

By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Acting Corporate Director of Finance & Procurement

To: Corporate Policy Overview and Scrutiny Committee
3rd November 2011

Subject: **Finance & Procurement Re-organisation**

Summary: This report sets out the draft proposals for the re-organisation of the Finance & Procurement Division. The proposals are based on the planning assumption of a 30% reduction in the cost and staffing of Finance & Procurement.

FOR INFORMATION

1.0 Introduction

- 1.1 This report sets out the draft proposals for the re-organisation of the Finance & Procurement Division.
- 1.2 Given the funding outlook for the next three years, the Division is working to a target to deliver a 30% cashable saving compared to the 2010/11 budget.
- 1.3 Corporate Policy Overview and Scrutiny Committee are asked to:
 - a). note the planning assumption of a 30% reduction in the costs and staffing of Finance & Procurement (F&P)
 - b). note that continued investment in, and rollout of, the Enterprise Resource Planning (ERP) as planned is absolutely crucial to the achievement of the 30% savings target
 - c). note and comment on the proposed structure and resource allocation for the Division as shown at Appendix 3, pages 1-10
 - d). note the conformity with organisational design principles
 - e). note the key areas impacted by this proposal i.e. the Revenue Finance Team and Exchequer Services Assessment, Income & Payments with commentary at Appendices 4 & 5
 - f). note the proposal to move to a 'risk-based' approach for identifying the levels of revenue finance support to budget managers
 - g). note the communications to the affected parties on the re-organisation proposals to date and the future plans for communication and formal consultation
 - h). note the risks associated with this proposal, as set out in paragraph 5.1 of this report

2.0 Background

- 2.1 On 1 March 2011, the Corporate Management Team (CMT) agreed a direction of travel related to the re-organisation of the Finance & Procurement Division. The 'Summary of Recommendations' from that report are attached at Appendix 1. Those recommendations were agreed.
- 2.2 On the 6 July 2011, a very similar report to the one considered by CMT on 1 March was presented to the Corporate POSC. The timetable that was presented to the POSC, and agreed, is attached at Appendix 2. We continue to work to that timetable.

- 2.3 In July of this year, a number of key secondment appointments were made to those posts that report directly to the Corporate Director of Finance & Procurement (CDoFaP), and also to some of the critical posts in the tier below. Those individuals have worked through the summer on their proposals for the new structure of the teams that are managed by those posts. They are fully aware that they are working on secondment into those posts and are not guaranteed the permanent position.
- 2.4 On 3 October, a Finance Divisional Management Team (FDMT) away-day took place, to discuss all of the proposals put forward by the Heads of Service in Finance. In some cases, two proposals were submitted to offer choice.
- 2.5 The savings target we are working to is in line with the July report to this Committee and breaks down as follows:

Table 1: Savings target

	FTEs	£'000
Total budgeted provision	548.5	18,643
Less income & DSG	199.4	6,712
Net for 30% target	349.1	11,931
30% savings target	104.7	3,579
Current vacancies	50.0	1,321
Approved voluntary redundancies	37.4	1,326

- 2.6 The organisation's investment in ERP is absolutely crucial to the 30% savings target at Table 1 above, which cannot be delivered without that investment. A straightforward efficiency drive alone would probably offer a maximum of 10% savings, and that would be at some risk to this Authority.
- 2.7 Since the Corporate POSC report in July, we internally recruited 8 members of staff into our own ERP team. That team has now met with 240 budget managers. This has informed our thinking on what's needed by managers in order that they can fulfil the financial duties set-out in the Kent Manager, and in so doing release the Division's resource intensive support to those managers.

3.0 The Proposal

- 3.1 Attached at Appendix 3, pages 1 to 10, is the proposed structure of the F&P Division, due to take effect from 1 April 2012, subject to successful roll-out of the ERP. These are the key appendices of the teams most affected by this proposal. They are:

- Page 1 – High level summary of the structure
- Page 2 – Proposal for Finance Strategy Team
- Page 3 – Proposal for Revenue Finance Team
- Page 4 – Proposal for Capital Finance Team
- Page 5 – Proposal for Chief Accountant Team
- Page 6 – Proposal for Assessments & Income Team
- Page 7 – Proposal for Payments Team
- Page 8 – Proposal for Schools Financial Services

- Page 9 – Proposal for EduKent Team
 - Page 10 – Proposal for Business Partner Project Team
- 3.2 In reality, ERP is unlikely to deliver in full, in time to go live on 1 April, and so an interim solution is being planned to cover the period from 1 April until ERP is delivered. This will be managed within the 2012/13 budget set for Finance & Procurement.
 - 3.3 If approved, the proposals would deliver savings of £3.6m achieved mainly by a reduction of 127 fte posts. This, in cash terms, delivers our target shown in Table 1, and exceeds the reduction in fte target. This reflects the outcome of our very detailed analysis carried out through the summer, and the impact that the ERP project will have on the financial control in this Authority. The precise level of savings will depend upon final grades and current salaries of those appointed.
 - 3.4 The structure conforms to the design principles of no more than 5 tiers from the Corporate Director post, with spans of control of at least six. Due to the size of some teams, that span of control has had to be increased beyond what might be desirable.
 - 3.5 The number of direct reports to the CDoFaP will be six, plus one PA and one staff officer that the post shares with the Cabinet Member. On Appendix 3 Page 1, those teams in blue fill have not been subject to this review, as they have either been re-organised within the past few months or, in the case of Pensions, need stability on the eve of some very challenging times. An additional 2 posts are proposed within Audit to allow for extra resource that may be required due to the cessation of specific directorate teams, however because the rest of the structure is not changing a separate structure chart is not shown for that unit.
 - 3.6 That leaves four of the Division's teams subject to this reorganisation, and these are shown in yellow fill on Appendix 3 Page 1.
 - 3.7 Appendices 4 & 5 each provide a commentary in support of the structure of the Revenue Finance Team and Exchequer Services, as these are the two areas most affected by the proposal and which will have the most effect on service directorates. Members are urged to read these in order to fully understand the impact of the proposals.
 - 3.8 The most significant change that will impact on service directorates is the proposal for the Revenue Finance Team. Not only does the proposal halve the existing resource, based on ERP and Kent Manager roll-out, but it removes the link between individual staff and directorates. This will require cultural change in the organisation generally, but more specifically a cultural shift by the Finance team, who have taken great pride in supporting 'their' directorate since the devolved model was created around 20 years ago.
 - 3.9 We are currently developing the transition plan that will detail how we move from our current service to the new, proposed service.

4.0 Communications with staff and Trade Union

- 4.1 Since the early work on project scoping in January, a series of communications on the Division's re-organisation have been rolled out to staff and staff representatives as follows:
 - Staff briefings by the Acting CDoFaP in Thanet and Maidstone.

- Email communications to all Finance staff from the Acting CDoFaP giving information on project approach, design principles and progress.
- Regular meetings of the Finance Staff Group (finance staff representative group with minutes circulated to all Finance staff).
- Informal consultations with UNISON.

4.2 Future communications are planned as follows:

- Email communications to all Finance staff will continue when there are key developments, the next communication will reflect the outcome of today's discussion.
- The Finance Staff Group will continue to meet "*at regular intervals at the discretion of its representatives*" (Group's Terms of Reference).
- Formal consultation for a 90 day period will be launched on 7 November, following the review of proposals by POSC on 3 November. All proposals in this paper are therefore subject to further change as a result of the formal consultation.
- Five briefings for staff have been arranged for November and December.

5.0 Risks

5.1 Clearly a major re-organisation on this scale with a downsizing by 30% carries with it a significant element of risk. The "Top Ten" risks we have identified, as possible hindrances to our proposal, are as follows (in no particular order):

- **ERP/Oracle outcomes are not delivered:** in terms of additional functionality, meaning that it doesn't do all the things we're expecting it to, thus reducing the tools available to budget managers
- **Training is not deliverable to timescale:** both upfront and on-going for budget managers meaning support is withdrawn before "self service" is achievable
- **Loss of financial control:** the reduced F&P Division does not have the capacity to be able to support the organisation as a whole through an extended period of significant change
- **Incorrect assessment of budget risk:** with associated inadequate support to some vulnerable budgets leads to un-managed overspends
- **Management culture does not change:** budget managers do not embrace Kent Manager and the Finance Statements of Required Practice
- **Accountability does not transfer:** responsibilities/accountabilities of a budget manager are not clear in Kent Manager and budget managers are not held accountable for their budgets
- **Transition:** the organisation does not immediately accept the new way
- **Duplication:** there's a 'creep' back toward the existing model as budget managers look to replace finance support through direct appointments
- **Loss of staff morale:** negative impact on key F&P functions as we go through the consultation and selection process

- **Loss of staff capacity in key functions before planned:** staff choose to “jump ship” before and/or during the period of change

In our execution of these proposals, we will manage and mitigate these risks wherever possible but we will not be in a position to eliminate all risk.

6.0 Summary and recommendation

- 6.1 This paper sets out proposals for the Finance & Procurement Division re-organisation, that would deliver the objectives of a 30% reduction in cost and staffing. The proposals support the move toward a single organisational culture built on defined standards for management structures, spans of control and the operation of the management function itself (Kent Manager).
- 6.2 Members are asked to note and comment on the content of this Report and its appendices.

Background documents:

Agenda Item B4, Corporate Policy Overview and Scrutiny Committee, 6 July 2011.

Officer Contact:

Andy Wood, Acting Corporate Director of Finance & Procurement
andy.wood@kent.gov.uk