

Report of: Chief Officer Financial Services

Report to: Director Resources & Housing

Date: 25th September 2020

Subject: Financial Management Review

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

Summary

1. Main issues

- This report centres on the financial management function within Financial Services and how the service proposes to deliver £1.00M of target savings in staffing (equivalent to 15.6% of the service's 2020/21 gross staffing budget). Internal Audit, Insurance, HRA Financial Administration and Revenues are not within the scope of this report and will be the subject of future reviews.
- The review outlines plans to deliver successful business change involving a number of work-packages that are intended to automate, standardise and streamline core finance business processes, re-design the financial services 'Delivery Offer' and reconfigure the financial management service and associated roles and responsibilities.
- The proposal primarily impacts upon financial management staff and service users. Significant and initially rapid business change will be required to deliver the target savings in 2021/22 during a period when Covid-19 is already having a significant impact on ways of working and potentially staff morale. Ultimately, employees and service users should benefit from more efficient and effective processes and use of technology.
- The review will have significant implications for staff and service users and extensive consultation will be undertaken with staff and their Trade Unions in September/October 2020.

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

- The proposed operating model and staffing structure for financial management outlined within this report constitutes 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 enable the financial management service to deliver an estimated saving in staff costs of £1.00M (a reduction of approximately 21.5 FTE's for a full financial year).

Recommendations

- a) The Director of Resources & Housing is recommended to release the operating model and structure change proposals as set out in this report for consultation.

1. Purpose of this report

- 1.1 This report outlines proposals for delivering significant and initially rapid business change within Financial Management, culminating in a new operating model and organisational structure for the Financial Management service.
- 1.2 The proposals are intended to deliver target savings of **£1.00M** in 2021/22 (equivalent to 15.6% of the service's 2020/21 gross staffing budget).

2. Background information

- 2.1 The Council finds itself in the midst of a financial crisis that has been exacerbated by the impacts of its positive response to the Coronavirus pandemic. Without additional funding from Government the Council is forecast to overspend in the current year by **£52m** and faces a further budget gap of **£118m** in 2021/22.
- 2.2 To address this situation, in addition to lobbying central government for additional funding, the Council has put in place a number of measures designed to reduce the in-year deficit and deliver sustainable savings over the longer term. These measures include cessation of all non-essential spend and a requirement for every service to review their operation and drive out savings of at least 10% of their gross expenditure (or 20% of their net expenditure) in 2021/22.
- 2.3 The financial management function currently employs 135 staff (including 6 Trainee Professional Accountants). The gross and net budgets for the function are £7.42m and £5.39m respectively. Income totalling £2.03M is made up of circa £0.80M traded income from schools, £0.70M recharges to capital and £0.50M charges to grants, partnerships and other bodies.
- 2.4 The current operating model for financial management has served the Council well for many years, however, in order to deliver savings of this magnitude over such a challenging time-scale, it is imperative that the service transforms in order to contribute to the Council's savings target and support new ways of working.
- 2.5 A new Enterprise Resource Planning (ERP) system is on the horizon and this will fundamentally change the way that Finance interacts with the rest of the Council. The new system will 'push' relevant information to users, supporting managers to 'self-serve' through automated work-flow and user-friendly reports/dashboards rather than Financial Management producing the information manually.
- 2.6 Ensuring that the financial management service and the wider Council are ready for implementation of this step change in technology is a key consideration for the changes proposed.¹

3. Main issues

- 3.1 The Chief Officer Financial Services and leadership team have identified a programme of work that will fundamentally transform the financial management service, free up significant staffing resources and change the relationship between finance and the rest of the Council.
- 3.2 The main aims of the transformation programme are:

¹ Executive Board (23 September 2020) are considering a report recommending procurement and implementation of a new Enterprise Resource Planning(ERP)

- To deliver savings in financial management staffing of £1.00M in 2021/22 (equivalent to circa 21.5 FTE's for a full financial year)
- To shift financial management capacity from routine budget monitoring to more value-added tasks, supporting improved service performance/value for money and enabling council-wide transformation
- To improve workforce flexibility/ agility, enabling the financial management service to better manage peaks in workloads
- To ensure the financial management service is as prepared as possible for the implementation of new ERP technology
- To ensure that the financial management service remains fit for purpose and complies with the principles and standards of good financial management as set out in Cipfa's Financial Management Code.

3.3 The timeline for procuring and fully implementing new ERP technology runs to the end of the 2022/23 financial year however, critically, work to rationalise and streamline finance business processes will be undertaken in the short term in order to smooth the transition to ERP and free up capacity to implement the ERP solution and contribute to the Council's budget savings target.

3.4 To this end, a number of high priority work-packages involving significant business change have been identified as follows:

- **Business Intelligence (BI)** - exploit the capabilities of Power BI to automate and standardise the production of financial dashboards and visualisations of data that will support the Council's journey towards greater self-sufficiency amongst budget managers
- **Review/refresh the Budget Accountability Framework** - review, update and implement changes to the Council's Budget Accountability Framework, including the role of Financial Management and directorate-based Chief Officers (Accountable Chief Officers) and budget-holders. Implementation of the new framework will be aligned to the Council's transition to new ERP technology
- **Risk-based Approach to Budget Management** – develop and adopt a risk-based approach to budget management, ensuring financial and non-financial resources deployed on the monitoring and control of budgets are commensurate with risk
- **Chart of Accounts Review** – reduce the number of active cost centres and vote codes to align with the new budget accountability framework and the reporting needs of managers. Work package will aim to streamline budget monitoring/reporting, hierarchy maintenance and system administration and reduce the number of operational errors and queries.
- **Rationalise Planning and Budgeting processes** - identify low value-added planning and budgeting processes that may be stopped and conversely value-added budget monitoring processes that can be

improved, for example by using dashboards generated using Power BI and/or agreeing a standard, good practice approach

- **Review and implement a revised Service Offer** - redefine and reset the core financial management offer to the wider Authority, transitioning from a parent-child, resource intensive service to a more collaborative/self-service model.

- 3.5 The work packages listed above will enable the service to free up significant capacity, releasing staff resources from routine budget monitoring tasks, bringing the Council's mantra of simplify, standardise and share to life and supporting the journey to an improved manager self-service experience. Completion of these work packages is therefore of the highest priority and **must be finalised by March 2021 in order to facilitate final implementation of the proposed structure.**
- 3.6 Work has been undertaken to assess the level of staffing resources these work packages have the potential to release and how the service might re-organise to achieve its ambitions and prepare the workforce to think and work differently. This work was supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) and specifically their consultancy service (C.Co).
- 3.7 CIPFA endorsed the direction of travel described in the work packages listed above alongside the Council's intention to procure a cloud-based ERP solution and re-focus staffing resources on value-added activities. They also highlighted potential opportunities to delayer/flatten our structure and more clearly delineate roles and responsibilities.
- 3.8 Value for money is critical to the Council's future success and financial sustainability. Going forward, it is therefore proposed that Financial Management resources are increasingly focussed upon the following areas of work:
- Financial modelling/option appraisal – supporting Chief Officers to make informed investment/dis-investment decisions
 - Commercialisation – advising on strategies to optimise income, manage demand etc.
 - VFM/benchmarking – supporting managers to measure/track service performance and draw insights from the performance of other organisations
 - Long term financial planning – for example, supporting the development of the 10 year HRA Business Plan
 - Internal finance consultancy– providing financial advice/support to council-wide projects, service reviews etc.
- 3.9 The Financial Management Leadership Team consider that adoption of a **Finance Business Partner (FBP) model** represents the most cost effective way of delivering these value-added tasks. This view is wholly supported by CIPFA who state that *“the (finance) business partner supports sound financial decision making*

and promotes good financial management so that resources are stretched as far as possible to provide public services that people need and want²

- 3.10 The charts at **Appendix 1** show the current and proposed financial management structures including those posts within the FBP service. The estimated impact of the proposed structure on the number of posts at each grade is shown within the Staff Impact Table below:

STAFF IMPACT TABLE

Grade	HEADCOUNT			Comment	In Post (FTE)	Diff
	In Post	Proposed	Diff.			
Dir 90%	1	1	0	Chief Officer - Financial Services (No Change)	1.00	0.00
Dir 65%	1	1	0	Deputy Chief Officer - Financial Services (No Change)	1.00	0.00
Dir 60%	1	2	1	1 x Dir 60% Senior HoF Financial Services 'People-based' services & 1 x Dir 60% Senior HoF Financial Services 'Place-based' services	1.00	1.00
Dir 52.5%	6	8	2	2 additional Dir 52.5% posts (HoF Technical & HoF Strategic)	6.00	2.00
Dir 45%	8	2	(6)	De-layering of JNC structure - retain 2 x Dir45% posts to lead on transformation work packages	8.00	(6.00)
PO6	20	21	1	Increase 1 x PO6 post	18.47	2.53
PO4	44	40	(4)	Reduction in 4 x PO4 post	42.18	(2.18)
PO2	22	9	(13)	Reduction in PO2 posts as routine budget monitoring tasks are streamlined/automated using Power BI	19.86	(10.86)
C3	20	13	(7)	Delaying of Finance Officer/Finance Admin roles	18.26	(5.26)
B3	6	3	(3)		5.73	(2.73)
TOTAL	129	100	(29)	Includes 2 x secondments (1 x C3 & 1 x PO4); Excludes 6 x Trainee Professional Accountant	121.50	(21.50)

- 3.11 The Council has made a commitment to reduce the overall JNC salary bill and the HR service are in the process of refreshing a set of organisational design principles, along similar lines to CIPFA's Contribution-based model, to support the review of structures/hierarchies.
- 3.12 This review presents an opportunity to review the number of JNC posts deployed within Financial Management and ensure there is an even distribution of more senior leadership/transformational roles compared to those engaged in the direct delivery of financial support/advice.
- 3.13 The proposed structure includes a net reduction of 3 JNC posts (17 down to 14), made up of a net reduction of 6 x Dir 45% posts (8 down to 2) partly offset by the creation of 2 additional Dir 52.5% Head of Finance posts within Corporate Financial Management and the creation of a Dir 60% Senior Head of Finance – Financial Services post to lead FBP services to 3 people-based directorates (Adults, Childrens & Schools and Resources & Housing).
- 3.14 By re-defining the existing Dir. 60% post, re-designating the post as Senior Head of Finance – Financial Services for place-based directorates (City Development and Communities & Environment), these 2 senior leadership posts will provide visible leadership, motivating their business partner teams through a period of significant uncertainty, change and transformation and ensuring their teams work collaboratively and flexibly in order to take advantage of the synergies that exist between people-based and place-based services.

² Source – The Excellent Finance Business Partner (Cipfa)

- 3.15 The 2 Dir 60% posts will have a key role in setting and driving delivery of the strategic ambitions of the Council, working closely with departmental directors to understand their service vision and ensure directors' ambitions align with the Council's finance strategy. The posts will support Directors to drive service modernisation, new ways of working and other transformational programmes of work required to deliver on their service ambitions.
- 3.16 The Dir 60% Senior Head of Finance – Financial Services for Place-based services will also be responsible for leading the Revenues Service.
- 3.17 It is proposed that 1 of the 2 new Dir 52.5% Head of Finance Posts will head up Finance Technical (encompassing Taxation and Treasury). The post will be responsible for providing technical advice in relation to the closure of accounts, Code(s) of Practice and technical releases, for example in relation to our adherence to Financial Reporting Standards, in addition to Taxation and Treasury. The role will also play a key part in supporting the procurement and implementation of a new Enterprise Resource Planning (ERP) solution for finance.
- 3.18 The other new Dir 52.5% Head of Finance post will head up Corporate Financial Management (encompassing Strategic Finance, Integrity and Corporate Finance Administration).
- 3.19 It is proposed that the 5 directorate-facing business partner teams be made up of 14 Senior Finance Business Partners (PO6) and 23 Finance Business Partners (PO4). These are new roles that will have significantly less involvement in core budget monitoring and reporting and financial closedown than the traditional finance manager role.
- 3.20 Finance Business Partners will focus on financial planning, value for money, investment appraisal and on embedding a more commercial approach to traded services. They will have a key role in ensuring that financial considerations are placed at the heart of all key decisions made across the Council and will quality assure financial forecasts only for high risk/volatile budgets.
- 3.21 Finance Business Partnering will require staff to utilise a new set of skills, adopt new behaviours and will place a greater emphasis on the interpretation and presentation of data and the ability to explain financial concepts to non-financial people. CIPFA operate training courses designed to equip finance staff with these skills. It is proposed to commission a bespoke package of Finance Business Partner training for Leeds staff, based around the Leeds model and proposed Budget Accountability Framework.
- 3.22 In order to facilitate workforce flexibility and agility it is proposed to operate generic Finance Manager/Finance Business Partner roles (see Job Descriptions at **Appendix 2**).
- 3.23 It is proposed to retain 2 of the Dir 45% Principal Finance Manager posts to lead a range of transformation work packages and support the procurement and implementation of new ERP technology – a specific time-bound programme which is not part of the permanent arrangements. The 2 Dir 45% posts will be critical in leading the business changes necessary to release capacity to support the move to ERP technology and to contribute to the Council's savings target.
- 3.24 A small decrease in PO4 posts (x4) reflects the overall impact of moving to a new service delivery model. Within the overall net reduction it is proposed to dedicate an existing post (PO4) to support the management of the Council's debt portfolio.

- 3.25 Timely completion of the transformation work packages outlined at para 3.4, and in particular those work packages involving streamlining/automating the production of financial dashboards, is critical to the successful implementation of the new operating model/structure.
- 3.26 Assistant Finance Managers (PO2) are currently instrumental in producing a range of budget monitoring reports/analyses, usually in bespoke spreadsheets, that will largely be made redundant when reports are standardised and automated using the Council's preferred business intelligence tool (Power BI).
- 3.27 It is proposed to retain a 4 Assistant Finance Business Partners (PO2) delivering support and advice to schools and 5 Finance Analyst roles (PO2) to create a pool of financial expertise around business intelligence and reporting and the creation of reports from Power BI and other line of business systems.
- 3.28 The current financial management structure includes **26** posts ranging from B1/B3 through to C1/C3. In the short term it is proposed to pool these resources within a Corporate Financial Administration service, working alongside the Financial Administration for Schools Team (FAST). It is envisaged that increased economies of scale combined with automation and standardisation of processes will enable the shared admin service to reduce to 16 posts with effect from April 2021.
- 3.29 In line with Council policy in relation to linked grades, it is proposed that all linked grades within the financial management structure be fixed at the higher grade (so that for example, PO3/4 posts become PO4, PO5/6 posts become PO6 etc.) Where an employee is currently employed on the lower part of the link grade, it is proposed that they will be ring-fenced to the grades above and below their current grade.

4. Consultation and Engagement

- 4.1 All employees within the service will be consulted about the proposals and emailed with a copy of the consultation documents. This will signal the start of a consultation period of no less than 28 days.
- 4.2 Officers directly affected by proposals will be offered a 1:1 consultation meeting with either the Chief Officer Financial Services, Deputy Chief Officer Financial Services or appropriate Head of Finance.
- 4.3 If the proposals are amended as an outcome of the consultation process and this has a potential impact on other posts not currently materially impacted, employees affected will be notified and will have the right to be consulted about those proposals
- 4.4 The Council will also issue a copy of the consultation documents to trade unions and the trade unions will be invited to meetings to provide their feedback to the proposals.
- 4.5 It is the intention to keep staff as fully informed as possible and offer the opportunity for clarification of any issues raised. The Leadership Team will therefore create and maintain a list of 'Frequently Asked Questions' and share this with all employees within financial management.
- 4.6 The Financial Management Leadership Team will fully consider all responses to the proposed structure changes and may extend the consultation period in order to accommodate this.

- 4.7 At the end of the consultation period, the Director of Resources & Housing will write to all employees within scope of the consultation process, setting out the approved structure for the service.

5. Equality and Diversity/Cohesion and Integration

- 5.1 Due regard has been given to equality and diversity and a copy of the screening document is included at Appendix 3 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 proposals outlined within this report will enable the financial management service to deliver an estimated net saving in staff costs of £1.00m (a reduction of approximately 21.5 FTE's).

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

- 8.1 Not applicable. This report is not subject to call-in.

9. Recommendations

- 9.1 The Director of Resources & Housing is recommended to release the operating model and structure change proposals as set out in this report for consultation.

10. Background Documents

- Appendix One – Current and Proposed Structure Charts
- Appendix Two – Draft Job Descriptions
- Appendix Three – Equality Impact Assessment