

Budget Consultation 2019+

November 2018

Finance and Governance



Making a positive difference

 Birmingham
City Council

SAVING PROPOSAL FACTSHEET

FG101 Delivery of further efficiency savings following the implementation of a new Finance and HR I.T. system.

Directorate: Finance and Governance Service: Finance

About this service

The Finance Service provides strategic financial advice, control, compliance, stewardship and governance, which ensures the council meets its statutory financial obligations. It works closely with directorates, partners and stakeholders to support the delivery of the council's strategic objectives and priorities. The service consists of:

- Corporate Finance
- Service/Directorate Finance
- Development and Commercial Finance
- Internal Audit
- Financial Transaction processing (payroll, creditor payments, accounts receivable)

This proposal is likely to impact all areas of the Finance and Governance Directorate except for Internal Audit and Legal and Democratic Services.

Proposed changes

The council is in the process of purchasing a new Finance and Human Resources IT system and a programme of change in financial management and administration processes which aim to deliver improved performance across the organisation and operational efficiencies within the finance function. This will lead to a reduction in the number of employees required to deliver the finance service.

The new system will simplify and streamline business processes and working practices that meet business requirements for financial management, administration and supporting decision making.

It is envisaged that it will be possible to increase automation of tasks, introduce easy to use processes and improve self-service opportunities, which are accessible for use by non-finance experts and require less specialist systems support. This will enable operational efficiencies in transaction processing to be achieved across the Corporate and Service/Directorate Finance teams and Financial Transaction Processing services. The business change project will also deliver improvements to the way the council pays its suppliers and how the council obtains payment for services that it provides to fee-paying customers.

The amount currently spent on the service and the proposed reduction is shown below.

Total Spend 18/19	Income 18/19	Net Spend 18/19	Saving in 19/20	Saving in 20/21	Saving in 21/22	Saving in 22/23
£15.705m	£6.192m	£9.513m	£0.00m	£0.100m	£0.850m	£1.700m

What would this mean?

The introduction of a new IT system and improved business processes will be aimed at reducing the amount of time taken completing routine accountancy and transactional tasks and processes, whilst at the same time enabling service managers, budget holders and other users to access and manage their financial information directly and in a more user friendly and accessible way. Finance staff will be enabled to work more efficiently, underpinning a good quality service offer with accurate, timely and accessible financial information.

Service users will be able to complete routine financial tasks, and follow clear, automated, controlled business processes in less time. Finance officer time will be freed up to focus on the provision of added value advice and guidance to support decision making.

It is anticipated that Finance will be able to deliver further employee reductions over a three-year period linked to the full implementation of the new IT solution and improved business processes. This is likely to impact lower-graded staff due to the process and transactional nature of the changes being introduced.

We will try to reduce the impact by

There will be no adverse impact upon the delivery of front-line services to the public.

Budget holders, finance staff and other system users will receive comprehensive training in relation to redesigned business processes, use of the IT system and changes to governance arrangements.

SAVING PROPOSAL FACTSHEET

FG102 Reduced External Legal Spend

Directorate: Finance & Governance

Service: Legal & Governance

About this service

Legal Services provides legal transactional support and advice, to keep the City Council safe and legal, and provide governance and oversight to the way the Council operates. Their budget historically and currently only provides for staff costs, and very limited operational expenditure which supports day to day activity.

However, in the conduct of certain types of legal matters, additional support is required to the process, or to deliver a more favourable outcome which can incur considerable expenditure. Two specific examples of this are Barristers, and External Law Firms.

Proposed changes

Legal Services propose to reduce the total amount of money spent by Birmingham City Council on Barristers Fees and External Law Firms, by changing the way that both current services are provided. This proposal is to deliver a phased reduction in these costs without reducing the quality of outcome delivered.

The amount currently spent on the service and the proposed reduction is shown below.

Total Spend 18/19	Income 18/19	Net Spend 18/19	Saving in 19/20	Saving in 20/21	Saving in 21/22	Saving in 22/23
£3.2m	£0.0m	£3.2m	(£0.200m)	(£0.300m)	(£0.400m)	(£0.500m)

What would this mean?

Legal Services will focus on reducing Barristers Fees first. In order to try and achieve this, the department will begin researching approaches by other organisations, market testing and consulting with local chambers in order to identify and confirm that a different approach will meet the needs of the City Council. This could be by developing - or changing – the workforce to increase the number of lawyers in-house who have higher right of audience and can replace the external provision, by increasing the use of fixed fees for barristers, or by engaging with an existing single or newly created conglomerate source to procure a managed service approach that will meet the needs of the City Council whilst delivering a saving. As this has not been pursued to our knowledge in an organisation with as diverse a caseload as Birmingham, it is entirely possible that a hybrid approach will be more achievable, but all approaches will be evaluated.

Assuming the approach to realising savings on barristers' fees is possible and successful, a similar model may be applied secondarily to work sent to External Law Firms, sometimes referred to as *Outsourcing*. However, this will need considerable further investigation and assessment as to

feasibility, as the approach taken to outsourcing work is fundamentally different to the use of barristers.

Barristers augment the in-house provision, whereas outsource partners effectively replace or duplicate the in-house provision, which can result in incredibly high costs, and does not guarantee a more effective provision or set of outcomes. It may be the case that it is more cost effective to undertake more of the work that is currently sent out by expanding the in-house resource in different ways; however this will need the support of HR colleagues to ensure it is done responsibly and with minimal residual financial liability in the event that the work is finite or project based.

We will try to reduce the impact by

This proposal is not without risk to successful outcome delivery. Currently, the department has the ability to instruct the best or most appropriate expert for the task at hand, and whilst the intention is to incorporate the need for this to be met on an ongoing basis into the new solution by adding multiple sources of supply, restricting any source of supply carries a risk that the need will no longer be met by the best or most appropriate expert.

SAVING PROPOSAL FACTSHEET

FG103 Legal & Governance Management Review

Directorate: Finance & Governance

Service: Legal & Governance

About this service

Legal & Governance provides legal transactional support and advice, support to the democratic process, and assistance to members to keep the City Council safe and legal, whilst providing governance and oversight to the way the Council operates.

In order to do this effectively a multi-disciplinary management structure is in place that delivers a broad range of specialisms, ranging from complex technical specialities in Legal Services to Elections experts, leading the Scrutiny and Committee functions and managing the Lord Mayor's Office, amongst many other functions.

Proposed changes

A management review will be conducted and either the number of overall posts will be reduced, or the total staffing expenditure budget will be reduced to reflect this saving.

The amount currently spent on the service and the proposed reduction is shown below.

Total Spend 18/19	Income 18/19	Net Spend 18/19	Saving in 19/20	Saving in 20/21	Saving in 21/22	Saving in 22/23
£6.649m	£6.141m	£0.508m	(£0.120m)	(£0.120m)	(£0.120m)	(£0.120m)

What would this mean?

The current number of managerial graded posts (Grade 6) within the Legal & Governance could be reviewed and revised downwards to ensure that business units align with current work requirements, and the appropriate numbers of managerial graded posts are in place.

However, where this has been considered in Legal Services, this must balance the associated reduction in productive output (which has been analysed) and acknowledge that there will be a subsequent shortfall in resource to deliver the workload. Some of this could theoretically be replaced at Grade 5 level where required, and with intelligent design, some could potentially be replaced at even lower grades.

This could be achieved, as there are specific types of legal work carried out in the department that are genuine process completions, i.e. are repetitious in nature and can be made more efficient by the introduction of mandated technical processes (workflows) in order to complete the steps required. Where these are present in Legal Services, they are already conducted by lower graded staff with supervision and oversight by professionally qualified officers and have either been subject to LEAN improvement and have technical workflows attached to them, or are in the process of being reviewed and mandated currently. The department has concentrated on the most labour intensive

processes first and will continue to work on mandating as many processes as is practical and possible, and funding allows.

We will try to reduce the impact by

Merging business units, or alternatively by replacing higher graded staff with lower graded postholders in Legal Services, or a combination of the two. The approach taken will depend on the feasibility of merging specific business units, and/or the risk of losing specialist posts and the associated skills/knowledge of the postholders, where it cannot be replaced at a lower grade.

Where more technical advice and support is required – and specifically where representation at Court or Tribunal is necessary - professionally qualified staff are necessary to deliver the service and support required by the Council, so it will not be possible to reduce grading in all areas.