

REPORT REFERENCE NO.	DSFRA/17/17
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ORDINARY MEETING)
DATE OF MEETING	12 JUNE 2017
SUBJECT OF REPORT	APPOINTMENT OF AUTHORITY TREASURER
LEAD OFFICER	Director of Corporate Services (Clerk to the Authority)
RECOMMENDATIONS	<p><i>That the Authority considers the content of this report with a view to:</i></p> <ul style="list-style-type: none"> <i>a. Approving Option C, as set out in Section 3, for the appointment of a “proper financial officer” (i.e. Treasurer) on as a temporary promotion, 0.8FTE basis for twelve month period; and</i> <i>b. Delegating to the Chief Fire Officer authority to effect the appointment as outlined at (a) above.</i>
EXECUTIVE SUMMARY	<p>In 2013, the Service Senior Management Structure was reorganised in the interests of efficiency for the organisation. This restructure saw, amongst other things, deletion of the Director of Finance Post from the structure. This post also undertook, however, the statutory role of “proper financial officer” and it was acknowledged that, going forwards, arrangements would need to exist to enable this role to be discharged.</p> <p>The Authority resolved to establish a small Committee to determine the most appropriate, cost-effective, arrangement. Following several meetings and having undertaken an appropriate procurement exercise, a contract was awarded to the former Treasurer to undertake the “proper financial officer” role for an initial two year period. As included in the associated terms, the Authority endorsed extension of this contract for a further two years (until 3 November 2017) at its meeting on 14 December 2015 (Minute DSFRA/39 refers).</p> <p>Most recently, changes in taxation legislation (IR35 – “the intermediaries legislation”) impact on the financial viability of the “contracting” model currently in post. Additionally, the existing Treasurer has indicated that he does not wish to continue in the “proper financial officer” role once after the end of the current contract period.</p> <p>Legislation still requires, however, the Authority to have a “proper financial officer” and this report now examines options for the Authority to secure this while still realising efficiency savings.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.

APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Report DSFRA/13/18 (Arrangements for Appointment of Authority Treasurer) submitted to the Authority meeting on 10 July 2013 Report DSFRA/15/27 (Treasurer to the Authority – Extension of Contract) submitted to the Authority meeting on 14 December 2015

1. BACKGROUND

- 1.1 In 2013, the Service Senior Management Structure was reorganised in the interests of efficiency. This restructure saw, amongst other things, deletion of the Director of Finance Post from the structure. This post also undertook, however, the statutory role of “proper financial officer” and it was acknowledged that, going forwards, arrangements would need to exist to enable this role to be discharged.
- 1.2 The Authority resolved to establish a small Committee to determine the most appropriate, cost-effective, arrangement. Following several meetings and having undertaken an appropriate procurement exercise, a contract was awarded to the former Treasurer to undertake the “proper financial officer” role for an initial two year period. As included in the associated terms, the Authority endorsed extension of this contract for a further two years (until 3 November 2017) at its meeting on 14 December 2015 (Minute DSFRA/39 refers).

2. CURRENT POSITION

- 2.1 Most recently, there have been changes in taxation legislation (IR35 – “the intermediaries legislation”). These came into effect from April 2017 and have two significant impacts, from an Authority perspective:
- Under the Regulations, individuals who supply services to their clients via their own company (referred to as a “personal service company”) are not classified as “self-employed” from a taxation perspective. The Regulations apply automatically to individuals who hold a statutory office (as is the case here). The effect of this is that the employer – in this case, the Authority – is required to make payments to the individual via its payroll system to ensure that the relevant tax and National Insurance Contributions (including Employer National Insurance Contributions) are paid;
 - In any event, there is an expectation that statutory roles (which this is) will be undertaken by an employee of the Authority concerned and operate at the most senior management level.
- 2.2 Additionally, the existing Treasurer has indicated that he does not wish to continue in the role on expiry of the current contract.

3. OPTIONS AVAILABLE TO THE AUTHORITY

- 3.1 As previously indicated, it is a statutory requirement for the Authority to have a “proper financial officer”. In the circumstances outlined above and following an assessment of the associated workloads and Service requirements, the following options are suggested to the Authority:
- a. employ an in-house Treasurer on a 0.4FTE basis This would require a recruitment exercise; or
 - b. employ an in-house Treasurer on a full-time basis. This would involve a recruitment exercise); or
 - c. effect a temporary promotion for a period of twelve months on a 0.8FTE basis (4 days per week).
- 3.2 Costs associated with each of these options are set out in Section 4 below. The advantages and disadvantages of each option are now explored.

Option A

3.3 While this Option would undoubtedly represent the cheapest financial option for the Authority, it does carry the following potential disadvantages:

- There is risk associated with attracting an individual with the relevant skills set and experience to fulfil the role;
- This risk is compounded by the fact that a 0.4FTE position may not be considered attractive to individuals who might possess the relevant skill set and experience;
- The associated recruitment process would in all likelihood be lengthy and costly for a position of this seniority.

Option B

3.4 While this should secure an individual with the relevant skill set and experience to undertake the role, it would represent the most expensive option for the Authority, increasing the overall establishment. There would also be the costs associated with a lengthy recruitment process and may result in over-resourcing at the senior level.

Option C

3.5 While this option is more expensive than Option A, it does offer the following advantages:

- There is no increase in overall establishment;
- There is no associated recruitment cost

3.6 The model offers flexibility by being a temporary twelve-month promotion. This would provide sufficient opportunity to evaluate the model. It would also allow sufficient time to undertake an external recruitment exercise if, in due course, this was felt necessary. This Option also offers another, significant, advantage in that the current Service Head of Finance has indicated a willingness to take on the role. The Service Head of Finance has worked closely with the Treasurer over a number of years in Authority budget setting, budget monitoring and production of the Annual Statement of Accounts. The Service Head of Finance has, therefore, full knowledge of Service and Authority financial issues and is appropriately qualified (being a Fellow Member of the Association of Certified Chartered Accountants). The Service Head of Finance also possesses considerable sector-specific experience and is respected by colleagues on the Service Leadership Team and at Executive Board level.

3.7 This option would also provide continuity in quality of service provided.

3.8 For further clarity, the expectation would be that – in light of IR35 expectations – the individual so appointed will serve as a member of the Executive Board.

4. FINANCIAL CONSIDERATIONS

4.1 Prior to Service reorganisation, costs associated with the [then] Finance Department structure, were £433,100 (uplifted to 2017-18 salary costs) with an establishment of 9.0 Full time equivalents.

4.2 The costs (at 2017-18 levels) associated with the current Finance Department structure (including Option A for an employed Treasurer), as implemented from the 2013-14 financial year, are shown in the Table overleaf and compared to Options B and C.

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Finance department costs	£380,200	£439,500	£388,600
Full Time Equivalent	8.26	8.86	8.26

5. CONCLUSIONS

- 5.1 As previously indicated, it is a statutory requirement for the Authority to have a “proper financial officer”. IR35 means that there is now a clear expectation that this role will be discharged by an employee of the Authority.
- 5.2 Given these circumstances, the Authority is invited to consider this report – in particular, the Options and associated costs as set out in Sections 3 and 4 above – with a view to approving Option C which it is felt will secure a continuity of quality service while still delivering efficiency savings when compared to the costs associated with the structure of the Finance Department prior to 2013-14 (i.e. the contracting-out of the Treasurer role).
- 5.3 Appointment of the “proper financial officer” is a matter reserved to the Authority. If the Authority is minded to approve Option C then – given the interest expressed by the current Service Head of Finance – it is further recommended that the actual appointment be delegated to the Chief Fire Officer.

MIKE PEARSON
Director of Corporate Services
(Clerk to the Authority)