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To: Corporate Policy Overview & Scrutiny Committee – 6 July 2011

Subject: Centralisation and restructure of the Finance function

Summary: Members are asked to note the draft proposals for the restructure of the Finance function

FOR INFORMATION

1. INTRODUCTION

This report provides Members with some early indication of the likely shape of the restructure of the Finance function at KCC.

2 BACKGROUND

As part of 'Change to Keep Succeeding', the Finance function was centralised on 4 April. In reality, little changed in those first few weeks, but we have been working on options for delivering a Finance function fit for the future, for around 30% less cost.

Back in December 2010, on the back of the County Council decision to approve the new organisational structure, we asked for a working group of just three finance staff to produce a paper for the then Finance Strategy Board (FSB) to consider in early February 2011. The group produced an excellent options appraisal paper which they presented to the FSB on 11 February. The options were debated and resulted in a draft outline proposal being presented to the Corporate Management Team (CMT) on 1 March.

CMT endorsed the direction of travel set-out in the report. Consequently, an eMail was sent to all Finance staff on 2 March, advising them of the outline proposal. Since then, regular update eMails have been sent to all Finance staff keeping them informed of progress.

3 THE DRAFT PROPOSAL

The Finance function currently has 572.5 full-time equivalent posts. Of these, approximately 199.4¹ are directly funded by either the Pension Fund, the

¹ Ftes estimated pro rata to budget

Insurance Fund, external grant (such as dedicated Schools Grant) or external funding (such as schools).

The objectives of the restructure are:

- to reduce net cost by around 30% (subject to a formal decision being taken to that effect as part of the budget process)
- to use the remaining resource to best effect, which will require:
 - o a thorough review of all tasks undertaken within the function to determine what we can 'stop doing'
 - o adopting a risk based approach to supporting budget managers
 - o developing our systems to reduce budget managers' reliance upon Finance staff and to avoid the need for manual intervention
- to comply with the organisation design principles of no more than five tiers of management and a span of control for any manager of between six and eight, where possible.

The table below sets-out the financial and fte target we are aiming for:

	FTEs	£000
Total budgeted provision	572.5	19,269,456
Less income & DSG*	199.4	6,711,084
Net for 30% target*	373.1	12,558,372
30% savings target *	111.9	3,767,512
Current vacancies	29.3	766,446
Total target budget after 30% reduction	460.6	15,501,944

The attached structure provides initial proposals as to how this may be achieved. However more detailed work needs to be done in the next few months to determine task's and responsibilities of each team and to firm up numbers and grades of FTEs needed. The figures shown on the attached are planning targets rather than set in stone. All costs shown are also based on indicative salary plus on-costs. All posts will be subject to evaluation.

4 PROGRESS TO DATE

a) Structure

In order to get this more detailed work underway, appointments have already been made on a six month secondment basis, to seven of the posts in the structure. These are:

- Head of Financial Management, Cath Head
- Head of Financial Strategy, Dave Shipton
- Revenue Budgets and Monitoring, Simon Pleace
- Capital Budgets and Monitoring, Jo Lee and Julie Samson (job share)
- PFI and Projects, Jane Blenkinsop
- Business Partner BSS, Jackie Hansen
- Chief Accountant, John Holden

The secondments will run from 1 July until 31 December 2011. The first three months of these secondments will be used to determine the remit of each team in detail, and to work up job descriptions and person specifications for the new structure. In order to help with this there are a total of 25 volunteers from across Finance teams who have put themselves forward to be involved in the process, on a part-time basis.

b) Engagement

Throughout the restructure process there have been meetings across the County in order to engage Finance staff in the process. The single most common issue that has come out of these meetings is location, particularly from the East Kent based teams. Location is an issue that will need to be looked at during this process. However, it is unrealistic and unreasonable to expect staff on relatively low pay to travel over 100 miles per day and we will therefore be looking to keep a base in both Maidstone and East Kent.

Discussions have started with HR and the Union to ensure their engagement in this process and it has been agreed that David Buss will be the Unison representative for this project.

c) Systems

The key to being able to deliver the savings target is to develop a financial system that will:

- enable budget managers to perform their budget duties efficiently and with ease
- reduce input from finance staff
- reduce manual intervention and reconciliation
- **be one system – one truth**

In order to drive this forward an Oracle project team of eight Finance staff is being set up to be in place on 18 July. This will be a huge project and it is vital that we get this right first time. For this purpose the project team will consist of staff seconded full time for a period of 12 months.

d) Voluntary redundancy/early retirement

Due to the need to reduce the number of posts in the Finance team, expressions of interest in voluntary redundancy and early retirement are currently being considered. This offer was open to all finance staff regardless of whether their team is subject to major re-organisation. The closing date for requests was 30 June, and at the time of writing this report expressions of interest had been received from in excess of 40 Finance staff. The objective here is to minimise the level of compulsory redundancies later in the process, however we must be mindful not to put the business at risk. Each expression of interest will therefore be considered on an individual basis and individuals will be notified of the decision by 31 July 2011, wherever possible.

5 TIMETABLE

The provisional timetable for the finance restructure is as follows:

- 1 July & 18 July 2011 secondments made to key posts in the structure and to the Oracle project team.
- 1 – 31 July 2011 individuals notified of decisions re voluntary redundancy/early retirement.
- 1 July – 30 Sept 2011 detailed work on resources required to support the new structure
- Oct / Nov 2011 Reporting proposals to staff, Members and all affected parties
- 1 Nov 2011 90 day formal consultation with staff begins
Job descriptions and person specifications to be finalised
- 1 Feb 2012 formal consultation period ends
- March 2012 appointments made to new structure
- 1 April 2012 new structure operational, interim structure to continue to maintain activities not yet fully supported by self service
- asap after April 2012 interim structure ends, restructure complete

6 SUMMARY

This paper provides information on the progress to date of the centralisation and restructure of the Finance Function. Further update reports will follow in the Autumn.

7 RECOMMENDATIONS

The Corporate Policy Overview & Scrutiny Committee is asked to note the progress on the centralisation and restructure of the Finance function.

Background Documents: None

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