

20 March 2013

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

RESTRUCTURE OF THE FINANCE SERVICE

Purpose of the Report

1. The purpose of this report is to seek approval to further changes in the structure of the Council's Finance and Procurement Division of the Environment and Resources Department and to set out in detail the rationale for the restructuring along with the proposed draft new structure.

Information and Advice

2. In December 2011 the Service Director – Finance and Procurement gave a presentation to all Finance staff setting out the need for the Finance Service to change in order to better deliver organisational priorities and efficiencies and that a new structure was one of the ways this change could be achieved.
3. The business case for change as set out in the delegated decision report of 19 April 2012 is reproduced in Appendix 1 of this report.
4. A Section 188 notice was issued on 28 February 2012 in order to provide affected employees with an early indication of the potential impact of the proposals in contemplation of redundancies and to inform possible mitigations, including the consideration of requests for voluntary redundancy.
5. Following an initial period of 30 days consultation relating to the top two most senior levels of the new structure, together with the subsequent delegated decision agreeing the proposed structure and approving the implementation of the enabling process, these posts have now been appointed to.
6. A further period of 30 days consultation relating to the remaining levels of the new structure concluded on 1 March 2013.

Result of Consultation

7. In response to the consultation the final structure has been amended to keep all support to departments, including PPCS, within the Financial Management Group. In addition, the number of Finance Business Partners supporting Highways, Property, Resources and PPCS has been increased by one post. The

structure also now sets out the proposals on staffing levels following the transfer of responsibility for supporting Public Health Services.

Proposals

8. The posts to be deleted and established for the remaining tiers of the new structure are set out in the table below and the proposed structure is set out in Appendix 2.

Current Posts (to be deleted)	FTE	Proposed Posts (to be established)	FTE
Accountant	25	Finance Business Partner/Accountant/Investment Officer	19
Pensions Accountant	1	Senior Insurance Officer	1
Investment Officer	1	Assistant Business Partner/Assistant Accountant/Loans Officer/Senior Insurance Advisor/Senior Claims Handler/Risk Advisor	15
Loans Officer	1	Accounting Technician/Claims Handler	25
Senior Finance Officer	21	Investment & TM Assistant	1
Finance Officer	23.5	Insurance Technician	2
Finance Assistant	5		
Investment & Loans Assistant	1		
Risk Management & Security Advisor	1		
Assistant Risk Advisor	1		
Insurance & Liability Claims Officer	1		
Senior Insurance Advisor	1		
Insurance Advisor	2.6		
Clerical Assistant	0.4		

Other Options Considered

9. There are no other short term options to addressing the challenges within the Finance Service. Longer term options could be the outsourcing of the Service or collaboration with another local authority. These, however, are not considered appropriate at this time.

Reason/s for Recommendation/s

10. The recommendations are needed to progress to the enabling process for the remaining levels of the new structure.

Statutory and Policy Implications

11. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Implications for service users

12. One of the main reasons for restructuring the Finance Service is to significantly improve the quality of the service provided to customers and key stakeholders.

Financial Implications

13. Provisional estimates for the cost of the new structure suggest that savings of up to £500,000 will be generated in a full year and these will contribute to the overall savings required in the County Council's Medium Term Financial Strategy.

Equalities Implications

14. The restructuring of the Finance Service will be carried out in accordance with the County Council's employment and equalities policies.

Human Resources Implications

15. Staff and trade unions have been fully informed of the rationale for change and have been regularly and appropriately consulted on the proposed new structure.
16. The HR implications have been considered through the consultation process in drawing up the new structure and job descriptions. Appointments to the posts in the new structure will progress in line with the corporate enabling process. Confirmation of grades within the structure will be confirmed through the job evaluation process.

RECOMMENDATION/S

It is recommended that:

- 1) The revised structure shown in Appendix 2 is agreed;

- 2) The enabling process for the remaining levels of the new structure commences as soon as possible.

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Constitutional Comments ()

Financial Comments (NDR 11/03/13)

The financial implications of the restructure are set out in paragraph 12 of the report.

Background Papers

Electoral Division(s) and Member(s) Affected
N/A

Restructure of the Finance Service – Business Case for Change

1. The Finance function, as a “support service”, does not exist by right. That said, in the current financial climate, the need for effective financial management has perhaps never been greater, and the finance service should be at the heart of the organisation to support the delivery of its’ business objectives.
2. To do this, the service has to work hard to earn the trust and respect of peers and colleagues and demonstrate the added value it can bring. Being a team of “number crunchers” will not be sufficient to achieve this; the service will need to bring insight, knowledge, challenge, financial expertise and business skills to the table to be successful.
3. The new vision for the Finance Service is:

“To be recognised as a customer focused, industry leader in sound and effective financial management and to become renowned for innovative and commercially based financial management practice.”
4. Much of the work that the Finance team currently delivers provides a very sound foundation on which to base this vision, and the restructure of the service is only part of a raft of changes that are aimed at improving the County Council’s overall financial management arrangements.
5. These changes also include the role that the Finance team performs within the wider organisation. Case studies from a recent Chartered Institute of Management Accountants (CIMA), publication on the role of Finance suggests that it needs to change toward a ‘Business Partner’ model of working based on being proactive and having strong business skills. The adoption of this model within the council will deliver greater insight and add value. To achieve this, more automation and process efficiency is needed and the relationships between Finance and the broader business, needs strengthening. We also need to bring

more quality, consistency and new and innovative approaches to the way we work.

6. There are a range of issues that are currently holding back the Finance team from delivering greater success and referencing some of the points highlighted above, they can be categorised as:
 - **Structural** – the way the service is organised
 - **Cultural** – the way things are done and the values and behaviours to support this
 - **Technical** – the actual work done on a day to day basis.
7. **Structural** - The existing structure is fragmented and the groupings of financial management activity lack coherence and rigour. On commencing in post the Service Director addressed this by changing the reporting lines of Internal Audit so that it now reports directly to the Service Director as the council's Section 151 Officer. This initial step strengthened Internal Audits role and shifted its focus onto addressing organisational and strategic risks rather than the more traditional audit activities. A further, separate, review of Internal Audit is being considered, potentially in collaboration with another local authority.
8. The restructure will also improve the effectiveness of the Corporate Accounting team, providing it with the necessary "financial management grip" across the whole organisation. These changes will also ensure a more "joined up" and integrated approach to financial support, as well as implementing a more customer focused "business partner" model to the front facing services.
9. The specialist finance and accountancy functions i.e. Risk and Insurance and Pensions and Treasury Management also currently have different line management arrangements. The intention is to centralise these key functions within the corporate centre.
10. **Cultural** – the overarching customer view of Finance is that the service is not joined up and does not speak or act as "one team". Not only is the service "geographically" disparate, more importantly there is major disparity and inconsistency in terms of common reporting mechanisms, systems, processes and working methods. The change process, coupled with the relocation of the whole service to the fourth floor of County Hall later in the year, should go a long way in breaking down historical silo's, improving communication and providing the building blocks for the greater consistency in working practices that is vital to the future success of the service. This in turn should bring notable improvements and benefits to customers and stakeholders.
11. Integral to this will be the introduction of a culture of setting clear targets and rigorous performance management of staff to reflect the council's core principles and values.
12. **Technical** – the implementation of BMS will fundamentally change the role of the Finance team. However, BMS should not be seen as the reason why the service has to change the way it operates.

13. Currently the overall service provided is reactive, focused on historical transaction recording and a significant amount of time and resource appears locked into processing journals, recharges and virements with little measurable added value.
14. There are many positive aspects of the service currently provided by the Finance team, for example: final accounts, the groundwork for the budget (concluded a month earlier this year than in the previous year), the good progress being made on the corporate budget monitoring, and the solid performance of the Pension fund. However, there are also some challenges that need to be addressed.
15. Internal Audit is also an area that needs to change as the current approach is grounded in a very traditional methodology and the perception of the quality of the work of the service should be higher than it is. Future resourcing needs to shift the current focus onto the big strategic risks facing the authority and less on relatively minor control issues. Reports also need significant strengthening and development.
16. Work on refocusing the work of the Risk and Insurance team to achieve efficiencies and savings was already progressing with a proposed restructure with the aim of :
- Improving the competitiveness of premiums from Brokers, Insurers and Solicitors
 - Reducing the cost of claims through claims leakage by a 3% reduction which would save £100,000 per year
 - Reducing the current litigation rate in line with the national average.
 - Introducing data recording which allows for performance management and benchmarking and provides good risk management data
17. In order to ensure a consistent approach is taken, the restructure of the Risk & Insurance team is now being subsumed into the overall Finance restructure.
18. The Pensions and Treasury team have presided over a solid performing Pension Fund and the Investment Strategy has been effective in avoiding issues such as the Icelandic Bank collapse that many authorities were caught out by.
19. However, as with other parts of the business, the reports on Treasury Management activity need strengthening, and whilst the Nottinghamshire pension fund has performed well, other funds have managed to achieve better results, which provides an opportunity for Nottinghamshire to learn from.
20. The overall ambition of the changes to the finance team are to reduce complexity and cost , including reducing duplication of systems, streamlining processes and reporting practices improving the reliability of data quality and the quality and timeliness of financial information. These changes will improve stakeholder trust and confidence and, by reviewing, analysing and challenging current information, will improve decision making with clear links to other non-financial performance information and make better use of innovative reporting methods, trend and graphical analysis.

21. In addressing all of the above and delivering improvement accordingly, the proposed new structure will ensure improvement by building in appropriate arrangements for succession planning, providing learning and career development opportunities for Finance staff and will encourage the retention of relevant skills, knowledge and experience, whilst ensuring the council can attract fresh talent where vacancies occur. The future success of the Finance service will, in addition to the other points raised in the report, be dependent upon such arrangements being established and maintained.