

Report of: Chief Officer Financial Services**Report to: Director Resources & Housing****Date: 30th November 2020****Subject: Financial Management Review**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary**1. Main issues**

- On 28th September 2020 proposals for a new operating model and structure for Financial Management were released for consultation. The Chief Officer Financial Services launched the consultation via a presentation (using 'TEAMS') to all financial management staff and their trade union representatives.
- The presentation signalled the start of a 6 week consultation period ending Friday 6th November.
- This report sets out the consultation approach/methodology and outlines the responses received and how these responses have been factored into the final structure recommended for approval.

2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- The operating model and staffing structure for financial management set out within this report constitute a sustainable financial management service, well equipped to support delivery of the Council's Finance Strategy 2020 – 2025 and the outcomes of the Best Council Plan.
- Outcomes from the review will contribute to the Council's aim of being an efficient and enterprising organisation

3. Resource implications

- The proposals within this report will deliver an estimated saving in staff costs of £1.00m (a reduction of approximately 20.5 FTE's for a full financial year).

Recommendations

- a) The Director of Resources & Housing is recommended to approve the operating model and structure as set out within this report.
- b) It is recommended that this decision be exempted from call-in for the reasons set out in para. 8.2 of the report.

1. Purpose of this report

- 1.1 This report sets out the methodology used to consult with staff and trade unions on the financial management review and restructure. The report outlines the responses received from staff and their trade union representatives and where/how the Leadership Team have factored these responses into the final structure recommended for approval.

2. Background information

- 2.1 The operating model and structure recommended for approval within this report will enable the Council to deliver £1.00m of savings in the financial management service as set out within the report to Executive Board in September 2020.
- 2.2 In developing the structure, the Leadership Team have applied the principle of 'form should follow function' in order to ensure the proposed structure is one that will enable the service to deliver the Council's key financial priorities. These priorities include building the Council's financial resilience, delivering improved value for money and targeting resources where they can make the most difference.
- 2.3 The proposals also recognise the implications of CIPFA's Financial Management Code (the Code) and the requirements placed on the S151 Officer to provide assurance that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities. All local authorities will be required to be able to demonstrate compliance with the Code by 31st March 2021.
- 2.4 In order to deliver savings of this magnitude over such a challenging time-scale, it is imperative that the service transforms and works differently. A new cloud-based digital solution for finance/people is on the horizon and this will fundamentally change the way that Financial Management interacts with the rest of the Council.
- 2.5 Ensuring that Financial Management and the wider council are ready for implementing this step change in technology is also a key consideration for the Leadership Team in bringing forward these proposals.

3. Main issues

- 3.1 The report released for consultation in September is attached at **Appendix 1**.
- 3.2 The report was released to all financial management staff on Monday 28th September following a presentation to staff and trade unions by the Chief Officer Financial Services.
- 3.3 Since the report was produced, a total of 7 financial management staff (6.9 FTE) have retired from the Council (2nd November 2020). These staff would otherwise have been adversely impacted by the cap on public sector exit payments.
- 3.4 Early retirements (ELI) have also been approved for a further 8 staff (6.9 FTE), 7 of whom will retire from the Council on 31st December 2020 (1 person will retire 31st March 2021).
- 3.5 Flexible retirements have been approved for 4 people which will generate a further reduction of 1.4 FTE. The majority of these flexible retirement arrangements will commence 1st April 2021.
- 3.6 A further 2 people in 'at risk' posts have secured suitable alternative positions within the wider Council and the service are committed to keeping people informed

of other opportunities arising within the service, wider Council and also any opportunities that may arise within partner organisations¹.

- 3.7 It is envisaged that the reduction in staffing capacity achieved from voluntary measures outlined above will significantly reduce the need for compulsory redundancy, however, the time-line for staff departures places an even greater emphasis on the need to rationalise, standardise and automate core processes at pace over the forthcoming weeks and months.

4. Consultation and Engagement

Consultation Methodology

- 4.1 On 16th September, the Chief Officer Financial Services presented a high level overview of the savings proposals for the service to financial management staff and Trade Unions. The presentation was based around a report (Budget Savings Proposals 2021/22) which Executive Board would be considering on 24th September.
- 4.2 The above presentation was followed later the same day by a detailed run through of the structure proposals with the Trade Unions. At this meeting the Chief Officer Financial Services explained the proposed operating model and potential impact on numbers of staff at each grade with the trade union representatives for Unison, Unite and GMB. The draft structure, accompanying report and Job Descriptions were shared with the Trade Unions on the 28th September.
- 4.3 On Monday 28th September the Chief Officer Financial Services presented details of the proposals to staff and the proposed structure chart, accompanying report and Job Descriptions were published on a share-point site dedicated to the restructure.
- 4.4 The service used a 'Frequently Asked Questions' (FAQ) document to capture staff comments/questions. FAQ's were also posted on the share-point site. Management responses to over 130 comments and questions were posted on the site and are attached for information at **Appendix 2**.
- 4.5 The high volume of comments/questions received are testament to the level of staff engagement/interest the proposals have generated across the service.
- 4.6 On 14th October the Chief Officer Financial Services held 2 additional consultation meetings for those staff potentially at risk of redundancy in order to explain the rationale for the reduction and to take questions from staff. The Chief Officer reassured staff that the Leadership Team would do everything they could to deliver the reduction in staff numbers through voluntary measures although there is still a risk of redundancy.
- 4.7 Dialogue and communications with the trade unions have continued throughout the process in the form of weekly/bi-weekly meetings, e-mails and telephone conversations.
- 4.8 Dialogue with staff closed on Friday 6th November to enable sufficient time for the Leadership Team to fully consider all of the feedback received from staff and trade union representatives; consultation with the Trade Unions closed on Monday 30th November.

¹Staff within the Talent pool have been notified of potentially suitable opportunities within Adults Operational Services, Procurement & Commercial Services and Migration Yorkshire

- 4.9 Progress updates were presented to staff on 24th and 27th November and 3 further meetings were held with the trade unions on 20th/25th and 30th November to agree the finer details of the redundancy selection process and discuss emerging conclusions from the consultation exercise and the Leadership Team's final structure.

Consultation Results

- 4.10 In order to facilitate analysis and reporting, consultation feedback has been grouped under the following headings:
- a) Service Design/Structure
 - b) Job Descriptions/Grades & Opportunities for Career Progression
 - c) Deployment (Filling the Structure)
 - d) Managing Staff Reductions - selecting people for redundancy
 - e) Staff Health & Wellbeing

Service Design/Structure

- 4.11 Understandably a number of staff want to know how the new operating model would work in practice, what functions would sit where and whether appropriate staffing capacity had been allocated to each team. In particular, some people raised concerns about the reduction in capacity on the Children's and School's Finance Team and how this might impact on level of service and income.
- 4.12 Some managers were concerned about the spans of control within the Corporate Teams (Strategic and Technical) and suggested an alternative option, retaining the overall number of proposed posts but separating the Integrity Team into 2, namely Integrity/Systems and Accountancy/Closedown. By organising the Corporate (Integrity) Function in this way, it was suggested that the service would be able to better support the move to a modern cloud-based IT solution whilst also delivering a better balance of resources between the integrity function and financial closedown.
- 4.13 It was also suggested that the specialist and technical nature of the work within the Strategic Team, combined with the need for close liaison with senior government officials at the MHCLG, potentially warranted additional PO6 Senior Financial Manager capacity, if necessary, at the expense of Financial Manager capacity (PO4).
- 4.14 Some people questioned how the Corporate Finance Admin. Team would work and suggested retaining a small amount of devolved B1/C3 capacity in order to enable some staff to specialise. It was also suggested that the title of Operational Finance (instead of Finance Admin.) might better reflect the wide range of tasks/functions that this team would undertake.
- 4.15 Although the proposed restructure includes a reduction of 3 JNC posts (from 17 to 14 - 18%) a number of staff comments/questions centred around whether the proposed structure is 'top-heavy' and for example, whether the 2 Dir. 60% Senior Heads of Finance Business Partnering would be needed and whether the review presented an opportunity to move away from having a Dir 52.5% Head of Finance for each directorate.
- 4.16 Through consultation meetings and FAQ's the Leadership Team explained that as the service begins to bring new ways of working to life, we most likely will need to

shift capacity between teams and that we want to create a dynamic environment that enables us to flex resources, for example, to respond to service demands and the need to support the wider Council transformation.

- 4.17 The Leadership Team do however recognise the potential need for additional capacity within the Children's & Schools Team and the benefits of sub-dividing the Integrity function. In response to the consultation, **the adjusted structure therefore includes an additional PO4 Finance Business Partner post within Children & Schools** (7 FTE from 6 FTE) and creates a distinct Corporate Accountancy/Closedown Team.
- 4.18 In recognition of the comments in relation to the specialist/technical nature of the Strategic Finance Team, the final structure has also been adjusted to convert 1 PO4 Financial Manager Post to a PO6 Senior Financial Manager post within the Corporate Team.
- 4.19 The Leadership Team agree that the title of Operational Finance more accurately reflects the functions of the new team but are keen to retain one central pool of resource as a means of delivering economies of scale and enabling the service to take forward the exercise to rationalise/standardise processes at pace. However, in recognition of the need to deploy a small number of C1/C3 roles within directorates, **2 additional C1/C3 posts were included within the proposed structure** (15 from 13).
- 4.20 With regard to proposed JNC capacity, whilst recognising there is a greater reduction in the number of lower graded roles within the service, this is consistent with our aim of rationalising/automating transactional processes/reporting, adopting a more risk-based approach to budget management and freeing up capacity to focus on driving transformation and value for money across the wider Council. The 2 Dir. 60% posts are critical to driving these priorities, supporting and challenging directors to develop transformational plans for their services and working with directors/members to ensure financial considerations are placed at the heart of decision-making.

Job Descriptions & Opportunities for Career Progression

- 4.21 Through a combination of FAQ's and discussions with trade unions it is evident that some staff feel the new structure may limit opportunities for career development and progression. In some cases staff expressed concern at the significant jump in grades for example, from C3 to PO2 and from PO6 to Dir 52.5%.
- 4.22 The Leadership Team recognise the importance of having a balanced workforce that includes people who are career-driven but also includes people that are less driven by career progression. The Team are committed to supporting staff at all grades to develop so that individuals, teams and the service overall becomes more agile and able to respond to peaks and troughs in demand.
- 4.23 New ways of working and service transformation will require contributions from staff in all roles and will create opportunities for career development and ultimately career progression for those people who are career-minded.
- 4.24 Job Descriptions (JD) were shared with Trade Unions on the 28th September and their comments/observations discussed at weekly/bi-weekly consultation meetings.
- 4.25 Constructive feedback from the Trade Unions led to a number of changes to JD's including the inclusion of Equality and Diversity requirements and expansion of

criteria in respect of qualifications in order to ensure that people with equivalent qualifications are not barred from applying for roles.

- 4.26 The new structure does not include linked grades (SO2/PO2, PO3/4, PO5/6). It was agreed with the Trade Unions that these grades will be fixed at the higher grade so that SO2/PO2 posts become PO2, PO3/4 posts become PO4 and PO5/6 posts become PO6. Furthermore, it has been agreed that those people currently on grades PO3 and PO5 are assimilated to PO4 and PO6 grades respectively as these grades are not at risk in the new structure.
- 4.27 All JDs have subsequently been formally job evaluated and the grades have been confirmed at their target grades

Deployment (Filling the Structure)

- 4.28 The options for deploying staff to the new structure as set out below have been discussed and agreed with the trade unions.
- 4.29 On the basis that the majority of staff at risk of redundancy are currently deployed on lower grades (B1 through to PO2), the service propose to adopt a top-down approach to filling the structure. This approach will ensure that any new vacancies created by more senior appointments cascade down to staff in lower graded roles.
- 4.30 Opportunities (vacant posts) will be ring-fenced to existing financial management staff working at the level directly below the vacancy within the new structure after the normal clearance processes have been exhausted (so for example, PO6 opportunities would be ring-fenced to staff currently working within PO4 roles etc.)
- 4.31 Staff working at those grades which are not at risk (i.e. where actual FTEs in post are less than or equal to FTE's on the structure) will be assimilated into a role commensurate with their current grade/skills. The assimilation process will be undertaken after the service has recruited to any vacant posts at that grade on the new structure at which point all staff on that grade will be given the opportunity to rank their preferences.
- 4.32 We have agreed with the Trade Unions that only those staff that are in acting-up positions secured prior to the commencement of the consultation exercise (28/9/20) will be assimilated on to the new structure at the grades at which they are currently acting up. All of these acting ups were obtained following a competitive process.

Managing Staff Reductions – Selection Criteria

- 4.33 The service will follow the Managing Staff Reductions (MSR) Policy and will score those staff potentially at risk of redundancy against a range of selection criteria. The criteria to be applied have been shared and discussed with the Trade Unions and will be shared with staff at the commencement of the selection process (and at least 2 weeks in advance of any individual consultation meetings).
- 4.34 The service are committed to applying the selection criteria fairly, transparently and objectively and have agreed that every individual will initially be scored independently by 2 managers on a line manager and more senior line manager basis. One of the 2 scoring managers will be the individual's current line manager and the other will be a more senior manager from the same management hierarchy.
- 4.35 The 2 scoring managers will be required to provide a narrative against each of the criteria to explain how they have arrived at their scores before meeting to discuss

and reach agreement on one final (provisional) score for the individual against each of the selection criteria.

- 4.36 Following the completion of the scoring exercise, the service will write to individuals inviting them to a meeting to discuss their individual scores. The communication sent to individuals will include the scoring information used in respect of the individual's own score. Individuals will be given the opportunity to discuss their score and, if they feel their score is not a fair representation, bring forward any additional information for consideration.
- 4.37 The meeting will be attended by the more senior of the 2 scoring managers. Individuals will have the right to be accompanied by a Trade Union representative or a work colleague.
- 4.38 Following completion of the meetings outlined above, the service will write to those employees who have been provisionally selected for redundancy to invite them to an individual consultation meeting. Employees will have the right to be accompanied by a Trade Union representative or a work colleague at the meeting.
- 4.39 Prior to their individual consultation meeting the employee will have been provided with information explaining why they have been provisionally selected for redundancy, any suitable alternative roles which may be available and details of the financial proposals (including any redundancy payment where applicable).
- 4.40 The process outlined above has been discussed with the Trade Unions and Corporate HR and further meetings to agree the process have been arranged.
- 4.41 The TU's would like the selection process to include a 'moderation' step in order to make sure that every individual is scored fairly and consistently whilst, in recognition of the number of other service reviews which may involve a selection process, Corporate HR have highlighted the importance of making sure the Council apply a consistent process across all services.

Staff Health and Wellbeing

- 4.42 The Leadership Team are acutely aware that the service review, restructure and business change programme have the propensity to adversely impact upon employees' health and wellbeing and may potentially heighten levels of stress and anxiety for colleagues working within the service. In particular, many colleagues may be concerned about the potential impact of the restructure on themselves.
- 4.43 These changes come at a time when staff have been required to work in a substantially different way for many months contributing to heightened stress for many colleagues, for example, because of the consequences of national/local restrictions, personal circumstances and the requirement for people to work almost exclusively from home.
- 4.44 Regular communication with colleagues is key to supporting people through this challenging period and leaders and managers are using a variety of different channels/forums in order to support colleagues including regular team meetings, 1:1's and informal catch-ups.
- 4.45 In addition to offering individual stress risk assessments to all staff who feel they would benefit, following discussion with trade unions, the Leadership Team have also conducted a service-wide stress risk assessment – **see Appendix 3**.
- 4.46 The service-wide Stress Risk Assessment (SRA) sets out the draft time-line for implementing the restructure and highlights any points where stress levels may be

further heightened, who might be affected and what mitigating actions leaders and managers will take. The SRA was welcomed by the Trade Unions and all parties agreed that it would be prudent and sensible to keep the SRA under review as a 'live' working document as the restructure progresses.

5. Equality and Diversity/Cohesion and Integration

- 5.1 Due regard has been given to equality and diversity and a copy of the Equality Impact Assessment is included at **Appendix 4** to this report.

6. Council Policies and the Best Council Plan

- 6.1 The proposed operating model and staffing structure for financial management outlined within this report constitute a sustainable financial management service, well equipped to support delivery of the Council's Finance Strategy 2020 – 2025 and the outcomes of the Best Council Plan.
- 6.2 Outcomes from the review will contribute to the Council's aim of being an efficient and enterprising organisation.

7. Resources, Procurement and Value for Money

- 7.1 The chart at **Appendix 5** shows the proposed structure. Following feedback from staff and trade unions, the proposed structure has been adjusted to include 1 additional PO4 Finance Business Partner post within the Children & Schools Team (para. 4.11 & 4.17) and to convert 1 PO4 Finance Manager Business Post to a PO6 Senior Financial Manager Post within the Strategic Finance Team (see para. 4.13 & 4.18).
- 7.2 This structure will enable the financial management service to deliver an estimated net saving in staff costs of £1.00m (a reduction of approximately 20.5 FTE's).

8. Legal Implications, Access to Information and Call-in

- 8.1 This is a key decision due to the magnitude of savings the new structure will generate (£1.00m). In accordance with rule 2.5 of the Executive and Decision Making Procedure Rules, this decision is to be treated under the general exception because it is impracticable to defer the decision until it has been included in the list of forthcoming key decisions for 28 clear calendar days.
- 8.2 A total of 7 FTE financial management staff retired on 2nd November and a further 7 staff will take early retirement at the end of December 2020. It is therefore imperative that the service restructure is implemented without delay, commencing early December 2020, to enable the service to standardise and automate core processes at pace over the forthcoming weeks.
- 8.3 For this reason, it is therefore also recommended that the decision be exempted from call-in in accordance with rule 5.1.3 of the Executive & Decision Making Procedure Rules. This is because any delay in implementing the decision would seriously prejudice the Council's interests.

9. Recommendations

- 9.1 The Director of Resources & Housing is recommended to approve the operating model and structure as set out within this report.
- 9.2 For the reasons set out in para. 8.2, it is recommended that this decision be exempted from call-in.

10. Background Documents

- Appendix 1 – Financial Management Review Report (released for consultation 28/9/20)
- Appendix 2 – Frequently Asked Questions
- Appendix 3 – Service-wide Risk Assessment
- Appendix 4 – Equality Impact Assessment
- Appendix 5 – Proposed Structure Chart