the CFO goes to next stage.

Where the CFO decides there is a case for a part VIII report:

- If the action or expenditure is potential the CFO should draft a report stating the facts and reasons and discuss with the MO, the chief executive and relevant chief officers how to obviate the need for the report by remedial action. If successful the matter will rest.
- Where remedial action is not possible, or where the act or expenditure has already happened, the CFO should draft a report as in consultation with chief

executive and MO. The report should clearly state that it is made under the relevant sub-section of section 114 or section 114 (A) of the Local Government Finance Act 1988 and the consequences. The CFO then 'makes' the report by signing it personally.

The statutory duty to make a part VIII report and send a copy to each member of the authority and the external auditor rests on the CFO. The Act does not say when a report is to be sent but implies it should be sent as soon as reasonably practicable.

Where an authority in England or Wales is operating executive arrangements under the Local Government Act 2000 the report must be to the full council and sent to each member of the council and to the auditor, if it relates to non-executive functions or the likelihood of an unbalanced budget.

Where the local authority is operating executive arrangements, and the executive (or a person on their behalf) is about to make or has made a decision involving unlawful expenditure, a loss or deficiency or an unlawful item of account, the CFO must make the report to the executive, and send copies to every member, the auditor and (in the case of a mayor and council manager) the council manager.

The duty to make and send the report rests with the CFO and that starts the 21 day 'prohibition period' and in normal circumstances the timing of sending it needs to be carefully considered in consultation with the 'Proper Officer' for calling meetings (and the chief executive if not that officer).

Part VIII reports are likely to be made in highly contentious circumstances and as such could be the target for legal challenge. They must therefore be subject to most careful drafting, rehearsing all relevant matters and arguments besides clearly advising as to the options or decisions sought.

Whatever the decision, the CFO must have taken all steps necessary to arrive at and justify that decision. The CFO should ensure that there is a proper record of the considerations leading to the decision.

The executive must then meet within 21 days to consider the CFO's report and no action must be taken until this has happened. After considering the report, the executive must then prepare a report which specifies what action (if any) the executive has taken or proposes to take, the timing and the reasons for the action. A copy of that report must be sent to the external auditor, every member of the council and the CFO.

#### **Liaison with proper officer responsible for calling meetings: (Schedule 12 Local Government Act 1972)**

It is for the "proper officer" to advise on procedure for considering the report but by agreement such information could be included in the CFO's report or accompany it.

The report could be sent to each member of the authority as a separate document. However, in the case of reports to the full council it would be advisable to send copies with the council summons to the meeting which will consider it. In the case of reports to the executive, copies could be sent with the agenda for the meeting which will consider it, as well as the remaining members of the council and the council manager (if any). In both cases copies must be sent to the auditor.

The statutory duty to send the report is the CFO's but it is recommended that normally the authority's usual procedure for sending reports to all members be followed. However, proof the report was sent to individual addresses may subsequently be needed, so special arrangements for delivery may be required.

#### **Other matters**

Once the CFO has sent the report to each member of the authority (or to each member of the council, the executive and council manager (if any) where executive arrangements are operating) and to the external auditor, their reporting duty under part VIII has been completed.<sup>18</sup> In the case of authorities with executive arrangements, the executive must then issue its report in response. The CFO, under their section 151 responsibilities may then have to advise full council on the outcome. If the authority (or the executive) acts positively on the s114 (114A) report, well and good; if

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<sup>18</sup> If inadequate action is agreed in response to a s114(3) report the CFO may need to consider whether or not a further report is required to address the situation. This should be decided in conjunction with the chief executive, MO and (if necessary) legal advice should be sought.

not, any further formal action is to be taken by the external auditor with the issuing of an 'advisory notice' under section 29 (schedule 8) of the Local Audit and Accountability Act (2014) or by applying to the court for a declaration under section 31 of the same Act.

The authority's standing orders and financial regulations should be compatible with the part VIII procedures.

In the light of these provisions it is clearly essential that all reports to committees or to the executive, an executive committee or an individual executive member containing financial matters should be cleared with the CFO. The CFO should also have access to all decision records, minutes and forward plans of executive key decisions.

The Local Government Finance Act, 1988, requires the authority to provide the CFO with sufficient resources to carry out their duties under part VIII. These would include the cost of obtaining advice and resources outside the authority if required.

The CFO's duties under part VIII must be carried out personally and it is recommended that they nominate a person to act in their absence or when ill under section 114(6).

The activities of companies set up by authorities appear to be outside the present legislation for section 114/114A reports.

Where a report has been made under section 114(3), arrangements need to be made to inform all persons, including school staff, who have delegated authority to enter commitments, that such powers are suspended during the prohibition period.

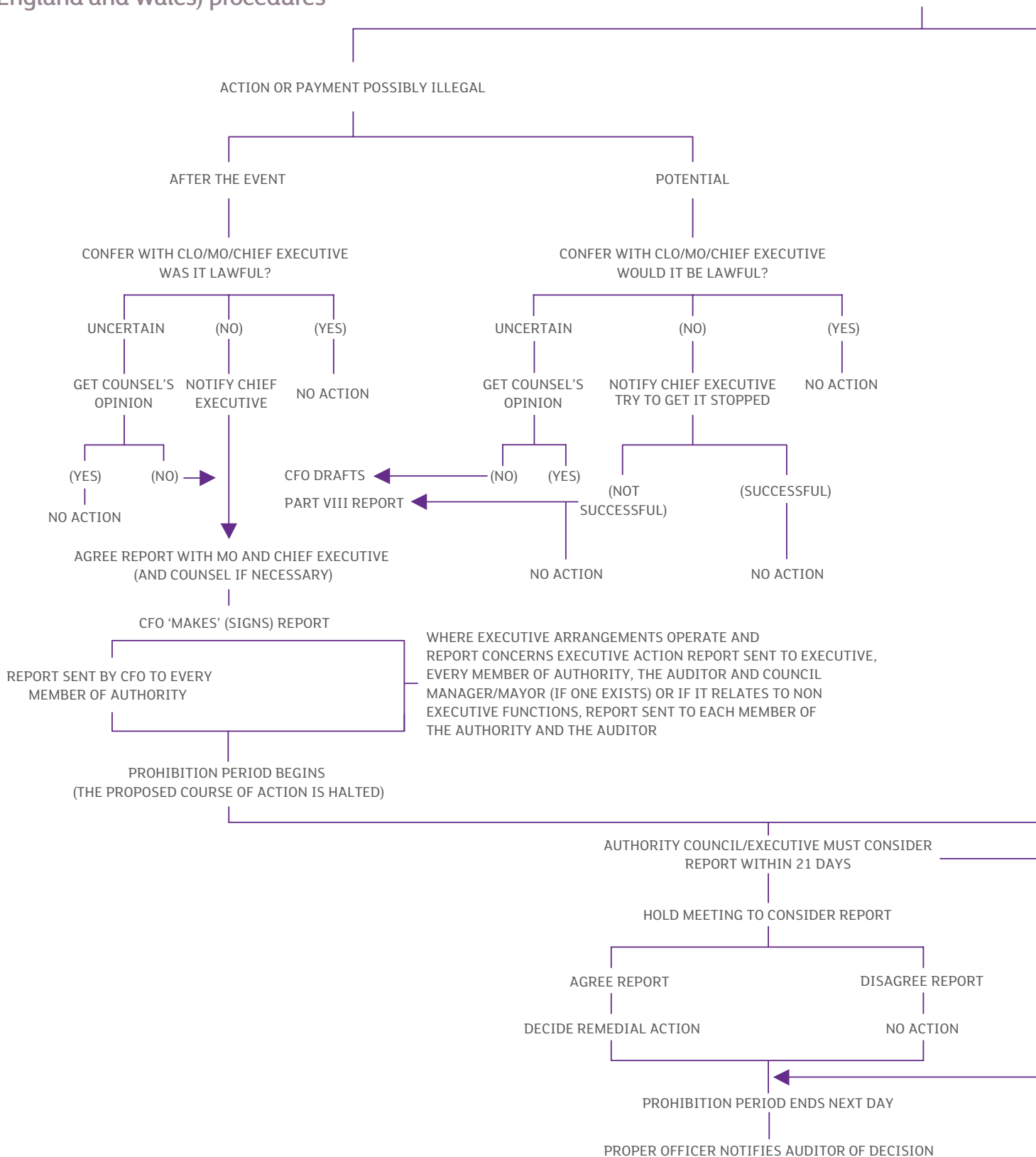
### **Section 114 equivalent in Scotland and Northern Ireland**

Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

# flowchart

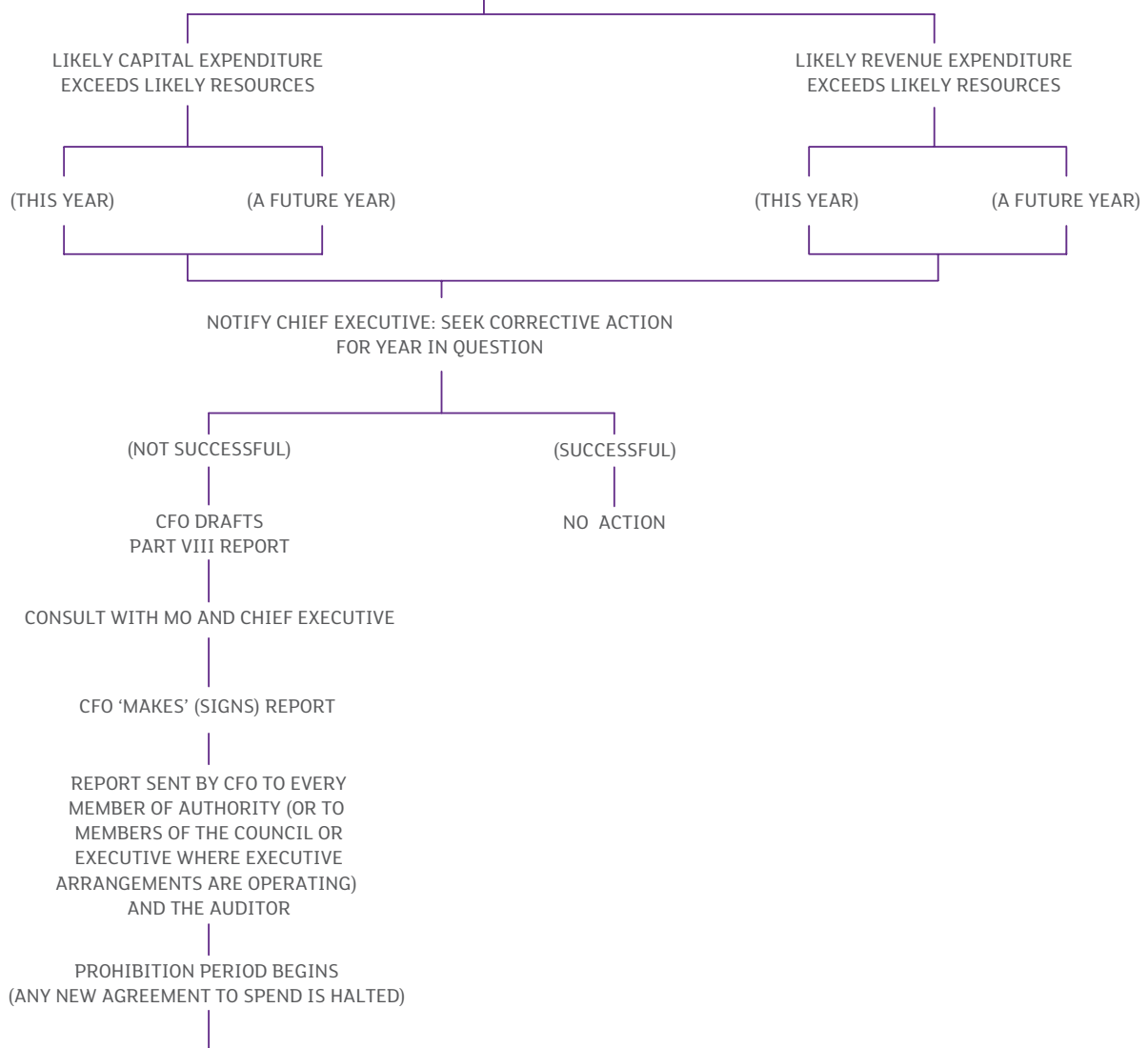
for section 114 local government finance act 1988  
(England and Wales) procedures

MATTER COMES TO THE ATTENTION OF





THE CFO



PROPER OFFICER NOTIFIES AUDITOR OF DATE TIME AND PLACE OF MEETING

WHERE EXECUTIVE ARRANGEMENTS OPERATE, EXECUTIVE MUST REPORT ON ACTIONS (IF ANY) TAKEN IN RESPONSE, TIMING AND REASONS TO THE AUTHORITY, CFO AND AUDITOR



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

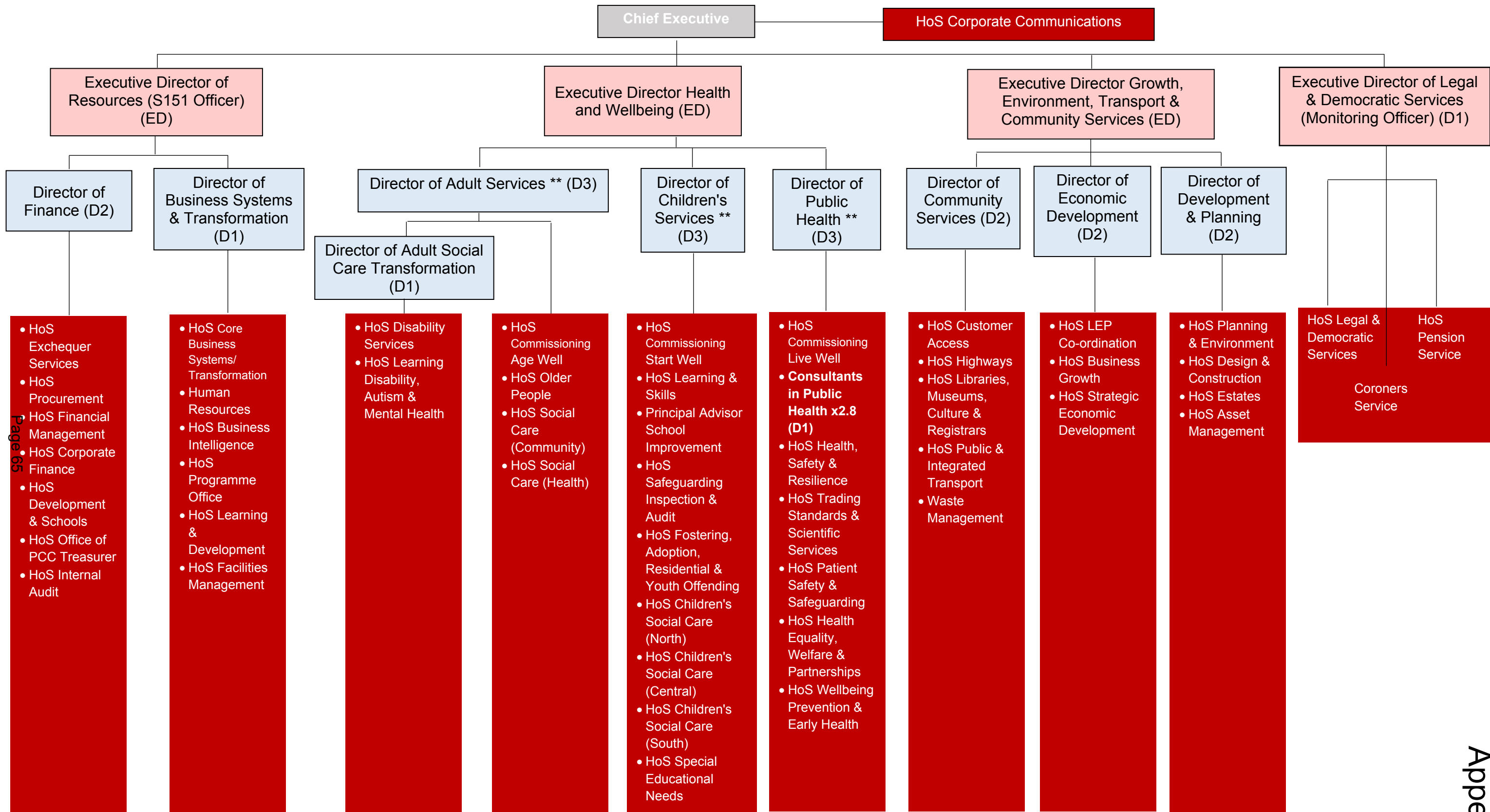
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\*\* Direct Accountability to the Chief Executive for the Statutory Officer responsibilities



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## **Development of the Corporate and Financial Strategies 2018/19 to 2021/2022**

### **Purpose**

The purpose of this paper is to seek guidance from the Cabinet on how it wishes to develop the Corporate and Financial Strategies for the council for the period 2018/19 through to 2021/22. It sets out some broad suggestions for how the Management Team could support the development of these key work streams. It seeks the views of Cabinet on the appropriateness of the approach and requests guidance on the suggestions and any additional measures it requires.

### **Timeline**

In developing the timeline for the work, the assumption is that the key date to be worked towards will be the Full Council budget meeting that is currently set for the 8<sup>th</sup> February 2018. The Cabinet meeting preceding this, for final decision, will be the 18<sup>th</sup> January 2018. Publication dates for Cabinet papers will mean that an agreed position to enable report drafting will need to be established prior to the Christmas break.

In order to allow for an effective period of consultation on any draft budget options and the new Corporate Strategy, the key cabinet meeting is likely to be 9<sup>th</sup> November 2016.

Publication dates means that the Cabinet and Management Team have, in-effect, a period from now until mid-October to undertake the development work.

We are currently focussed on the July Cabinet meeting to set out the programme for the re-opening of Libraries and progressing the Cabinet's budget amendment for the current year.

We therefore have an effective four months period from now until mid-October to develop the work.

### **Approach to the development of the strategies**

It is suggested that Cabinet, Lead Members and Management Team meet for a programme of two development sessions each month (approx. 2-3 hours per session). This would provide for a total of 8 development sessions

It is proposed that we agree a list of key issues to be addressed as part of this programme. Some suggested topics are set out below and Cabinet's guidance is sought on the appropriateness of these and additions / substitutions are requested.

It is also suggested that Informal Cabinet needs to make provision within this period to consider their political priorities, in relation to the key issues, to enable Management Team to effectively support the delivery of the political priorities of the administration.

If the following approach is accepted, Cabinet are asked to advise on the order in which they would wish issues to be programmed.

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The proposed approach would be:

- Management Team to brief on the key issues, allowing time for discussion and an initial steer to be given to the Management Team on the Cabinet's approach.
- Following the session, informal Cabinet to allow time for the political priorities to be determined in respect to the key issues, and fed back to Management Team at a subsequent development session.
- Management Team to prepare draft policy positions / budget options in conjunction with individual Cabinet Members and Lead Members, following the session, for final consideration and sign off by Informal Cabinet.

### **Suggested Key Issues**

It is recommended that the first session needs to address the most pressing issue facing the council, namely the financial position, in order that the Cabinet and Lead Members can be fully briefed and can subsequently frame their development work within a clear financial context.

Other than this initial briefing, guidance is sought on the following suggested topics and the order in which Cabinet would like these or alternative / additional topics to be programmed for discussion.

- Approach to the development of budget options.
- The approach to statutory / non-statutory service delivery.
- The financial resource base of the council and lobbying strategy.
- The council's approach to health and social care integration.
- The Lancashire and South Cumbria STP and the council's approach to the 5 local health economies.
- The business and operating model of the council; the approach to in-house or externalised services, the approach to partnership working and joint service delivery.
- The approach to public service integration / local government reorganisation / devolution and Combine Authority / Economic Development & LEP.
- The approach to the PWC report and any next steps.
- The approach to service delivery and resource allocation; the Marmot Principles, Health and Wellbeing.  
(link to Marmot: <http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review>)
- The approach to addressing Adults and Children's Social Care demand pressures.
- Review of the council's property strategy
- Planning for waste management services in 2025
- Review of the capital programme

### **Next Steps**

- To consider Cabinet's feedback on the approach and to establish the diary of development meetings.

## Lancashire County Council Grade Profile

### Grade Profile – Managerial – (Executive Director)

<p><b>Purpose</b></p> <p>The senior post providing leadership across a major and distinct strategic operational arm and/or distinct strategic corporate service of the organisation, reporting to the Chief Executive and working with Senior Leadership Team colleagues and the elected Leader, Deputy Leader and Cabinet Member to lead long term strategy for their area of responsibility; ensuring strategic fit with wider council objectives and optimising resources to ensure effective delivery within a shifting political and economic context.</p>
<p><b>Scope of Work</b></p> <p>The post requires a thorough understanding of local government, specifically within the relevant area of responsibility; gained through experience and advanced academic study. The job demands the ability to find insightful solutions to existing and emerging issues and the ability to provide inspiring leadership across a large and complex delivery team.</p>
<p><b>Accountabilities/Responsibilities</b></p> <p>The following are a range of duties that are appropriate to this grade.</p> <ul style="list-style-type: none"> <li>▪ To lead long term strategy for the relevant area of responsibility; ensuring strategic fit with wider council objectives and optimising resources to ensure effective delivery within a shifting political and economic context.</li> <li>▪ Developing corporate strategy and delivery metrics and ensuring delivery against objectives, whilst contributing to overall organisational strategy as part of the senior leadership team.</li> <li>▪ Leading and driving forward corporate initiatives spanning the organisation, cutting across services outside of direct responsibility and control to ensure strategic organisational fit.</li> <li>▪ Initiating, developing and influencing external relationships with key stakeholders and partners on a local, regional and national level in line with the organisational strategy and direction.</li> <li>▪ Where applicable to the role, responsibility for undertaking a statutory function and associated requirements.</li> <li>▪ Providing inspiring leadership across a large and complex area of responsibility.</li> <li>▪ Developing solutions to new and developing issues; adapting to constantly changing political, financial and economic contexts.</li> <li>▪ The job holder will have prime responsibility for the area of responsibility total budget and spend.</li> </ul>
<p><b>Skills, knowledge and experience</b></p> <ul style="list-style-type: none"> <li>▪ Broad knowledge and understanding of local government and deep knowledge of the relevant area of responsibility.</li> <li>▪ Ability to develop corporate strategy and delivery metrics whilst also contributing to overall organisational strategy as part of the senior leadership team.</li> <li>▪ Ability to react to new challenges; implementing solutions through the application of experience and knowledge and appraisal of the decisions once implemented.</li> <li>▪ Management of driving large scale change programmes and demonstrative track record of achievement.</li> <li>▪ Ability to find insightful solutions to existing and emerging issues and the ability to provide inspiring leadership across a large and complex delivery team.</li> <li>▪ Ability to operate sensitively in a political environment, developing relationships with all members gaining respect, trust and confidence.</li> <li>▪ Ability to build, maintain and influence effective working relationships both internally and externally with key stakeholders and partners.</li> </ul>

**Lancashire County Council  
Person Specification (D1)**

Requirements:	Essential (E) or Desirable (D)	Identified by Application Form (A) or Interview (I)
<b>Qualifications:</b>		
Honours Degree level qualification or equivalent experience	E	A
Relevant professional qualification or equivalent	E	A
<b>Experience:</b>		
Significant experience of leading and delivering a major element of a function/collection of functions with organisational wide influence	E	A, I
A demonstrative record of delivering technical/specialist services, advice and guidance spanning across the organisation	E	A, I
Experience of challenging, motivating and influencing senior management/politicians and key stakeholders both inside and outside the organisation	E	A, I
Experience of developing and implementing insightful solutions to emerging problems within the functional area of responsibility	E	A, I
<b>Knowledge and Skills:</b>		
Ability to lead, manage and motivate services/teams in a challenging and changing environment	E	A, I
Ability to provide significant counsel to help guide, shape, influence and minimise risk	E	A, I
Ability to analyse and interpret statutory and policy frameworks and implement services which are compliant and fit with the wider organisational strategy	E	A, I
Significant experience and understanding of local government, the political context and the application of the technical/functional area of expertise within this environment	E	A, I
<b>Other (including special requirements):</b>		
1. Commitment to equality and diversity	E	I
2. Commitment to health and safety	E	I
3. Display the LCC values and behaviours at all times and actively promote them in others	E	I
This is an essential car user post. However in certain circumstances consideration may be given to applicants who as a consequence of a disability are unable to drive.		



**Lancashire County Council  
Person Specification (D2)**

Requirements:	Essential (E) or Desirable (D)	Identified by Application Form (A) or Interview (I)
<b>Qualifications:</b>		
Honours Degree level qualification or equivalent experience	E	A
Relevant professional/management qualification or equivalent	E	A
<b>Experience:</b>		
Significant leadership, experience and delivery of a major operational service or major corporate service within a complex organisation	E	A, I
A demonstrative record of achieving and delivering services judged to be good or outstanding	E	A, I
Successful leadership and delivery of large scale change programmes and management of reducing resources	E	A, I
Successful development of multi-agency partnership working, to enhance service delivery and maximise best value benefits	E	A, I
<b>Knowledge and Skills:</b>		
Ability to lead, manage and motivate services/teams in a challenging and changing environment	E	A, I
Excellent understanding of the political context at a local, regional and national level and the ability to operate sensitively and efficiently within a political environment	E	A, I
Strategic and analytical thinking skills to provide creative and fit for purpose solutions to problems within the area of responsibility	E	A, I
Provision of strategic direction within the relevant area of responsibility in an environment of reducing financial resources	E	A, I
<b>Other (including special requirements):</b>		
1. Commitment to equality and diversity	E	I
2. Commitment to health and safety	E	I
3. Display the LCC values and behaviours at all times and actively promote them in others	E	I
This is an essential car user post. However in certain circumstances consideration may be given to applicants who as a consequence of a disability are unable to drive.		

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**Lancashire County Council  
Person Specification (D3)**

Requirements:	Essential (E) or Desirable (D)	Identified by Application Form (A) or Interview (I)
<b>Qualifications:</b>  Academic or professional achievement, which may include Honours Degree, membership of an appropriate professional body or technical qualification	E	A
<b>Experience:</b>  Significant leadership, experience and delivery of a complex and diverse collection of corporate functions/operations across a complex organisation Developing and delivering the Corporate strategy, advice and guidance for the area of responsibility ensuring compatibility with wider organisational strategy Experience of implementing innovative and effective business models and ways of working in response to changing priorities and resources Experience of operating with significant autonomy in decision making and control of service delivery and resource management, developing fit for purpose solutions both within the service and corporately	E  E  E  E	A, I  A, I  A, I  A, I
<b>Knowledge and Skills:</b>  Enhanced interpersonal skills, driving and operating services through challenge and influence, outside of the area of responsibility Ability to operate sensitively and efficiently within a political environment Significant understanding of the legislative and policy framework for the function and the ability to translate this across the organisations operation Ability to operate externally, working with, challenging and influencing key partners and stakeholders to effectively represent the aims and objectives of the Council Strong option appraisal and cost benefit analysis skills to provide strategic direction within the relevant area of responsibility in an environment of reducing financial resources	E  E  E  E	A, I  A, I  A, I  A, I
<b>Other (including special requirements):</b>  1. Commitment to equality and diversity 2. Commitment to health and safety	E E	I I

**Lancashire County Council  
Person Specification (ED)**

Requirements:	Essential (E) or Desirable (D)	Identified by Application Form (A) or Interview (I)
<b>Qualifications:</b>  Academic or professional achievement, which may include Honours Degree, membership of an appropriate professional body or management qualification, e.g. MBA or equivalent	E	A
<b>Experience:</b>  Comprehensive experience and consistent achievement of leadership success within complex operations Delivering solutions to existing and emerging issues across a complex operation Inspirational leadership across a large and complex delivery team Leadership and delivery of short and long term strategy for a major corporate strategic operational arm/function of the organisation; ensuring strategic organisational fit, optimising resources and leading major change programmes	E E E E	A, I A, I A, I A, I
<b>Knowledge and Skills:</b>  Ability to operate sensitively and efficiently within a political environment Ability to inspire, influence and challenge internal and external partners through leading the commissioning of services and delivery of best value Excellent communication and negotiation skills to positively influence outcomes Strong option appraisal and cost benefit analysis skills to provide strategic direction within the relevant area of responsibility in an environment of reducing financial resources	E E E E	A, I A, I A, I A, I
<b>Other (including special requirements):</b>  1. Commitment to equality and diversity 2. Commitment to health and safety 3. Display the LCC values and behaviours at all times and actively promote them in others  This is an essential car user post. However in certain circumstances consideration may be given to applicants who as a consequence of a disability are unable to drive.	E E E	I I I

**Lancashire County Council  
Grade Profile**

**Grade Profile – Managerial – (D1)**

<p><b>Purpose</b> A senior post providing leadership across a major and diverse support function within the organisation, leading and providing strategic management to the functional teams and provision of significant advice and counsel to senior managers and elected members across the full range of the functional area of responsibility. As a senior advisory post, it will contribute to culture change across the Council, influencing and shaping the strategic policy direction.</p>
<p><b>Scope of Work</b> The post requires deep knowledge in a field of expertise requiring command of diverse practices, precedents or sophisticated concepts and principles. The post holder will provide technical leadership and guidance to senior managers and will be expected to select, develop and assess the applicability of methods within the provision of this guidance within their functional area of responsibility.</p>
<p><b>Accountabilities/Responsibilities</b> The following are a range of duties that are appropriate to this grade.</p> <ul style="list-style-type: none"> <li>▪ Provide strategic direction, leadership and accountability for the work, impact and overall performance of the function(s) for which this post has direct responsibility to ensure effective and efficient delivery of services.</li> <li>▪ Co-ordination and integration of that function across the wider organisation in line with long term (annual) plans. Responsibility for planning, organising, coordinating and ensuring achievement of results against the plans.</li> <li>▪ Working within broadly defined objectives the post holder will develop the business plan, determine the priorities and objectives and ensure delivery against the plan for their area of responsibility.</li> <li>▪ Contribute through strategic and technical high level advice to major change programmes, which will ultimately deliver savings and improved services.</li> <li>▪ As an adviser to the Council's senior decision making group, contributing to the decision making process both for their area of responsibility and wider across the organisation.</li> <li>▪ Represent the Council at regional and national level, within the functional responsibility, to ensure a high and positive profile for the authority.</li> <li>▪ Where applicable to the role, responsibility for undertaking a statutory function and associated requirements.</li> </ul>
<p><b>Skills, knowledge and experience</b></p> <ul style="list-style-type: none"> <li>▪ Broad knowledge and understanding of local government and deep knowledge of the relevant technical/functional area of expertise.</li> <li>▪ Senior management experience within a large and complex organisation with a good track record of achievement and delivery of services.</li> <li>▪ As a lead advisory post, the post holder will be required to interact with multiple audiences and influence, motivate, inspire changes of behaviour in line with the technical advice and guidance.</li> <li>▪ Ability to adapt, develop and implement new and alternative solutions against a shifting background in order to advise on appropriate solutions.</li> <li>▪ Ability to operate sensitively in a political environment, developing relationships with all members gaining respect, trust and confidence.</li> <li>▪ Good experience and understanding of partnership working and managing external relationships.</li> </ul>

## Lancashire County Council Grade Profile

### Grade Profile – Managerial – (D2)

<p><b>Purpose</b></p> <p>A senior post providing leadership across a major operational service encompassing a complex and strategic collection of delivery services or major corporate service encompassing a complex and strategic collection of technical functions. As a senior leadership post within a major part of the organisation the post will determine what and how the council is specifically going to achieve within their service area and lead culture change across the service area. As part of the strategic leadership team of the relevant part of the organisation and the council's senior leadership team, supporting elected members, the chief executive, the executive leadership team and the corporate director in achieving the county's vision and ambition.</p>
<p><b>Scope of Work</b></p> <p>The role requires a high level of operational and/or technical knowledge and experience gained through broad and deep experience and academic study. The job holder will select, develop and assess the applicability of methodology and practice using both their theoretical and conceptual understanding and their substantial experience and expertise within their service area. As a member of the council's senior decision-making group there is a considerable requirement for the job holder to apply evaluative judgement to determine a course of action beyond the council's previous experience and solutions.</p>
<p><b>Accountabilities/Responsibilities</b></p> <p>The following are a range of duties that are appropriate to this grade.</p> <ul style="list-style-type: none"> <li>▪ To lead, plan, manage and provide strategic direction to a major operational service or a major corporate service.</li> <li>▪ Job holders in the operational role will also have responsibility as the recognised Deputy for Corporate Director for the service.</li> <li>▪ Drive the implementation of the transformation of services within their service area and deliver a transformed business model and workforce able to quickly evolve and adapt to new ways of working in response to changing priorities and needs.</li> <li>▪ Lead on the development of internal and external partnership working with strategic partner organisations and key stakeholders to deliver effective services within their area of responsibility.</li> <li>▪ Lead the Council's strategies relevant to their service area and ensure the delivery of high quality, best practice and value for money services to communities and citizens.</li> <li>▪ To provide advice and guidance to members and senior managers on the implications of new legislation, policies and any other major external and internal drivers for change and to ensure the effective implementation of required changes.</li> <li>▪ The post holder is responsible for the service area budget and delivery of high quality, value for money services within the budgetary parameters.</li> </ul>
<p><b>Skills, knowledge and experience</b></p> <ul style="list-style-type: none"> <li>▪ Broad knowledge and understanding of local government and the relevant service area.</li> <li>▪ Comprehensive experience, knowledge and understanding of the operation, activities and objectives of their service area. Working within the financial policy, financial regulations, standing orders and procedures within the corporate policy context.</li> <li>▪ Leadership of large scale change programmes and demonstrative track record of achievement.</li> <li>▪ Good understanding of the political context at national, regional and local level</li> <li>▪ Strategic and analytical thinking to find innovate and creative solutions to problems.</li> <li>▪ Significant experience and understanding of partnership working and managing external relationships.</li> </ul>

**Lancashire County Council  
Grade Profile**

**Grade Profile – Managerial – (D3)**

<p><b>Purpose</b> The senior post providing leadership across a major and diverse collection of operations and/or corporate function within the organisation. As a senior leadership post, it will contribute to and lead culture change across the Council, influencing and implementing the strategic policy direction and delivering value for money for the communities of Lancashire.</p>
<p><b>Scope of Work</b> The post requires broad and/or deep knowledge in a field of expertise requiring command of diverse practices, precedents or sophisticated concepts and principles. The post holder will have the breadth and experience inside/outside of the organisation to provide leadership to multiple disciplines. The post holder will influence and develop the Council's corporate strategy, leading corporate developments and influencing culture change across the County Council.</p>
<p><b>Accountabilities/Responsibilities</b> The following are a range of duties that are appropriate to this grade.</p> <ul style="list-style-type: none"> <li>▪ Leading a collection of major operations or corporate functions and co-ordination/integration of those operations or functions across the wider organisation in line with longer term strategic plans.</li> <li>▪ Leadership of organisational strategies ensuring delivery against targets, objectives and priorities in line with best practice and value for money.</li> <li>▪ Leading on and driving through change programmes, which will ultimately deliver savings and improved services.</li> <li>▪ Experience of working with and influencing internal and external partners and key stakeholders to ensure delivery against service specific and corporate objectives.</li> <li>▪ A member of the Council's senior decision making group and responsibility for actively contributing to the decision making process both for their area of responsibility and wider across the organisation.</li> <li>▪ Where applicable to the role, responsibility for undertaking a statutory function and associated requirements.</li> <li>▪ The post will have prime responsibility for the budget for the area of responsibility and also contribute to the determination of the Council total budget and spend.</li> </ul>
<p><b>Skills, knowledge and experience</b></p> <ul style="list-style-type: none"> <li>▪ Deep knowledge and understanding of local government.</li> <li>▪ Comprehensive experience, knowledge and understanding of the operation/function, activities and objectives of the Council, both current and future.</li> <li>▪ Management of large scale change programmes and demonstrative track record of achievement.</li> <li>▪ Ability to successfully influence key decision makers and stakeholders locally, regionally and nationally.</li> <li>▪ Comprehensive experience and understanding of partnership working and managing external relationships.</li> <li>▪ Strong option appraisal and cost benefit analysis skills to achieve organisational success in an environment of reducing financial resources.</li> <li>▪ Ability to assess, develop, select and implement effective options for new business models and new ways of working for the area of responsibility, whilst ensuring corporate strategic fit.</li> <li>▪ Ability to operate sensitively in a political environment, developing relationships with all members gaining respect, trust and confidence.</li> </ul>