

Subject: Proposed changes to the GLA Establishment - Finance and Governance

Report to: GLA Oversight Committee

Report of: Executive Director of Resources

Date: 1 March 2018

This report will be considered in public

1. Summary

- 1.1 This paper sets out proposals for changes to the Greater London Authority (GLA) Establishment relating to the Authority's Finance and Governance functions spanning three current units: Financial Services, Governance & Performance and Group Finance.
- 1.2 It is proposed that there is some streamlining of existing activities and that the first two of these units (Financial Services and Governance & Performance) merge to form one new unit: Finance & Governance.
- 1.3 Financial savings in the order of £120,000 per annum are expected to arise from the proposed changes.

2. Recommendation

- 2.1 **That the Committee responds to the Head of Paid Service's consultation on the proposed changes to the GLA Establishment relating to the Authority's Finance and Governance functions.**

3. Background and proposed changes

- 3.1 The proposals fall into the following categories:
 - Financial Services and Governance & Performance – Senior Management;
 - Financial Services – Apprentices;
 - Financial Services – Technical Team;
 - Financial Services – Housing & Development Team;
 - Corporate Governance and Corporate Performance Functions;
 - Group Finance – Group Budget Team; and

- Group Finance – Treasury Team.

3.2 It should be noted that no changes are planned in the following areas:

- Financial Services – Corporate Team; and
- Information Governance Function.

3.3 The following structure charts are appended to this paper, noting that all grades quoted for the proposed future structure are indicative at this stage:

- Appendix 1: Proposed Senior Management Structure for Finance & Governance;
- Appendix 2: Current Financial Services Unit Structure;
- Appendix 3: Current Governance & Performance Unit Structure;
- Appendix 4: Proposed Governance Team Structure;
- Appendix 5: Current Group Budget Team Structure; and
- Appendix 6: Current Treasury Team Structure.

Financial Services and Governance & Performance – Senior Management

3.4 For the last two years, under a temporary arrangement, the senior management of the Financial Services and Governance Units has rested under a single temporary established role – the Head of Finance & Governance – rather than two different roles – the Head of Financial Services and the Head of Governance & Performance.

3.5 The temporary arrangements are viewed to have worked well as a result of the synergies between the work programmes of the two units, specifically in the following areas:

- Decision making
- Risk management
- Corporate assurance in areas such as anti-fraud measures
- Freedom of information requests relating to financial matters;

and in the case of performance reporting, these restructuring proposals are viewed as providing enhanced arrangements for the future.

3.6 As a result, the following changes to the Establishment are proposed:

- That a Head of Finance & Governance post be created at Grade 15; and
- That the Head of Financial Services (Grade 14) and the Head of Governance & Performance posts (Grade 14) be deleted.

3.7 This proposal has the additional benefit of creating a financial saving for the Authority in the order of £72,000 per annum. It would also create a combined Finance & Governance Unit, replacing the existing Financial Services and Governance & Performance Units.

Financial Services – Apprentices

3.8 There have been two cohorts of two apprentices working in the Financial Services Unit over recent years on one-year contracts under the employment of the Chartered Institute of Public Finance and Accountancy (CIPFA). Following changes brought in principally via the Apprenticeship Levy, employment of apprentices in future will be via the GLA directly rather than via CIPFA.

3.9 The Financial Services Unit and Human Resources & Organisational Development Unit (HR&OD) have jointly worked up a new scheme which will see apprentices study for the Association of Accounting Technicians (AAT) qualification on an 18-month contract at Grade 2 (level three apprenticeship) with the possibility of an 18-month extension at Grade 4 (level four apprenticeship). It is hoped that the scheme will develop individuals who can build a career in the team at Grade 6 and above.

3.10 As a result, the following changes to the Establishment are proposed:

- That two Finance Apprenticeship posts be created at Grade 4, noting that the funding will come from the existing Financial Services budget set aside for this purpose.

Financial Services – Technical Team

3.11 Developments in accounting standards will make the work of the Technical Team more complex, specifically:

- IFRS 9 – Financial Instruments – this standard has changed how the Authority and GLA Land and Property Limited (GLAP) classify and measure financial assets and has changed the timing and measurement of the impairment of financial assets. This is effective from 2018/19 but will require restatement of 31 March 2018 balances. This requires a comprehensive review of all financial instruments and consideration any changes in classification will have on the general fund/retained earnings; and the preparation of expected credit losses models to calculate impairment and an assessment of the resultant impact on reserves;
- IFRS 16 – Leases – this standard changes the classification and accounting of operating leases for lessees, operating leases will be recognised on the balance sheet. This will require a review of all operating leases in GLA and GLAP, the need to obtain valuations, and to account for the resultant assets and lease liability on the balance sheet. This is effective from 2019/20 but the review has to take place in 2018/19 to ensure that we are compliant in 2019/20; and
- IFRS 15 – Revenue Recognition – this mainly impacts on GLAP and changes how and when GLAP will recognise revenue as well as requiring new disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. A review is required of GLAP income sources to ensure that income is recognised in accordance with the new standard and that disclosures are compliant. This is effective from 2018/19.

3.12 In addition, the Technical Team will be assuming some additional responsibilities:

- Consolidation of Accounts – the Consolidation of Accounts will be extended to include:
 - From 2017-18, SME Wholesale Finance London Limited (SMEWFL, trading as “Funding London”) which has been acquired by the GLA – please see MD2146
 - From 2018-19, the London Fire Commissioner (the body replacing the London Fire and Emergency Planning Authority – LFEPA) which will be under Mayoral control;
- Posting Treasury transactions – to ensure an appropriate division of duties between teams, it is proposed that the Technical Team, rather than the Treasury Team, posts Treasury transactions – this follows on from a recommendation made by Link which has conducted an independent review of the GLA’s Treasury Function (see Treasury section below for further details); and
- Provision of a shared service to the Old Oak and Park Royal Development Corporation (OPDC) covering technical accounting services, specifically:
 - Preparation of the following reconciliations:
 - Bank Reconciliation
 - Accounts Payable Reconciliation
 - Accounts Receivable Reconciliation
 - VAT Returns - preparation and submission

- Running the following reports and fielding queries:
 - Parked Invoice Report
 - Aged Debtors Report
 - GRIR (good-receipt/invoice-receipt) Report
 - Open Purchase Orders Report
- Sales Invoice processing
- Expenses processing
- Payroll submission – staff loans, expenses, UNISON and GAYE
- SAP Substitutions – running the report to check that substitutions have an end date, are in line with OPDC Financial Regulations
- Running RE91 Reports at year end
- Running accruals transaction listings at year end.

3.13 As a result, the following changes to the Establishment are proposed:

- That the Chief Accountant post be upgraded from Grade 12 to Grade 13 to reflect the additional responsibilities taken on by the Technical Team and the increased complexity of the Team’s work for which the Chief Accountant is responsible and at a cost of £12,000 per annum;
- That a new Grade 8 Accountant post be created with Treasury transactional responsibilities and with the cost covered by Treasury income; and
- That a new Grade 6 Senior Finance Officer post be created to undertake the new OPDC shared service responsibilities – the shared service agreement between the GLA and the OPDC will be updated accordingly with the cost of the new post to be met by the OPDC.

Financial Services – Housing & Development Team

3.14 A new Housing & Development Team was created within the Financial Services Unit in 2017. Its focus is threefold:

- To oversee all capital budgeting issues arising for the Authority, including the production of the Authority’s annual Capital Spending Plan;
- To provide a “one stop shop”, covering both revenue and capital budgets, for the Housing & Land Directorate; and
- To maintain GLAP financial forecasts, both in terms of capital receipts and expenses incurred.

3.15 With the transfer of the responsibility for financial advice relating to the capital element of the Regeneration Unit’s budget from the Corporate Team to Housing & Development Team, and also noting the increased workload on the financial side arising from the Regeneration Team’s Good Growth Fund (which is predominantly capital rather than revenue) and from year end capital accounting tasks primarily relating to land valuations, it is proposed that additional resource is provided to the Housing & Development Team.

3.16 This seems reasonable in the light of this Team having responsibility for providing financial advice to a range of complex and significant grant and loan arrangements in Housing & Land and Regeneration and in the context of the Team currently comprising only four FTEs in total.

3.17 As a result, the following change to the Establishment is proposed:

- That a new Accountant post be created at Grade 8 in the Housing & Development Team, reporting to the Senior Accountant and at a cost of £51,000 per annum.

Corporate Governance and Corporate Performance Functions

- 3.18 The Governance & Performance Unit was created in 2012 to provide the additional programme and project monitoring arrangements necessitated by the devolution to the GLA of the housing and regeneration functions formerly carried out by:
- The London region of the Homes and Communities Agency (HCA);
 - The London Development Agency (LDA); and
 - The London Thames Gateway Development Corporation (LTGDC).
- 3.19 The Unit also has responsibility for the Information Governance Function but that area of work is unaffected by this set of proposed changes to the Establishment.
- 3.20 The staffing arrangements in the Unit (outside of Information Governance) were initially created by utilising existing posts engaged in these areas of work in 2012 and have not been subject to any structural change in the period since 2012.
- 3.21 After a period of six years without structural change, and with a new administration setting out its own arrangements for the reporting of corporate performance, now is the right time to set out a revised structure for this part of the Unit.
- 3.22 In terms of management of the Corporate Governance and Corporate Performance Functions, it is proposed to create a new Senior Governance Manager post at Grade 12 (distinct from the current post which happens to share that title) reporting to the new Head of Finance & Governance post. The new Senior Governance Manager post would oversee three areas of work:
- The Corporate Governance Function (see below);
 - The Corporate Performance Function (see below); and
 - The Information Governance Function (unchanged by these proposals).
- 3.23 A single post overseeing these three Functions would appear to be a logical streamlining of current management arrangements, where there are three posts (all of which are proposed for deletion):
- The Olympic Park Legacy Manager post at Grade 12;
 - The current Senior Governance Manager post at Grade 11; and
 - The Senior Performance Manager post at Grade 11.
- 3.24 In terms of the Olympic Park Legacy Manager post, which provided the GLA with oversight of the London Legacy Development Corporation's (LLDC) operations, that function has become more financially focused – given the challenges faced by LLDC – and is now primarily provided by Group Finance. A small amount of support for decision making and catch up meetings is provided through the Corporate Governance Function. The Olympic Park Legacy Manager post holder has been undertaking other duties in the interim.
- 3.25 In terms of the Corporate Governance Function, it is envisaged that the new Senior Governance Manager post holder will need a dedicated member of staff who can provide day-to-day oversight of the Authority's corporate governance arrangements. The principal tasks for the proposed new Corporate Governance Manager (Grade 9) post holder will be:
- Reviewing decision forms and enhancing their content;
 - Supporting the work of the Governance Steering Group chaired by the Executive Director of Resources;

- Providing decision making advice and updating and administering the Scheme of Delegation;
- Supporting the GLA's oversight of LLDC, OPDC and the London Fire Commissioner (LFC); and
- Revising the corporate risk register and related tasks.

3.26 In terms of the Corporate Performance Function, there are currently two posts in addition to the Senior Performance Manager– one at Grade 8 (Performance Officer) and one at Grade 6 (Performance Support Officer). It is proposed to consolidate these two posts into one new posts – a Corporate Performance Manager at Grade 9, mirroring the arrangement proposed for Corporate Governance and providing day-to-day oversight of the corporate performance function, specifically:

- Developing and monitoring progress against the emerging set of outcome targets;
- Quarterly monitoring at programme and project level; and
- Regular monitoring of Mayoral commitments.

3.27 In both cases – Corporate Governance and Corporate Performance – it is envisaged that a middle management grade of Grade 9 is appropriate for the post holders given the responsibilities of the roles, i.e. providing day-to-day oversight of a corporate function.

3.28 Finally, it is proposed – without affecting the Establishment – that the duties of the Executive Support Officer (Grade 6) are modified to reflect a streamlining of responsibilities agreed elsewhere in the GLA structure. The Committee Services Team will assume responsibility for administering GLA decisions (i.e. Mayoral Decisions – MDs, Director Decisions – DDs, Assistant Director Decisions – ADDs and Greater London Returning Officer Decisions – GLROs). This shift in responsibility fits well with the Committee Services Team having existing responsibility for clerking the Corporate Investment Board (CIB).

3.29 The focus of the modified responsibilities for the Executive Support Officer would be:

- Providing administrative support to the Head of Finance & Governance and to the tier of managers reporting directly to the Head of Finance & Governance (i.e. the Chief Accountant, two Finance Managers and the new Senior Governance Manager post);
- Co-ordination of input to decision forms across Finance & Governance; and
- Co-ordination of answers to Mayor's Questions and other corporate tasks.

3.30 As a result, the following changes to the Establishment are proposed:

- That the following posts be created:
 - A Senior Governance Manager post at Grade 12
 - A Corporate Governance Manager post at Grade 9
 - A Corporate Governance Manager post at Grade 9; and
- That the following posts be deleted:
 - The Olympic Park Legacy Manager post at Grade 12
 - The Senior Governance Manager post at Grade 11
 - The Senior Performance Manager post at Grade 11
 - The Performance Officer post at Grade 8
 - The Performance Support Officer post at Grade 6.

3.31 This set of proposals has the additional benefit of creating a financial saving for the Authority in the order of £111,000 per annum.

Group Finance – Group Budget Team

- 3.32 The Team has the key responsibility for managing the Mayor's annual £16bn budget and maximising and accounting for the GLA's three largest revenue sources – retained business rates, council tax and the Crossrail business rate supplement, which between them will generate over £4bn this year for the GLA Group. It also leads on a number of key projects including managing the financial aspects of the four designated areas/enterprise zones in London, supporting work on the development of the Crossrail 2 funding package and the provision of financial oversight of the functional bodies, including the Mayoral Development Corporations (MDCs).
- 3.33 The responsibilities of the Team have expanded in recent months as a result of preparation for the introduction of a London wide business rates pool from April 2018 which will create additional reporting, administrative and accounting challenges, necessitating an enhanced level of joint working with London's 33 local authorities and their umbrella body, London Councils, and requiring new governance arrangements in relation to the application of the £3.1bn in revenues which the GLA will receive via the pool.
- 3.34 These changes will place additional responsibilities on both the Finance Manager, who will assume a greater workload in relation to external funding, enterprise zones and business rates, and the Senior Financial Analyst, who will assume a greater workload in relation to managing the annual budget setting process.
- 3.35 As a result, the following changes to the Establishment are proposed:
- That the Finance Manager post be upgraded from Grade 12 to Grade 13, which is to be funded by existing budget provision available to the Group Finance Unit; and
 - That the Senior Financial Analyst be upgraded from Grade 10 to Grade 11, which is to be funded by existing budget provision available to the Group Finance Unit.

Group Finance – Treasury Team

- 3.36 A review of the GLA's Treasury Function has been undertaken by the Authority's Treasurer Advisor, Link, in view of:
- The scale of existing and proposed Treasury activity, which has involved a considerable increase in the pool of monies for investment over the last five years;
 - An increase in complexity due to new types of financial transactions (e.g. loans and recoverable grants forming part of the Housing Zones programme); and
 - Associated regulatory and accountancy requirements, including enabling GLA investment activity to be carried out in a Financial Services Market Act (FSMA) authorised manner.
- 3.37 Link has advised that the future Treasury operation should be organised on a front/middle/back office approach and makes the case for a greater segregation of duties. Controls need to be enhanced to reflect the scale and complexity of Treasury activities. There should be a separate compliance function which should have no role in the management/operation function.
- 3.38 So as to ensure that this segregation of duties is achieved, it is proposed that Treasury transactions are posted by the Technical Team (see above).
- 3.39 The Senior Group Treasury Officer – Reporting and Control role covers both: (i) compliance; and (ii) Treasury reporting to the Group Investment Syndicate (GIS).
- 3.40 On compliance, in order to secure a compliance function which meets the exacting compliance requirements expected by the Financial Conduct Authority (FCA), compliance arrangements will be

established at the first available opportunity with an external provider which has the independence, expertise and degree of specialism required. This is being proposed on the basis of professional advice provided by Link and would not be able to be achieved by continuing with an internal staff resource. There will also be an enhanced role for Internal Audit in compliance. These revised arrangements will establish the level of assurance expected by the GLA and its partner bodies in the GIS. Value for money will be an important consideration in any new externally provided function.

- 3.41 On reporting, it is proposed that these tasks be incorporated into the mainstream Treasury function, rather than being distinct and separate from it. There is capacity within the Treasury Team currently to undertake the reporting tasks.
- 3.42 As a result, the following change to the Establishment is proposed:
- That the Senior Group Treasury Officer – Reporting and Control post be deleted, with the savings created being used to fund the external compliance resource being sought.

4. Consultation

- 4.1 A consultation with staff and Unison in respect of these proposals commenced on 20 February 2018. Staff and Unison are being offered the opportunity to submit comments in writing.
- 4.2 One-to-one meetings with the individuals affected are taking place. They will have priority consideration for posts in the new structure as part of a ring-fenced interview process. They will also have priority for other posts in the organisation and, where possible, will be redeployed elsewhere in the organisation to avoid redundancy.
- 4.2 In accordance with the GLA's Staffing Protocol, formal consultation with the Mayor and the Assembly is required for this proposal as more than five posts are affected. The Assembly has delegated its consultation response to its GLA Oversight Committee.

5. Legal Implications

- 5.1 Under section 67(2) of the GLA Act 1999 (as amended) the Head of Paid Service has the power, after consulting the Mayor and the Assembly, to appoint such staff as he considers necessary for the proper discharge of the functions of the Authority, having regard to the resources available and the priorities of the Authority.
- 5.2 Under section 70(2), the Head of Paid Service has the power to employ staff appointed under section 67(2) on such terms as he thinks fit, after consultation with the Mayor and the Assembly.
- 5.3 Under section 54 of the GLA Act 1999 (as amended) the Assembly has delegated its powers of consultation on staffing matters to the GLA Oversight Committee.
- 5.4 The Head of Paid Service staffing protocol, agreed by the Mayor and Assembly in November 2009, sets out the Authority's agreed approach as to how the Head of Paid Service will discharge his staff powers contained in sections 67(2) and 70(2) above.
- 5.5 Paragraph 5.1 of that Protocol states that there is a requirement to consult with the GLA Oversight Committee and the Mayor on any "major restructure", namely the creation or deletion of more than five posts within any one unit. Paragraph 5.2 states that there is a requirement to inform the Mayor

and to consult the Chair and Deputy Chair of the Assembly on restructures involving five or less posts before taking a decision on them.

- 5.6 This proposal falls under the category of a “major restructure” and therefore requires consultation with the Mayor and the Assembly. This paper seeks to consult with the Assembly regarding the proposals in order to comply with its obligations to consult. Any comments made will be taken into consideration by the Head of Paid Service prior to making a final decision on the proposals.
- 5.7 In respect of the posts which are proposed to be deleted, the GLA should follow its Management of Change Policy in respect of the deletion of these posts. In recruiting to vacant posts, the GLA should follow its Recruitment Policy and Equal Opportunities Policy.
- 5.8 The GLA should be aware that fixed term employees have the right to be treated no less favourably than permanent employees due to their fixed term employee status. Once the post holder has been in post beyond two years, he/she will have the same statutory right as a permanent employee not to be unfairly dismissed.
- 5.9 After two years of service, the post holder may also be eligible to receive a redundancy payment should the post come to an end. Any fair dismissal of the employee at the end of the fixed term will necessitate a fair reason and a fair procedure. This will involve considering suitable alternative employment before confirming that their employment is terminated.
- 5.10 If the funding continues after the end of their fixed term contract, it may be difficult to dismiss for redundancy (one of the fair reasons) if in fact there is further work to be carried out after the end of the contract. If the employee has been employed on a series of successive fixed-term contracts, then he/she will be considered to be a permanent employee after four years of service.

6. Financial Implications

- 6.1 The financial implications are set out in the table below. Financial savings in the order of £120,000 per annum are expected to arise.

Area	Annual Saving £000
Financial Services and Governance & Performance – Senior Management	72
Financial Services – Apprentices	-
Financial Services – Technical Team	(12)
Financial Services – Housing & Development Team	(51)
Corporate Governance and Corporate Performance Functions	111
Group Finance – Group Budget Team	-
Group Finance – Treasury Team	-
Total	120

6.2 An analysis by full-time equivalent (FTE) is shown in the table below.

Area	Upgraded posts FTEs	Created posts FTEs	Deleted posts FTEs	Net posts FTEs
Financial Services and Governance & Performance – Senior Management	-	1	(2)	(1)
Financial Services – Apprentices*	-	2	-	2
Financial Services – Technical Team	1	2	-	2
Financial Services – Housing & Development Team	-	1	-	1
Corporate Governance and Corporate Performance Functions	-	3	(5)	(2)
Group Finance – Group Budget Team	2	-	-	-
Group Finance – Treasury Team	-	-	(1)	(1)
Total	3	9	(8)	1

*formerly employed by CIPFA

6.3 Any redundancy costs arising from these proposals will be met from within existing budgets.

List of appendices to this report:

Appendix 1: Proposed Senior Management Structure for Finance & Governance

Appendix 2: Current Financial Services Unit Structure

Appendix 3: Current Governance & Performance Unit Structure

Appendix 4: Proposed Governance Team Structure

Appendix 5: Current Group Budget Team Structure

Appendix 6: Current Treasury Team Structure

Local Government (Access to Information) Act 1985

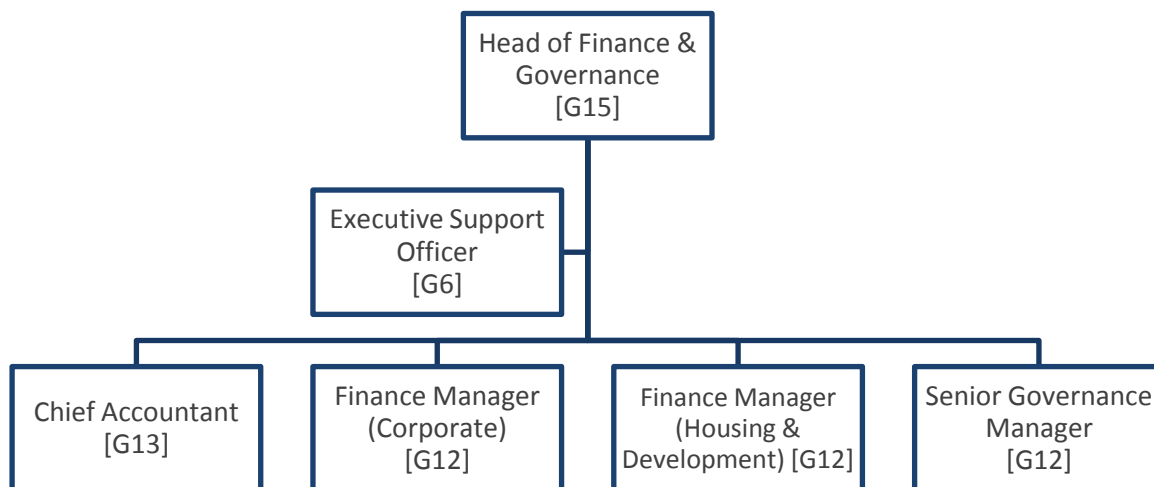
List of Background Papers: None.

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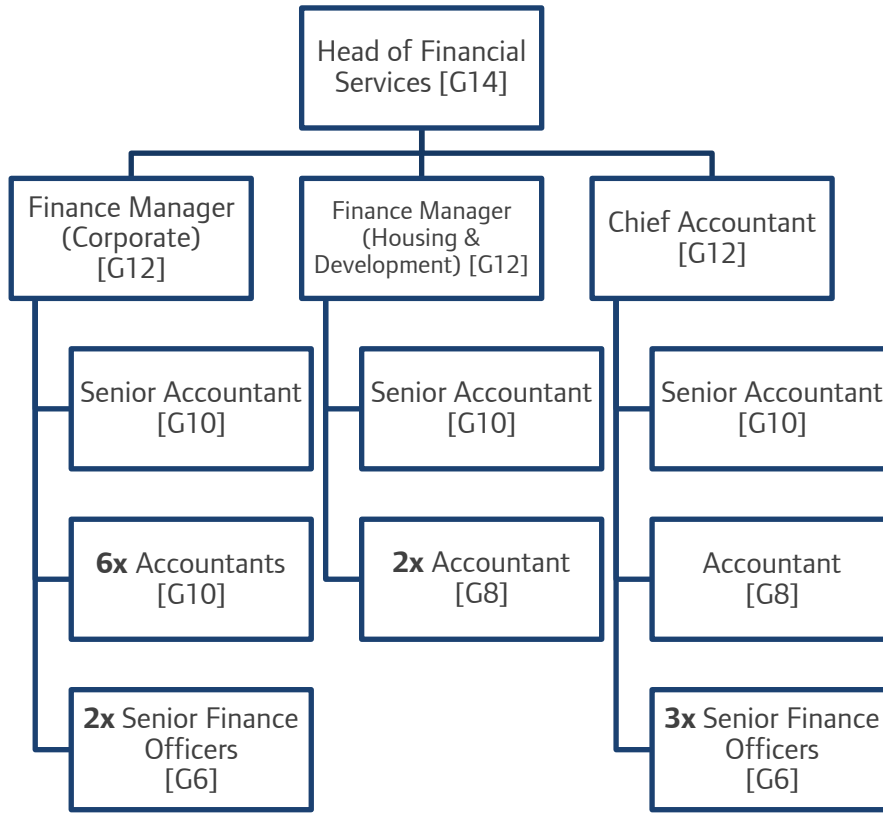
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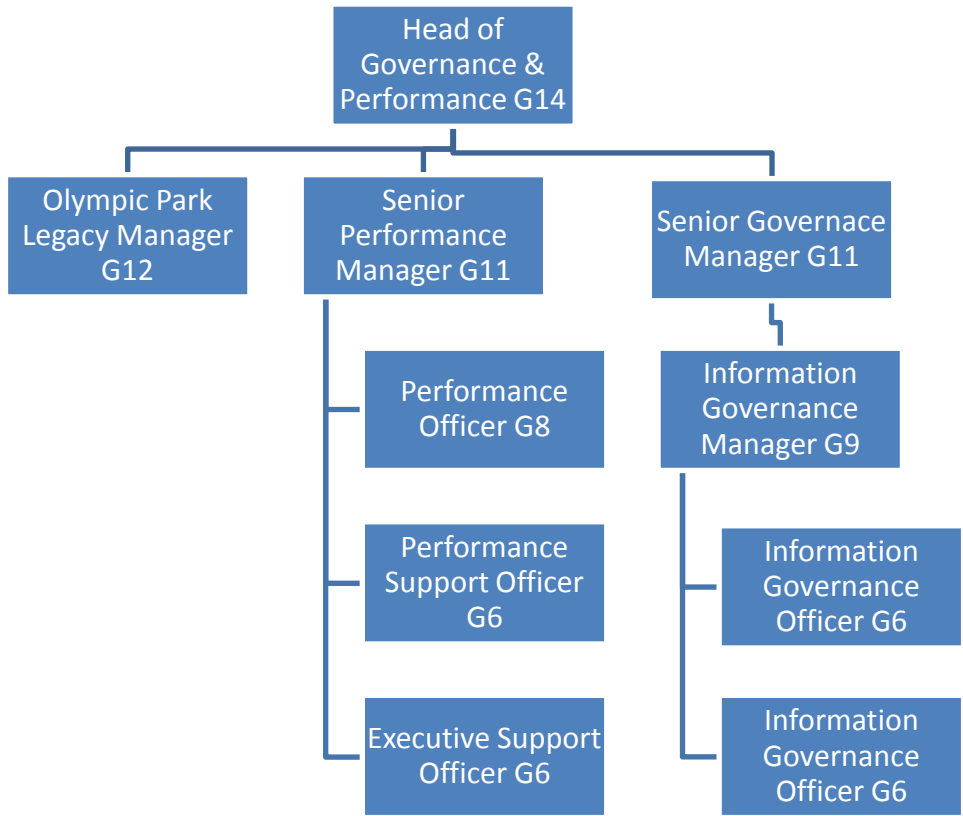
Appendix 1: Proposed Senior Management Structure for Finance & Governance



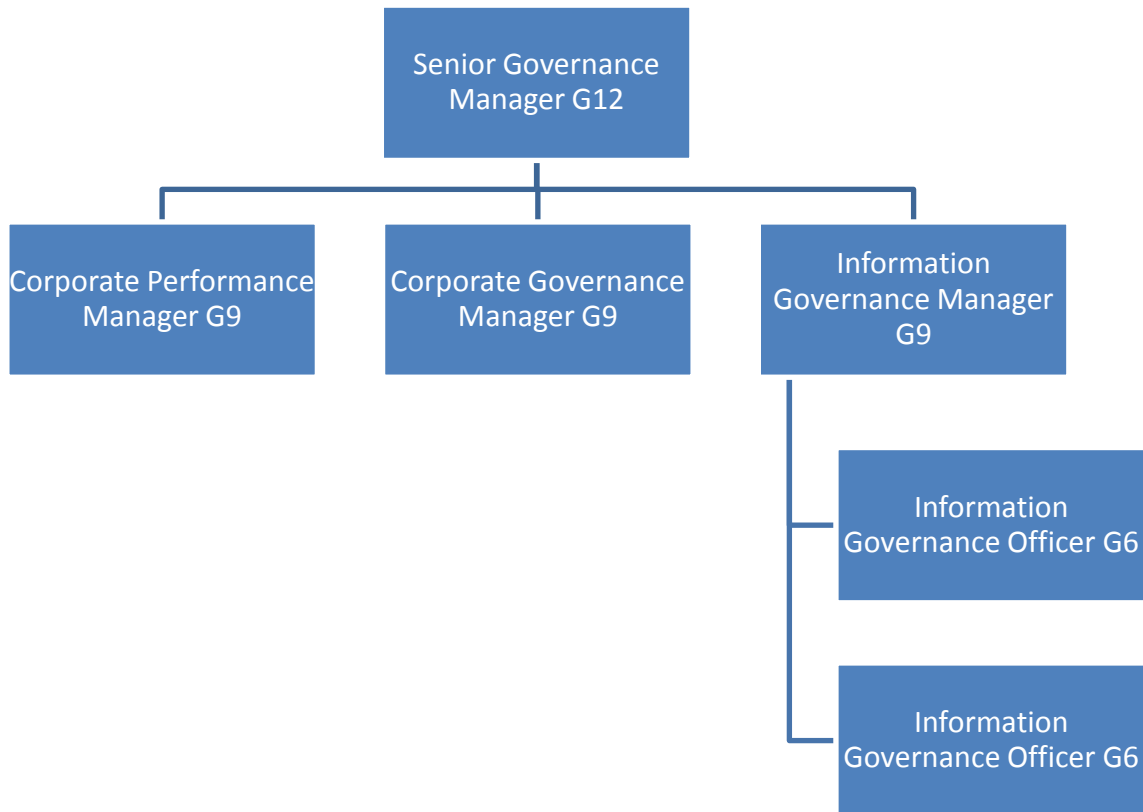
Appendix 2: Current Financial Services Unit Structure



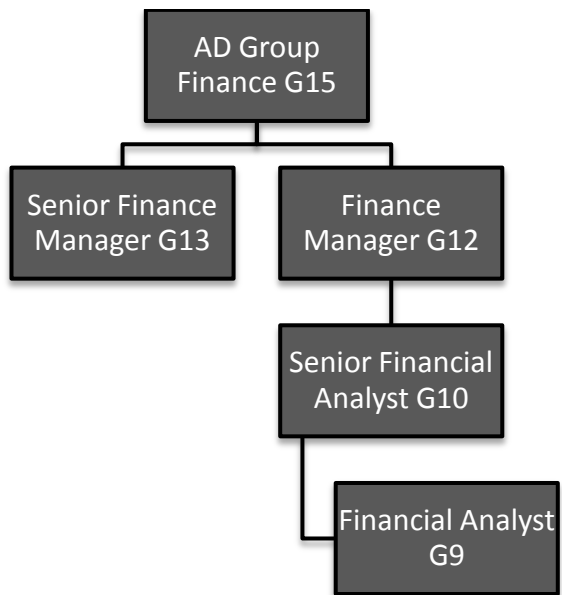
Appendix 3: Current Governance & Performance Unit Structure



Appendix 4: Proposed Governance Team Structure



Appendix 5: Current Group Budget Team Structure



Appendix 6: Current Treasury Team Structure

