

**MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION**

REPORT TO: PERSONNEL COMMITTEE

**REPORT OF: CITY TREASURER AND HEAD OF FINANCIAL
MANAGEMENT**

DATE: 13 NOVEMBER 2007

**SUBJECT: FINANCIAL MANAGEMENT SENIOR MANAGEMENT
STRUCTURE**

PURPOSE OF REPORT

To establish a revised senior management structure for the Financial Management Service, creating a centrally managed service across Manchester City Council under the overall management the City Treasurer, in order to enhance both corporate and service financial management capacity and control within the City Council.

RECOMMENDATIONS

The Committee is recommended to: -

- 1 Agree the proposed organisational arrangements for the centralised management of all of the City Council's Financial Management Service as set out in the Appendices to this report. In particular revised levels of management responsibility are proposed as follows:
 - (i) The establishment of two new posts of Head of Service Group (Regeneration, and Adult Services) at fixed salaries of £50,000; the postholders' roles will include deputising for the Head of Finance (Corporate and Strategic) and Neighbourhood Services respectively.
 - (ii) Redesignate the Deputy Head of Finance (Children's Services) to Head of Service Group (Education); the postholder will continue to act as the Deputy Head of Finance Children's Services.
 - (iii) The establishment of eight posts of Head of Service Group in the salary range £40,000 - £45,000.
 - (iv) The establishment of a new post of Head of Business Support at Grade 10 + 10% (£40,287 - £43,035).
 - (v) Regrade the Head of VAT from Grade 10 to Grade 10 + 5% (£38,466 - £41,079).

2. Note that existing posts identified on the Variation in Assignment at Appendix 2 of the report will be progressively disestablished as part of the roll out and implementation of revised structural arrangements.
3. Grant delegated authority to the City Treasurer, acting in consultation with the Head of Corporate Personnel, to develop job descriptions and person specifications for these new posts and make appropriate arrangements for appointment to these posts in line with established Council policies.

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGET

The Financial Management Service SIP targets savings of £600,000 in 2007/8, rising to £1.7 million in 2009/10. Planned savings in excess of these targets will fund the creation of these new posts.

The costs of establishing the 11 new posts (at the maximum of the salary range), and regrading the VAT post, will be £614,572 per annum inclusive of salary related on-costs. The savings made from disestablishing 17 posts will be £807,937 per annum inclusive of salary related on-costs. Therefore, the net saving of implementing the changes to the structure is £193,365 per annum and the changes are described in the Variation in Assignment (Appendix 2).

Additional savings will be made through the future rationalisation of financial management arising from the implementation of recommendations from the Financial Management Service Improvement Project.

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IMPLICATIONS FOR KEY COUNCIL POLICIES:

Anti-poverty	Equal Opportunities	Environment	Employment
No	No	No	No

BACKGROUND PAPERS

- 1 Financial Management Service Improvement Project – High Level Design Report. Available from MIP office.

1 BACKGROUND

- 1.1 The Financial Management Service is currently being reviewed as a priority Service Improvement Project (SIP) under the auspices of the Manchester Improvement Programme. The High Level Design for the service has been agreed, with further detailed analysis as to how service improvements will be realised continuing to be progressed as part of the Improvement Project.
- 1.2 The aims and objectives of the SIP are to achieve excellence in service provision and support for all customers, who in turn will deliver excellent services to the citizens of Manchester.
- 1.3 Additionally, the Service is targeted to achieve £1.7 million per annum in efficiency savings by 2009/10.
- 1.4 To ensure a more customer focused approach, whilst realising the City Council's wider objectives of most effective deployment of resources, it is proposed that the Financial Management Service will be centrally managed under the overall direction of the City Treasurer. It is considered that this organisational model will also support the achievement of local leadership, support and advice to services to support their service delivery objectives whilst ensuring a consistent framework for the Council to monitor and manage its financial resources.
- 1.5 This transition has recently commenced with the establishment and appointment of three Directorate level Heads of Finance for Children's Services, Neighbourhood Services and Corporate and Strategic Services (combining acting as deputy for the Head of Financial Management and delivering support services for the Chief Executive's and Corporate Services Departments). These three Heads of Finance report to the City Treasurer but are also members of the senior management teams of the Directorates for which they provide financial leadership and support.
- 1.6 This proposed approach will have a number of advantages over the previous, fragmented arrangements, with individual Finance Officers reporting directly to the relevant Chief Officers/Strategic Directors. Advantages include:
 - improved and consistent financial governance arrangements across the Council;
 - a more joined up approach, with better sharing of knowledge and intelligence across the finance community;
 - a single management function that will bring economies of scale and facilitate flexible deployment of resources and resource pooling;
 - providing a clear and well defined escalation process that is fast to react and provides timely decision making thereby assisting service delivery;

- ensures early financial management engagement and at a strategic level, in considerations involving financial investment or other financial implications, minimising potential for financially unworkable solutions;
- more centrally managed key data and clear standards and quality assurance processes to ensure effective use of financial information held in SAP and feeder systems;
- through greater centralisation of transactional processing will create more streamlined systems generating efficiency savings;
- through greater centralisation of technical roles, and hence knowledge, create centres of excellence and potentially provide the critical mass to “grow our own” staff in difficult to recruit areas (eg: VAT).

2 PROPOSED MANAGEMENT ARRANGEMENTS

- 2.1 The proposed high level structure for the Financial Management Service is shown in the proposed organisation chart at Appendix 1.
- 2.2 The Head of Financial Management, and the three Directorate based Heads of Finance will each have Heads of Service Groups aligned to the key service areas of each Directorate reporting to them.
- 2.3 The grouping of services under the three Heads of Finance recognises and corresponds with the City Council’s Strategic Directorate Structure. This arrangement will provide service managers with more direct access to financial management support. It will also facilitate the development of service specific knowledge and expertise in financial considerations associated with particular groups, whilst also ensuring the benefits of centralised control and governance can be realised.
- 2.4 The proposed grading profile for the new service recognises that the posts of Heads of Service Groups will contain a significant generic content and so it is therefore appropriate that the posts be graded at the same level. This will provide added flexibility in terms of potential periodic rotation of staff and also in responding to potential future restructuring of the services the finance staff are supporting.
- 2.5 It is, however, proposed that within each grouping one post will be the nominated deputy to the Head of Finance. The three proposed deputy posts would also be responsible for what are (currently) the most challenging service group lead roles, by virtue of the breadth of activity, technical complexity and external relationships associated with the role. This, coupled with the requirement to deputise for the Head of Finance, is considered to warrant a higher grading for these three posts than the other Heads of Service Group posts.

2.6 The three Heads of Service posts were established in 2006 at salaries of £65,000. The post of Head of Education Finance (Deputy to Head of Finance for Children's Services) was originally established at £50,000. It is proposed, therefore, that the:

- Three posts of Heads of Service Group which will also deputise to the respective Heads of Finance be established at salaries of £50,000;
- The remaining Heads of Service Group posts (including the corporate posts reporting to the Head of Financial Management) be established at salaries in the range £40,000 - £45,000.

3 PROPOSED MANAGEMENT ARRANGEMENTS – GROUPS REPORTING TO THE HEAD OF FINANCIAL MANAGEMENT

3.1 Currently, Corporate Accountancy comprises five Groups providing a range of corporate and departmental support, and a finance service, to a number of external bodies, in particular the Passenger Transport Authority and a number of Council owned companies. To become more customer focused it is proposed to establish three corporate Groups in the new structure. Existing Departmental and external support roles will transfer to the appropriate Head of Finance's team. The three corporate Groups will:

- Provide strategic financial planning in the form of technical financial support, interpreting and implementing financial implications of Government proposals and legislation, financial input to external bodies, and provision of a council-wide lead in the delivery of Value For Money.
- Lead and co-ordinate all financial accounting activity, including the centralisation of financial accountancy following the implementation of SAP, and manage the Council's tax position with particular emphasis on VAT. The scale and complexity of the Council's VAT arrangements incur major continual external scrutiny from HM Revenue and Customs, and require substantial forward planning to avoid penalties. To improve the quality of central control, support to and guidance of departmental VAT management, VAT support and scrutiny will be centralised.
- The current Team Leader (VAT) is Grade 10. It is proposed to regrade the post to Grade 10 + 5% (£38,466 - £41,079) to reflect the additional responsibilities arising from centralising these functions across the Council.
- Co-ordinate and prepare the capital programme / budget, to include monitoring capital spending and resources, and approving spend against budgeted programmes, treasury management, providing

financial support to major Council projects, and supporting external clients.

- It is proposed to establish these three Head of Service Group posts (Strategic Planning, Revenue Budget and Monitoring, VFM and Risk Management; Financial Accountancy and Taxation; Project Support, Capital and Treasury Management) in the salary range of £40,000 - £45,000 per annum.

3.2 Following the implementation of the SAP Back Office System in April 2006, a team was created to provide a Back Office support function, resourced largely by extending the secondment of staff from the project implementation team. The function has evolved since implementation and its importance recognised during the SIP process.

3.3 The structure for the support function is currently being developed and management positions recruited to. The function is primarily responsible for change management, controlling access, managing the two-way communication between the business and the centre, providing quality control and assurance, and training. This role is currently being covered by an existing employee from their substantive position and it is now proposed to establish the role of Head of Business Support at Grade 10 +10% (£40,287 - £43,035).

4 PROPOSED MANAGEMENT ARRANGEMENTS

4.1 Head of Finance (Corporate and Strategic)

4.1.1 The Head of Finance (Corporate and Strategic) deputises for the Head of Financial Management, and also provides the financial management service for the Chief Executive's and Corporate Services Departments.

4.1.2 The three Groups proposed are:

- **Regeneration**, bringing together finance focused activity in relation to regeneration, economic developments and adult education. These areas rely heavily on government grants and other external funding. A unified approach to financial management of these areas will strengthen the quality and effectiveness of the support and governance arrangements. The postholder will also be the designated deputy to the Head of Finance. It is proposed to establish this post at a salary of £50,000.
- **Cultural Services**, merging sport and leisure services, Libraries and Theatres, Galleries and Museum Services, in addition to the support provided to Cultural Strategy, Events and Marketing and Visitor Services. The approach will be more cost effective and provide focused support to the Assistant Chief Executive (Culture). It is

proposed to establish a Head of Service Group in the salary range £40,000 - £45,000.

- **Central Services**, amalgamating services currently provided by Corporate Accountancy and the Chief Executive's finance team. This team will also service a range of external clients, in particular the PTA. It is proposed to establish a Head of Service Group in the salary range £40,000 - £45,000.

4.2 Head of Finance (Neighbourhood Services)

4.2.1 The three Groups proposed are:

- **Adult Services**: subject to considerable change in the future, including an emphasis on joint working with external partners. The postholder will be the designated deputy to the Head of Finance. It is proposed to establish this post at a salary of £50,000 per annum.
- **Housing / City Works / Capital**: grouped together on the basis that the declining residue of City Works activity supports the Housing service, and the vast bulk of capital investment in Neighbourhood Services relates to housing activity. It is proposed to establish a Head of Service Group in the salary range £40,000 - £45,000.
- **Other Neighbourhood Services**: incorporating Environmental Services and trading services. It is proposed to establish a Head of Service Group in the salary range £40,000 - £45,000.

4.3 Head of Finance (Children's Services)

4.3.1 Whilst it is recognised that one aim of creating the Children's Services Directorate was to deliver a unified service for children, given the unique nature of the funding arrangement for Education it is proposed that there should be two separate finance Groups within this service.

- A lead post for **Education Finance** had been established at a salary of £50,000 per annum in May 2006. The post will be responsible for provision of financial services both for the directorate and for schools and for finance input to partnership arrangement between the authority and its schools, such as the Schools Forum. It is proposed that this post will also deputise for the Head of Finance – Children's Services.
- The second group will provide the management accounting service for **Children's and Families**, and Children's and Young People with additional responsibility for capital budgeting and expenditure across the Directorate. It is proposed to establish a Head of Service Group in the salary range £40,000 - £45,000.

5. SUMMARY

- 5.1 The Financial Management SIP has produced a high level design for the future Financial Management Service, which will deliver a high quality, cost effective service, fully focused on delivering its customer needs and thereby delivering the Council's goals in relation to the citizens of Manchester, whilst having proper regard to ensuring appropriate stewardship and governance of the Council's resources is maintained. The structure proposed has been designed to deliver this future service and the Committee is asked to endorse its adoption and agree the proposals contained within the body of this report.
- 5.2 The financial support structure that sit below this level will be developed through the detailed work of the SIP and in consultation with SMT and Service Heads.
- 5.3 Further reports will be submitted to the Committee proposing structures for the Audit and Risk Management, and Exchequer Services areas of the Financial Management Service as these reviews are progressed.

6 COMMENTS OF HEAD OF CORPORATE PERSONNEL

- 6.1 I have worked with the City Treasurer and Head of Financial Management in the development of this report and recommendations. I confirm that I agree with the proposals contained herein.
- 6.2 The proposed new roles of Head of Service Group are appropriate in the circumstances and will increase the Council's capacity to deliver on strategic financial management of services and key financial projects.
- 6.3 The salaries proposed of £50,000 for the deputy roles, and £40,000 – £45,000 for the remaining Head of Service Group roles are commensurate with other posts with corresponding levels of responsibility elsewhere within the City Council and are appropriately differentiated from the senior management roles in Finance established in 2006. I consider that the proposed salaries will attract applications from competent and suitably experienced candidates.
- 6.4 The posts will form part of the overall financial management team across the City Council. In order to ensure that high calibre candidates are attracted to the roles, with the capacity to provide excellent financial support to the Directorates, it is proposed that the City Treasurer, Head of Financial Management and myself will determine appropriate arrangements for progressing appointments in line with City Council policies on progressing restructures. Any posts which are not appointed to through this process will be advertised nationally.

- 6.5 I will ensure that appropriate support is given to the City Treasurer and Head of Financial Management to develop suitable job descriptions for these roles and to ensure that appropriate advertising and recruitment processes are adopted to secure a competitive field of experienced and suitably qualified candidates.
- 6.6 The proposed grades and salaries for the Head of Business Support and the Head of VAT are commensurate with the responsibilities of these roles and relative to posts of similar scope elsewhere in the Council.
- 6.7 I will also work with the City Treasurer and Head of Financial Management to ensure that the Financial Management Service Improvement Project rationalises existing financial management structures and yield a level of savings sufficient to offset the cost of establishing these new posts.

ATTACHED AS APPENDICES

1. Schematic presentation of the proposed revised Financial Management structure.
2. Proposed Variation in Assignment Schedule for Financial Management Services.