

ITEM

REPORT TO CABINET

10 September 2015

REPORT OF CHIEF EXECUTIVE

COUNCIL DECISION

PLANNING FOR THE FUTURE – MANAGING TRANSITION

SUMMARY

To present a proposal for a managed transition toward a new senior management structure for the Council.

RECOMMENDATIONS

1. To agree the principles and proposals of the new substantive senior management structure, revisions to the Chief Officer pay and grading structure and the exit arrangements for members of the senior management team as outlined in the report.
2. To delegate the Chief Executive, in consultation with Leader / Deputy Leader of the Council, implementation and any final amendments following formal employee and union consultation.
3. Note that the new structure will be subject to ongoing monitoring and review alongside MTFP & Council Plan reviews.
4. To agree the establishment of a temporary transformation and change team as outlined in the report.
5. To note the proposed budget saving of £800,000 to be built into the MTFP with temporary transitional arrangements to be funded from the transformation reserve.

DETAIL

Background

1. A report was presented to Cabinet on 16 July 2015 which updated members on the Council's financial position. In summary this outlined the following situation:
 - Government funding reductions of £52m since 2010/11 with a further £15m expected by 2018/19.
 - Savings of £34m have already been delivered through a managed approach to EIT, Invest to Save projects, Service and Big Ticket reviews; as a result the organisation now has 700 fewer FTE employees (1,200 fewer people) than 5 years ago.
 - However there is still a need to deliver a further £17.2m of savings by 2018/19.

2. The July report outlined a planned approach to deliver the required savings over the next MTFP period. The approach, which builds on the planned approach adopted to date, combines a number of specific proposals, transformation and efficiency reviews, utilisation of new technology and detailed service reviews which will be reported to cabinet.
3. There was a recognition in the July report that there would need to be a review of the organisational and senior management structure to release capacity to drive the transformational change necessary to meet the savings challenge. This proposed structural change will not only deliver annual savings of £800,000 but is vital to retain capacity to deliver the scale of change required over the next 3 years. This report sets out a proposed approach to the senior management changes.

Current Structure

4. The current senior managerial structure has, in the main, existed since 2002 and is shown at Appendix A. In summary, this consists of:
 - Chief Executive
 - Corporate Director of Resources and Deputy Chief Executive
 - Corporate Directors
 - Directors
 - Heads of Service
5. The current structure has evolved over the years, not least to reflect new responsibilities such as Public Health but also to make cost savings. The senior management structure is significantly smaller than previously as every opportunity has been taken to maximise savings through the EIT and Big Ticket Reviews. A range of service reviews have seen reductions in senior Managerial capacity to reflect the changing scale of the organisation. Consolidation of activities has allowed the deletion of the posts of Head of Planning, Head of Regeneration, Head of Finance, Procurement and Performance, Head of HR, Head of Xentrall, Head of Community Safety and Head of Performance and Business Services (DNS), Head of Support Services (CESC) and Head of Legal Services.
6. This incremental approach has already allowed us to achieve a net reduction of 9 senior management posts since 2008. See Appendix A and B.

Reasons for Change

7. Given the ongoing level of change in the organisation, and the scale of the current financial challenge, the time is now right for a fundamental review of the organisational structure. We need to take the next step in ensuring that we have the right foundations in place for the challenge of the Big Picture programme. There are many factors which suggest that phased organisational and senior management change should be started now:
 - The scale and nature of the Council will change significantly over the next three years. We estimate that the Big Picture Programme reviews could lead to the reduction of a further 300-400 posts in the organisation. It is inevitable that our services will become more targeted and whilst we will continue protecting, so far as is possible, services for the most vulnerable and areas of greatest need, we will be delivering less over time.

- The reduction in senior management posts achieved to date by consolidation of responsibilities has probably reached its limits and any further change must look at the hierarchy of the structure as well as the Service Groupings. The role of the Corporate Directors has always been a combination of operational and strategic responsibilities and as Services have combined the distinction between these posts and the broader Head of Service posts has become less distinct.
 - We will, over the next year, see the beginning of the Tees Valley Combined Authority and further developments in the devolution discussions.
 - There is an increasing integration of Health and Social Care, which is demonstrated by the work of the Better Care Fund.
 - There is an opportunity to further incorporate and integrate Public Health into the management and operation of the organisation.
 - There are huge immediate demands on capacity to deliver the agreed savings programme outlined in the Big Picture programme. We have seen through the Big Ticket programme the benefits of releasing senior experienced and knowledgeable employees from day to day management responsibilities to concentrate on leading the Big Ticket reviews.
 - We continue to face a huge call on senior capacity to deliver the ambitious regeneration programme. Projects such as the Victoria Estate development, Ingleby Leisure facility, Northshore and the Town Centre all require significant senior input to ensure successful delivery.
 - There are increasing demands on a number of our services not least Children's Social Care and these need to retain a clear and dedicated focus.
 - The Council has recognised the necessity to develop capacity and grow talent, care for and invest in its people through the innovative 'Shaping a brighter future programme'. The programme is developing national interest from APSE, the LGA and the Northern Ireland Local Government. A separate update paper on progress is on the agenda. This approach is enabling us to build the capability of employees throughout the organisation and gives us confidence that the proposed senior management structure will be underpinned by teams that can drive the organisation forward.
 - We need to ensure that there are clear succession plans in place, linked to SBF, as a number of our senior managers are at an age where they could leave the organisation under the revised Local Government Pension Scheme arrangements and if this were not planned and managed it could have a significant de-stabilising effect on the organisation.
 - Finally, there is a straightforward economic imperative. We need to plan now to implement a structure that once fully implemented will save £800,000 per year in senior management costs. This is a necessary part of the plans to deliver the MTFP.
8. Taking all these factors into account, a twin tracked approach to organisational development is proposed. A managed transition towards a new senior managerial structure which more accurately reflects the future needs of the Council will be implemented between now and April 2018 and a temporary transformation and change

team will be established immediately to drive change and development over the same period to ensure that the organisation is in the right place to operate fully under the new structure by 2018.

Proposed permanent structure

9. The proposed permanent establishment structure and Director responsibilities are set out at Appendix C and C1. The new structure deletes the Corporate Director tier and will reduce the Senior Management Structure further from 31 posts in 2008 and the current level of 22 posts, to 16 posts and will save £800,000 per year.
10. Implementation of the new structure will be phased over the next few years, and it is expected that this will be fully operational by April 2018. However employee and union consultation on the new structure will happen as soon as is possible following Cabinet and Council approval. Appointments will be made to the new positions immediately following the consultation in order to avoid uncertainty for staff across the organisation and to free capacity for the transformation team. However the timing of transfer to new posts will be determined by the Chief Executive in consultation with the Leader/Deputy Leader taking into account such issues as progress of review implementation (see below) and also external changes such as the speed of health integration. An indicative view of the leave dates of the seven departing senior managers and directors is set out below, however these timings may be subject to change as operational needs dictate and as the work in the transformation team progresses (See below):

Corporate Director CESC – August 2017

Corporate Director DNS – March 2018

Director Law & Democratic Services – June 2017 (following PCC elections, possible Euro elections and 'Metro Mayor')

Head of Customer Services and Taxation – March 2017

Head of Policy, Improvement and Engagement – March 2018

Head of Adult Operations – August 2017 (formalising end of EIT temporary arrangements)

Head of Housing and Community Protection – July 2017

11. The proposed structure has been developed in conjunction with NEREO, taking into account operational models in other public sector organisations. The tiers and bands are considered to provide sufficient flexibility and range to attract and retain senior management capacity. The proposed revisions to the pay and grading structure to accompany the new senior management arrangements is set out in Appendix D. This draft pay and grading structure is currently being reviewed by NEREO, a final report from them will be available by the date of the Council meeting. Should the approach be approved by Cabinet and Council, in line with Council policy all posts will then be subject to job evaluation by the NEREO consultants and each post will be allocated to the appropriate salary point on the scale. It is also proposed, following full implementation of the new structure in April 2018, that the Chief Executive salary level is reviewed to reflect the changing scale of the organisation.
12. These proposals will then be included in a formal consultation document along with details of the appointment arrangements. The Council has well developed, effective managing change protocols and procedures, developed with trade unions and set out in The Management of Organisational Change (MOC) policy, which would be of course apply throughout this review as with all previous Service Reviews. It is proposed to delegate implementation and appointment to the roles to the Chief Executive in consultation with The Leader.

13. It should be noted that during development of these proposals the Government has begun a consultation on the possibility of limiting public sector exit payments. This consultation closed on 27 August 2015 and invited views on a proposal to cap exit payments at £95,000 without securing full Council approval for larger payments. The Council has responded to the consultation, a copy of the response can be found at <https://intranet.stockton.gov.uk/elected-members/members-library/responses-to-government-consultations/>, in line with ANEC, Unison and other Local Authorities, our response points out a number of major flaws with the proposed measures which as proposed will capture pension strain costs as well as redundancy payments. The measures, if introduced will severely limit the ability of authorities to carry out re-organisation and planned succession planning as has been our approach. By including pension costs the cap captures many employees at relatively junior levels in the organisation simply as a result of the fact that they have many years' service. As an indication 16 employees leaving the Authority over the last year would have breached the cap, including Grade K officers. Whilst it is not at all certain that the cap will be introduced and certainly not without revision it is considered sensible to indicate that all senior managers and directors who would leave the Authority under this review would breach the cap and therefore in the interests of transparency, the recommendation to Council to approve the new arrangements will also include the agreement to waive the cap should the proposal be introduced. Full Council has already approved departure arrangements for the Chief Executive at the time of agreeing to his new Fixed Term contract in February 2014. However in the interests of transparency the waiver of any proposed cap for this arrangement will also be included in the Council recommendation.

Interim arrangements

14. In addition to the need to transform the ongoing permanent structure of the organisation there is also a need to meet the huge immediate demand on capacity (experience and knowledge) to deliver the agreed savings programme, the ambitious regeneration programme and the Combined Authority and devolution changes. The proposal is to build on previous approaches and to create a dedicated full time transformation and change team. One of the main lessons learned from the Big Ticket reviews is that the allocation of senior management resource and capacity facilitates the delivery of change and savings.

15. Given the scale of change that we face, it is felt essential to establish a small dedicated temporary team of experienced, qualified officers to drive these challenges forward to deliver savings, change and major projects. Utilising the skills, experience and knowledge of the people who will be leaving the organisation over the next three years allows us to manage an orderly transition to the new permanent structure and frees up capacity to deliver major change using people who understand the organisation and are more able to bring about change than external consultants. The in-house approach is also more cost efficient.

16. It is proposed that the Chief Executive and Deputy Chief Executive would oversee the delivery of the programme and ensure that the transition team links effectively with the proposed permanent organisation.

FINANCIAL AND LEGAL IMPLICATIONS

17. Full implementation of the new structure as set out above will lead to a reduction of £800,000 commitment in the MTFP. It is proposed that the Transformation Reserve is used to fund transitional arrangements.

RISK ASSESSMENT

18. The risk assessment is considered to be low as the transition to the new structure can be achieved through a managed process.

COUNCIL PLAN THEMES

19. Organisational and operational effectiveness.

EQUALITY IMPACT ASSESSMENT

20. The Equality Impact implications of the proposals will be considered during the formal employee and union consultation.

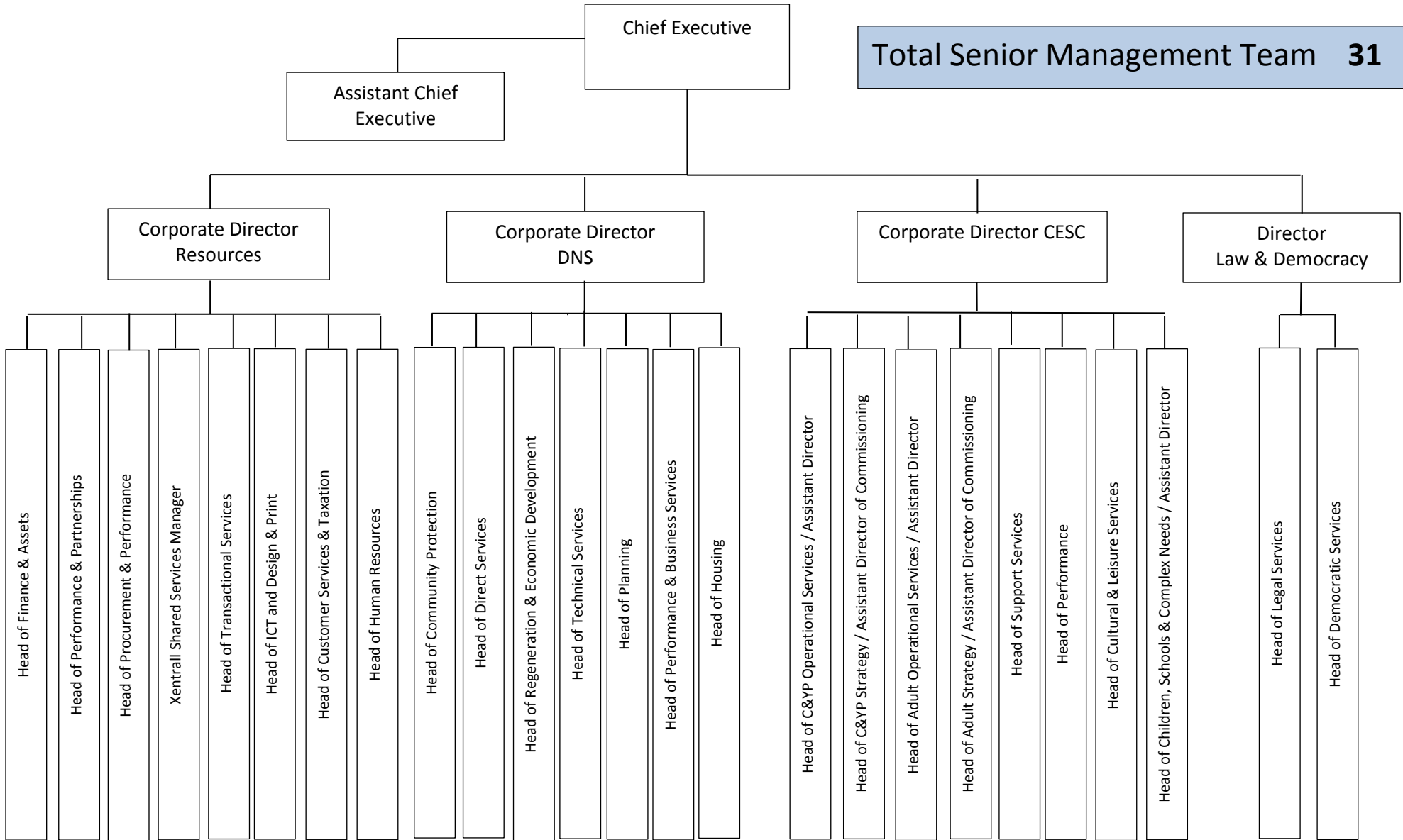
CONSULTATION

21. The proposals will be subject to formal 30 day employee and union consultation should the principles of the approach be approved by Council

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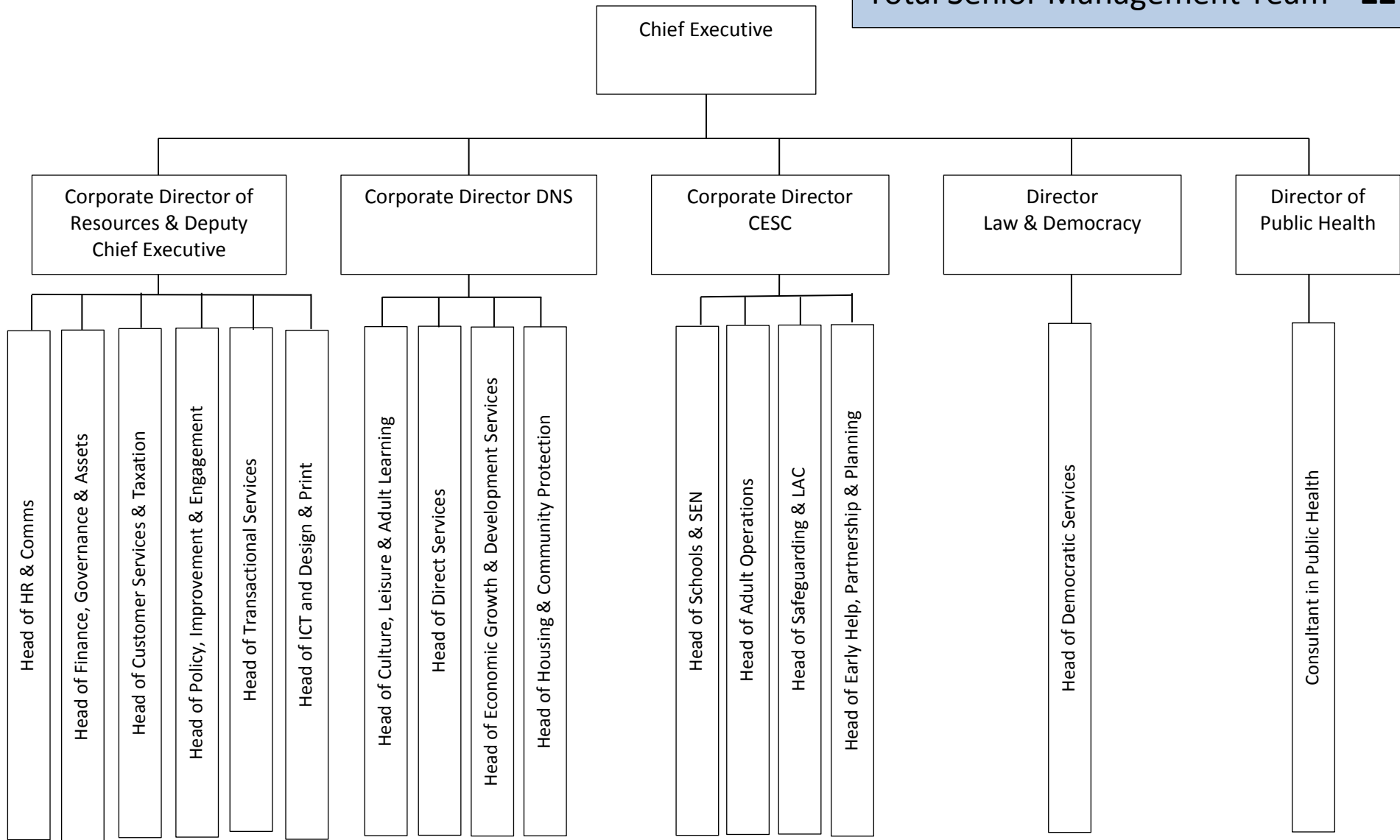
SENIOR MANAGEMENT STRUCTURE - 2008

Total Senior Management Team 31

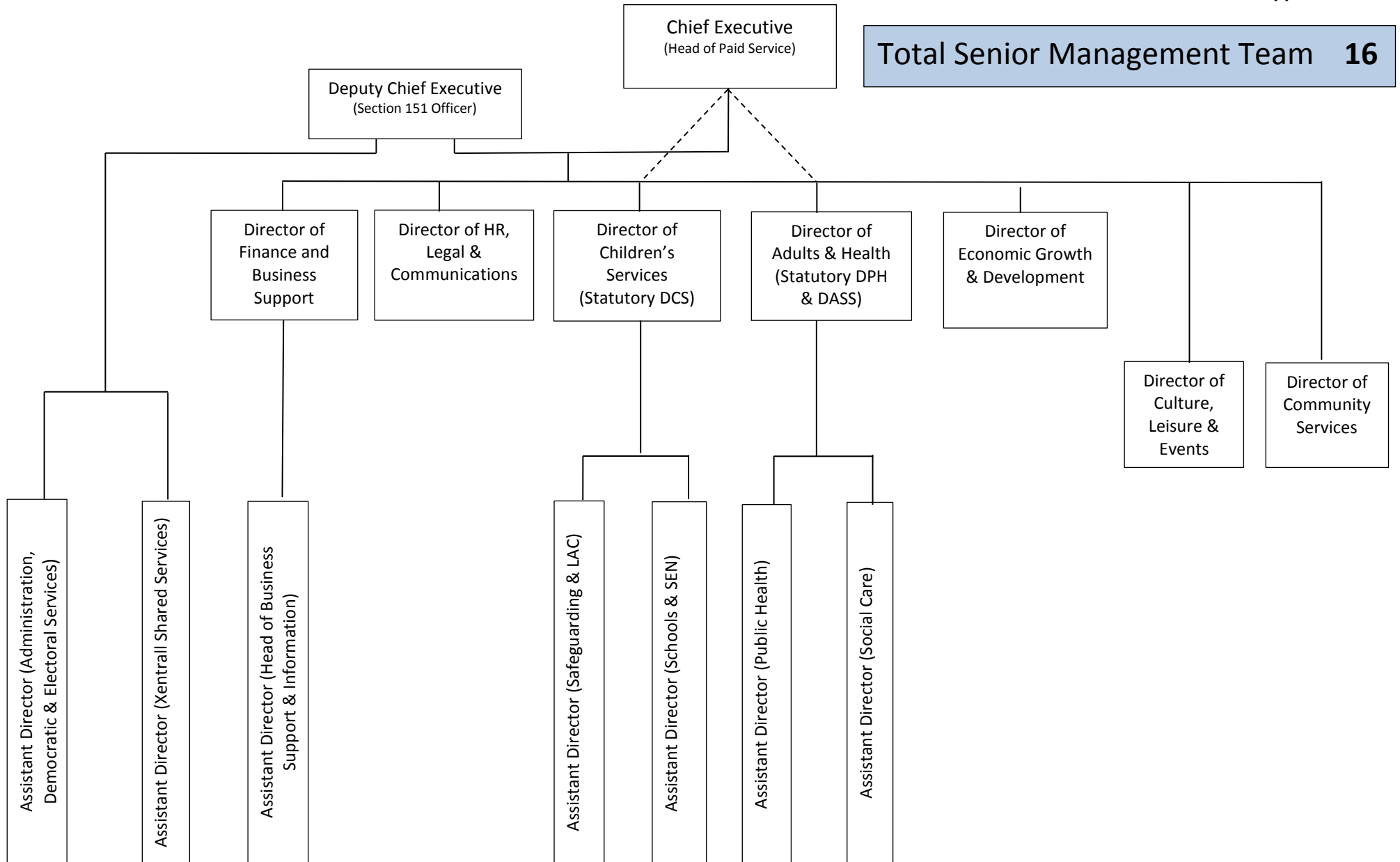


SENIOR MANAGEMENT STRUCTURE - CURRENT

Total Senior Management Team **22**



SENIOR MANAGEMENT STRUCTURE – PROPOSED 2018



DIRECTORS RESPONSIBILITIES

Director of Finance & Business Support	Director of HR, Legal & Communications	Director of Children’s Services (Statutory DCS)	Director of Adults & Health (Statutory DPH & DASS)	Director of Economic Growth & Development	Director of Culture, Leisure & Events	Director of Community Services
<ul style="list-style-type: none"> • Financial Planning/MTFP • Financial Advice, Guidance & Management • Asset Strategy • Land & Property • Procurement • Internal Audit • Health & Safety • Taxation incl Cashiers • Housing Benefits • Welfare Rights • Business Support • Performance Management • 151 Officer TVU 	<ul style="list-style-type: none"> • HR Advice & Guidance • Organisational Development • Workforce Development • Employee Support & Wellbeing • Trade Union Liaison • Communication/ Media Relations • Marketing & Internal Communications • Digital Media • Legal Services • Monitoring Officer • Consultation • Community Engagement 	<ul style="list-style-type: none"> • Early Help • Planning & Commissioning of Care • Emergency Duty Team • Childrens Social Care Management • Safeguarding • Children Looked After Resources • Childrens Centres • School Place Planning • Youth Service • Youth Offending <ul style="list-style-type: none"> • Advisory • Education, Psychologists etc • SEN 	<ul style="list-style-type: none"> • Public Health Statutory • Commissioning of Public Health Services • Adult Social Care Assessment • Adult Social Care Management • Commissioning of Care • Preventative Services/ Re-ablement • Trading Standards • Environmental Health • SEQUIS • NHS Reforms 	<ul style="list-style-type: none"> • Transport Strategy • Transport Management • Building Maintenance • Architects • Engineers • Economic Growth/Spatial Planning • Building Control • Development Control • Housing Strategy & Advice • Private Sector Housing • Housing Options • Business Development & Relations • SBC contribution to Combined Authority collaboration 	<ul style="list-style-type: none"> • Libraries & Heritage • Museums • Leisure Strategy & Commissioning • Events & Festivals • Arts Development • Customer Service Excellence • Multi-Service & Contact Centres • Channel Shift • Adult Learning • Tees Valley 2025 City of Culture bid • SBC contribution to Combined Authority collaboration 	<ul style="list-style-type: none"> • Refuse Collection • Street Cleansing • Highway Maintenance • Grounds Maintenance • Catering • Bereavement & Registrars • HVE Services • Community Transport • Waste Management • Community Safety • Care Call Services

CHIEF OFFICER PAY AND GRADING STRUCTURE

Current pay and grading structure

JOB TITLE	PAY RATE FROM £	PAY RATE TO £
Corporate Directors	123,912	128,523
Head of Service 1	93,006	96,139
Head of Service 2	79,055	82,189
Head of Service 3	64,789	67,926

Indicative proposed revisions to the pay and grading structure (Subject to further work with NEREO)

JOB TITLE	PAY RATE £
Director - Level 1	112,500
Director - Level 2	102,000
Director - Level 3	92,000
Assistant Director - Level 1	87,500
Assistant Director - Level 2	82,500
Assistant Director – Level 3	75,500