

REPORT TO: POLICY & RESOURCES COMMITTEE - 23 JANUARY 2012

REPORT ON: OPERATING MODEL REDESIGN – REVIEW OF FINANCIAL SERVICES

REPORT BY: DEPUTE CHIEF EXECUTIVE (SUPPORT SERVICES)

REPORT NO: 34-2012

1.0 PURPOSE OF REPORT

This report summarises the findings from a review of the accounting services function, both central and departmental, within the Council. The review considered whether there was a more effective operating model.

2.0 RECOMMENDATIONS

It is recommended that:-

- each Service Department has a suitable person responsible for financial, budgetary and accounting matters on its Senior Management Team.
- each Service Department has a suitably qualified member of staff responsible for liaising with central Finance and supporting their own Department on financial, budgetary and accounting issues.
- all other staff in Service Departments whose main duties fall into categories of Final Accounts preparation, Revenue Budget preparation and Revenue Monitoring be transferred to the central Finance Division within the Corporate Services Department. It is expected that most staff may require to spend a portion of their time located within Central Finance and a portion within the Service Department. These staff are detailed in Appendix 2.
- The structure within central Finance to accommodate this transfer will be part of the forthcoming Corporate Services restructure report.
- staff who remain in Departments will have professional accountability to Director of Finance for the financial, budgetary and accounting information they provide.

3.0 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. The revenue budgets associated with the staff transferring to Corporate Services will also be transferred.

4.0 BACKGROUND

Phase 1 of the Council's revised organisation structure was implemented from 1 July 2011 and the second phase will be implemented at 1 April 2012.

This will reduce the number of departments to six, create a new Environment Department and merge all support service departments including central Finance into a single Corporate Services Department.

Additional changes from the Changing for the Future Programme are the separation of Leisure and Culture Dundee which will no longer require any central accounting support and the pooling of the budgets for property within City Development and of open spaces and fleet within Environment which will significantly affect how these budgets are monitored in the future.

5.0 REVIEW METHODOLOGY

An initial meeting was held with nominated financial representatives from each of the new Departments. This outlined the scope of the project and the expected implementation date of 1 April 2012.

Thereafter templates were issued to each Department (Appendix 1). Once these had been completed individual meetings were held within each Department to discuss their submissions in greater detail and to ensure that there had been a consistency in responses.

Discussions were then held with each of the central accountants to allow them to comment on their Department's submissions and verify whether it was consistent with their understanding.

A process mapping exercise was undertaken to see if there was any waste or duplication in the working between the Departmental staff and the Corporate and Services teams within Central Finance.

This fed into the demand side of a Workforce Planning exercise which together with the earlier process mapping enabled the options for change to be evaluated.

6.0 PROCESS MAPPING

The main processes of revenue budget preparation and revenue monitoring were mapped.

The conclusions from this were:-

It is clear that there are meetings where three different accountants are involved and instances where all three of these may be calculating or checking the same figures.

The Services Team create spreadsheets for the Budget Volume and at a more detailed level for Ledger input but it is not obvious how well these are synchronised.

The number of stages involved means that Departments may become detached from taking ownership of their Budgets and place the onus for any decisions on Central Finance staff.

7.0 WORKFORCE PLANNING

The mapping of the above processes gives an indication of the demand-side requirements in the future. The recommended outcome position of both processes suggests there may be some need to consolidate staff between Services Team and departmental staff. The increasing role of the Systems Team in development and a review of the overlap in work between teams and the actual reduction in the number of departments all indicate a reduction in demand for accounting services staff. This applies only to the processes being considered so may be a means of freeing up time to take up a more active management accounting role in engaging with departments.

An age profile of staff in Accounting Services showed the vast majority fall in 36-55 range.

The lack of opportunity for new staff recruitment will require existing staff to be continually trained and developed to ensure that they can adapt to the new demand requirements likely to be placed upon them.

Information on qualifications was also gathered on the template used (Appendix 1). Although there are no immediate issues this did highlight the need for succession planning and ensuring a supply of suitable staff continues to be developed.

8.0 **PEST ANALYSIS**

To further supplement the demand-side of the Workforce Planning a PEST analysis was conducted.

Political

The main political pressure is that a national focus on shared services may have a significant impact on workforce needs and planning.

At this stage there is no indication of how this may impact, if at all, on accounting services. However as revealed by the process mapping there is a clear need for the Council to be able to operate its own accounting services more as a shared service in the first instance.

Economic

The economic challenges facing Scotland as a whole require public service organisations to develop a revenue budget methodology based on service priorities and a need for production of better information on costs and productivity.

This places new demands on accounting services which will require new thinking and development of existing models which may in the short term at least require greater resources.

Social

The main social change facing accounting services is the Council's move to a much more flexible working approach. This includes making available the opportunity for home working and making the working day more flexible by moving away from core hours.

On the supply side this is attractive to staff and helps recruitment and retention, although these are not currently particular concerns. However from the demand side, a clear protocol has not yet been developed to confirm that the demands on the service can be properly met by a flexible working workforce.

Technological

The process mapping clearly showed there is a major waste from the lack of appropriate use of technology. There is a great deal of manual intervention to produce financial information which could be avoided if more time was invested in developing existing financial systems to automatically produce information.

This would free staff from manual inputting and manipulation of information and allow them to move in the more 'value-add' area of interpreting information and communicating with budget holders at an earlier stage on how to manage their budgets.

9.0 **GAP ANALYSIS**

Workforce planning then considers the gap between the supply identified through the age profile and the demand required from the process mapping and the PEST analysis.

The main issue from the GAP analysis is the change in demand on accounting services. This will require some of the more mechanistic processes being automated allowing staff to look to add value and place budget setting and monitoring within its overall context of achieving best available outcomes from resources available within the Council rather than being an end in itself.

10.0 **PROPOSALS FOR CHANGE**

The key consideration is that of a centralised or decentralised approach. The reduction in the number of departments would make it possible to provide an out-posted service to each Department but equally there would be an opportunity to bring out-posted and departmental staff into the centre.

Basically any proposal will exist at a point along this centralisation/decentralisation spectrum.

11.0 **OPTIONS**

11.1 Maintain the status quo.

The current model is well understood and has contributed to sound financial control. It combines a local presence with some central control. However, the business process mapping identified that there is scope for improvement. There is some lack of clarity over roles and responsibilities and some Departments are better resourced than others.

11.2 Outpost more of central Finance Team to Departments.

This would strengthen the resource in individual Departments and it would allow more local knowledge but this would spread the overall resource very thinly. There would be various small teams with cover issues and there would be a lack of scope to interchange staff across the finance function. This structure would not suit the greater partnership working arrangements which are happening between departments and may reinforce silo-type thinking when a more corporate style of working is being encouraged throughout the Council.

11.3 Manage from central Finance.

The benefits of this are that it would enable clear consistent practices to be applied corporately. It would create a critical mass which was more supportive to accounting staff and would give them more opportunity which provides a starting point for succession planning for career progress and development. It would enable the Central Team to be appropriately resourced to service each Department.

The qualified staff can also establish best practice and ensure that this is followed. In addition to gaining this deeper knowledge there will also be an opportunity for the unqualified staff to broaden their knowledge. They will have the opportunity at the centre to see and hear what is happening in other Departments. There will be

opportunities for staff rotation which will enable better cover for all Departments as the standardised practices will make staff more interchangeable.

There is a risk of losing close working relationship with individual Departments if a local presence is not maintained.

12.0 PROPOSAL

The proposed model is that each Department should retain someone on their Senior Management Team who is responsible for financial matters.

This ensures that each Department is clearly accountable for its own budget and that it is discussed at an appropriate level as being interlinked with its operational capabilities and desired outcomes.

Each Department should also have one suitably qualified member of staff. They would be responsible for ensuring that the Management Team was provided with the relevant financial management information required. They would provide the link with the Finance Division and would be able to concentrate more on their financial role. Having two staff involved in financial matters would enable the Head of the Department to always have a resource available independent of the Finance Division.

All other financial staff would transfer into the Finance Division and be line managed from there. The forthcoming Corporate Services restructure report will specify how this change will be accommodated and structured.

Quarterly group meetings would be held with representatives from each Department to discuss common issues and enable earlier identification of problems. This would be over and above the individual operational contact between Departments and the Central Team.

In addition it would be recognised that there may be a requirement at times for staff to be located within the Department to ensure that the communication link is kept strong and a proper partnership working arrangement is established and maintained.

13.0 IMPLICATIONS FOR DEPARTMENT

Following discussions with each Department it has been identified that to achieve an appropriate structure in line with the recommendations, some staff will require to transfer to Central Finance. These staff are listed in Appendix 2.

Each Department considered the proposal to retain a suitable member of staff out with the Senior Management Team to be necessary.

Possible staff for transfer were therefore considered as follows:

Social Work

One part-time member of staff whose main duties fall into accounting categories was identified for transfer. One full-time member of staff was considered but they had only limited revenue monitoring involvement for residential care and rest of time was spent on non-accounting duties. This member of staff was therefore out with the criteria for transfer. No other staff involved in any of the accounting duties.

Housing

No other staff involved in the accounting duties.

City Development

One member of staff identified for transfer. One other member considered but their duties were found to be administrative rather than accounting. No other staff involved in accounting duties.

Education

Staff in 3 Education Finance teams identified as falling into the accounting category. These staff provide accounting and budget support to Education managers and schools through Devolved School Management and this service will continue. All these staff identified for transfer. Whilst they will be managed within Finance, the staff will continue to work with the Education Department and school facilities as required to deliver the service. No other staff involved in accounting duties.

Environment

Two members of staff considered. One whose main duties fell into Personnel rather than accounting was excluded. The other had greater accounting involvement but this was mainly with Environment's own systems rather than corporate accounting system. This would require to be based mostly at Clepington Road making line management from Central Finance less feasible. For these reasons this post was excluded. No other staff involved in accounting duties.

14.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

15.0 CONSULTATION

The Chief Executive, Director of Finance, Director of Housing, Director of Social Work, Director of Education, Director of Environment and Director of City Development have been consulted.

16.0 BACKGROUND PAPERS

MSc Public Leadership paper	A critical evaluation of the process for setting and monitoring the Revenue Budget in Dundee City Council.
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13 DECEMBER 2011

APPENDIX 1

Department

[illegible]

Departmental Staff to Transfer to Central Finance

From Social Work

0.5 x Grade 7 (1 part-time member of staff)

From City Development

1.0 x Grade TBA

From Education

3.0 x Grade 9 (includes one job-share arrangement)

4.0 x Grade 4