

AGENDA ITEM

REPORT TO COUNCIL

6 JUNE 2018

REPORT OF THE CHIEF EXECUTIVE

PLANNING FOR THE FUTURE – MANAGING TRANSITION (Phase 2)

SUMMARY

To provide a review of the implementation of Phase 1 of the managed transition to a new senior management structure agreed in September 2015 and to present a proposal to deliver the second phase of managed transition up to and including the planned departure of the Chief Executive in December 2019.

RECOMMENDATIONS

1. That Council agree to introduce a Managing Director and Deputy Managing Director model which will deliver total proposed savings as a result of senior management reductions of £4,195,000 over the 4 year MTFP and £1,050,000 pa thereafter.
2. That Council agree the transitional arrangements and agree the appointment of the Deputy Chief Executive as the Interim Managing Director to ensure smooth transition.
3. That Council agree to undertake a Local Government Association Corporate Peer Review.
4. That a further report be received outlining options for the permanent appointment of a Managing Director and Deputy Managing Director following the Corporate Peer Review (Phase 3).

DETAIL

Background

1. A report “Planning for the Future – Managing Transition” was presented to Cabinet and Council in September 2015 which approved proposals for a managed transition to a new senior management structure for the Council. The September 2015 report recommended a new senior officer structure for the Council and established a time-limited transformation team to deliver a programme of major projects to deliver savings and to oversee the delivery of specific significant Capital Investment projects. The report also included a commitment to a further update in April 2018 following full implementation of the new structure and completion of the work of the Transformation Team. This paper provides that review and proposes a way forward to deliver the second phase of managed transition up to and including the planned departure of the Chief Executive in December 2019.

Current Position

2. The previous 2008 management structure is shown at **Appendix 1**. The recommendations of the September 2015 report were put into place during the final quarter of 2015 and the

new permanent senior management structure was fully implemented on 1 January 2016. A copy of that structure is attached at **Appendix 2**. The implementation of the new structure was achieved smoothly and has ensured that the strong performance of the Council has been maintained at the same time as delivering £800k of annual savings from the new leaner management team. The management team share a strong loyalty and commitment to the organisation and are enthusiastic advocates of the culture of the organisation. They are committed to the aims of the Shaping a Brighter Future programme and the ongoing development of a people-focussed, learning organisation.

3. The Transformation Team model has worked successfully. The savings projects delivered through the team were completed ahead of schedule allowing us to release employees earlier than anticipated to achieve greater savings. The continuity and handover arrangements supported by the model have also ensured that the transition to the new permanent structure has been smooth and performance across services has not been adversely affected.
4. Performance of the organisation remains very strong under the new structure. Over the last two years we have continued to deliver the commitments in the Council Plan. During that period we have:
 - a. Continue to deliver further savings of £45m by 2020.
 - b. Handled a further reduction in staffing of 320 on top of reductions of 810 in the previous 3 years whilst maintaining union relations and achieving positive results in the Employee Survey.
 - c. Delivered cultural change in the organisation through the SBF programme which will have long lasting benefits in terms of greater resilience and capacity.
 - d. Played a lead role in the establishment of the Combined Authority – following on from our role as employing organisation for the LEP employees. The Combined Authority is now established and operating independently.
 - e. Achieved positive inspection reports from Ofsted and Peer reviews in Children's Services.
 - f. We have supported a big improvement in performance across schools in the borough.
 - g. Maintained good / outstanding ratings for our Children's homes.
 - h. Achieved outstanding CQC ratings for Lanark Close.
 - i. Undertaken a positive Peer Review of Adults Services.
 - j. Achieved positive inspection results in the Adults Learning and Skills service.
 - k. Submitted the Local Plan to the Planning Inspectorate.
 - l. Progressed major investments in the Globe, the hotel, Ingleby Barwick Leisure Centre, the crematorium and in schools and roads.
 - m. Delivered a packed year round events programme.
 - n. Delivered 3 elections efficiently and effectively.
 - o. Retained Customer Service Excellence across all areas.
 - p. Retained our Investor in people status and achieved "Continuing Excellence" in the Better Health at Work Awards.

This strong performance has been recognised in our shortlisting as Council of the Year in the prestigious APSE, MJ and LGC awards. We believe this is the first time ever achieved in a single year.

5. Whilst the position is positive it is also a fact that we continue to face a number of challenges and changes which mean that we must continue to develop and plan for the future with the second phase of managed transition in senior management roles.
 - a. The 2018-21 MTFP period includes the challenge of delivering additional savings

of £11m and there are significant uncertainties around future funding, as part of the requirement to deliver additional savings in the next MTFP period we identified in the 2016 budget that we would be able to deliver further savings of £250k per annum in reduced senior management costs from 2020. Achieving these savings will be challenging given the ongoing pressures and funding reductions, however there is a financial imperative and if we continue with our ongoing managed programme of transition then the changes can be achieved in a way that will support the ongoing strong performance of the organisation.

- b. We remain committed to our ambitious programme of development and regeneration in the borough and as part of this have a great deal of work to see through to complete the successful delivery of a number of major investments over the next year. However a number of the major capital programmes are due to complete in 2019 and then we will move into a period of operation and assimilation of these new assets rather than into a new capital investment programme.
 - c. We need to continue to support employees to develop and grow through SBF to continually meet the challenge of delivering more with less.
 - d. We continue to face high levels of demand in Adults and Children's Social Care however we are hopeful that the deeper embedding of the early help approach in both these services will begin to stem the growth in demand.
 - e. The planned departure of the chief executive at the conclusion of his fixed term contract must also be factored into the transition plans to ensure smooth leadership succession.
6. The managed transition which has taken place since September 2015 has been achieved successfully and we are confident that if we continue with a managed and planned approach, we can achieve further successful transition.

Proposal

7. The following managed transition proposal has been designed to address three key criteria:
- a. To deliver the required annual savings of £250k.
 - b. To minimize disruption and achieve continuity and smooth succession.
 - c. To enable a thorough reassessment by a peer review in 2019/20.
8. It is proposed that the post of chief executive is deleted in June 2019 and replaced with a managing director reflecting the transformed smaller Council officer establishment. Whilst this is in effect a redundancy situation, The Council negotiated a fixed term contract in which any right to redundancy payment is waived.
9. It is proposed that the current Chief Executive steps down from his role as Chief Executive immediately prior to the 2019 Annual Council Meeting in June 2019, however he will continue in a transitional role until December 2019 and the expiry of his fixed term contract. As previously agreed by Cabinet and Council in 2015 the current Chief Executive will leave the Council at the end of 2019, at the end of an agreed fixed term period. This arrangement was put in place to ensure retention, avoid redundancy costs and to allow for a planned succession process. In accordance with this plan it is proposed that following the move to an Interim Managing Director in June 2019, the current Chief Executive will:
- a. Oversee the transition to the new Council following the elections in May 2019 and

- b. oversee the new Councillor induction programme.
 - b. Prepare for a Corporate Peer Review.
 - c. Deliver a leadership development programme (as part of SBF) to continue the programme of increasing capacity in the organisation. A number of places on this programme will be made available to candidates from the local VCSE sector.
 - d. Provide mentoring and guidance to the Interim Managing Director to ensure a smooth transition.
 - e. Continue to provide mentoring and peer support work to other Local Authorities and public sector bodies.
10. It is proposed that additional responsibilities be given to the current Deputy Chief Executive to act as Managing Director on an interim basis from the AGM following the elections in 2019 until the completion of the LGA Peer Review in 2020 and permanent appointment of the Managing Director (as outlined in paragraph 16). At this point the current Deputy Chief Executive post will be redundant.
11. It is proposed that one of the current Director posts will be adapted to include additional duties associated with the Deputy Managing Director responsibilities from June 2019. The allocation of the additional duties to a Director post will be determined in line with the Management of Organisational Change policy through a preferencing and Member-led interview process.
12. During the interim period described at paragraph 10 above, the Section 151 Officer role (currently part of the Deputy Chief Executive role) will be transferred to the current Director of Finance and Business Services role and the Deputy Section 151 Officer role to a post within the Finance and Business Services Directorate.
13. There will be no other changes to the senior management structure (shown at **Appendix 3**).
14. The Council has well developed and effective managing change protocols and procedures, developed with trade unions and set out in The Management of Organisational Change (MOC) policy, in line with this policy it is not anticipated that these proposals will require a formal consultation process. The Corporate Management Team support these proposals and are committed to supporting the programme of smooth transition.
15. As with the first stage of the senior management review, support has been provided by NEREO to advise on the proposed revisions to the remuneration structure to accompany the new senior management roles. In line with Council policy, the new and revised posts have been subject to job evaluation by NEREO and a market testing of salaries has been undertaken. As a result of this, it is proposed that the new Managing Director role will be remunerated at a salary of £149,500. This salary reflects the changing scale of the organisation. It is proposed that the Deputy Managing Director role will be remunerated at a salary of £125,000. This will deliver an annual saving of £250,000. The remuneration of all other senior management roles will remain unchanged.
16. An LGA Peer review will be undertaken in early 2020, this will provide a comprehensive review of the Council. The review will include an assessment of the structure to ensure that it provides sufficient capacity to meet organisational needs, a review of scrutiny and governance arrangements and support for Members. It is suggested that the recommended timing of the review is ideal as it can act as an assessment of the proposed new officer / leadership arrangements following the 2019 elections.
17. Cabinet considered the matter at its meeting held on 24 May 2018 and a copy of the relevant minute extract is attached to this report.

FINANCIAL AND LEGAL IMPLICATIONS

18. There is a one off estimated cost of £5000 in relation to the cost of early pension release which is over that originally estimated and budgeted for within the parameters of the agreed fixed term contract which commits The Council to funding the costs and of early release of pension. (The chief executive agreed a reduction in remuneration equivalent to the estimated release cost within the fixed term contract which has proven £5000 short).
19. Full implementation of the proposal will generate a net revenue saving over the 4 year MTFP of £995,000 and £250,000 pa thereafter. This will mean total savings as a result of senior management reductions of £4,195,000 over the MTFP and £1,050,000 pa thereafter.
20. External legal advice has been obtained verifying the legitimacy of these arrangements, which was to ensure retention, provide stability and enable succession planning.
21. Council have previously agreed waiving any agreements reached prior to December 2016 from any future exit capping proposal.
22. The proposals conform with the Council's Management of Change policy as agreed with Trade Unions and staff forums.

RISK ASSESSMENT

23. 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

24. The proposal supports the organisational and operational effectiveness of the Council.

EQUALITY IMPACT ASSESSMENT

25. The Equality Impact implications of the proposals will be considered during the permanent appointment process.

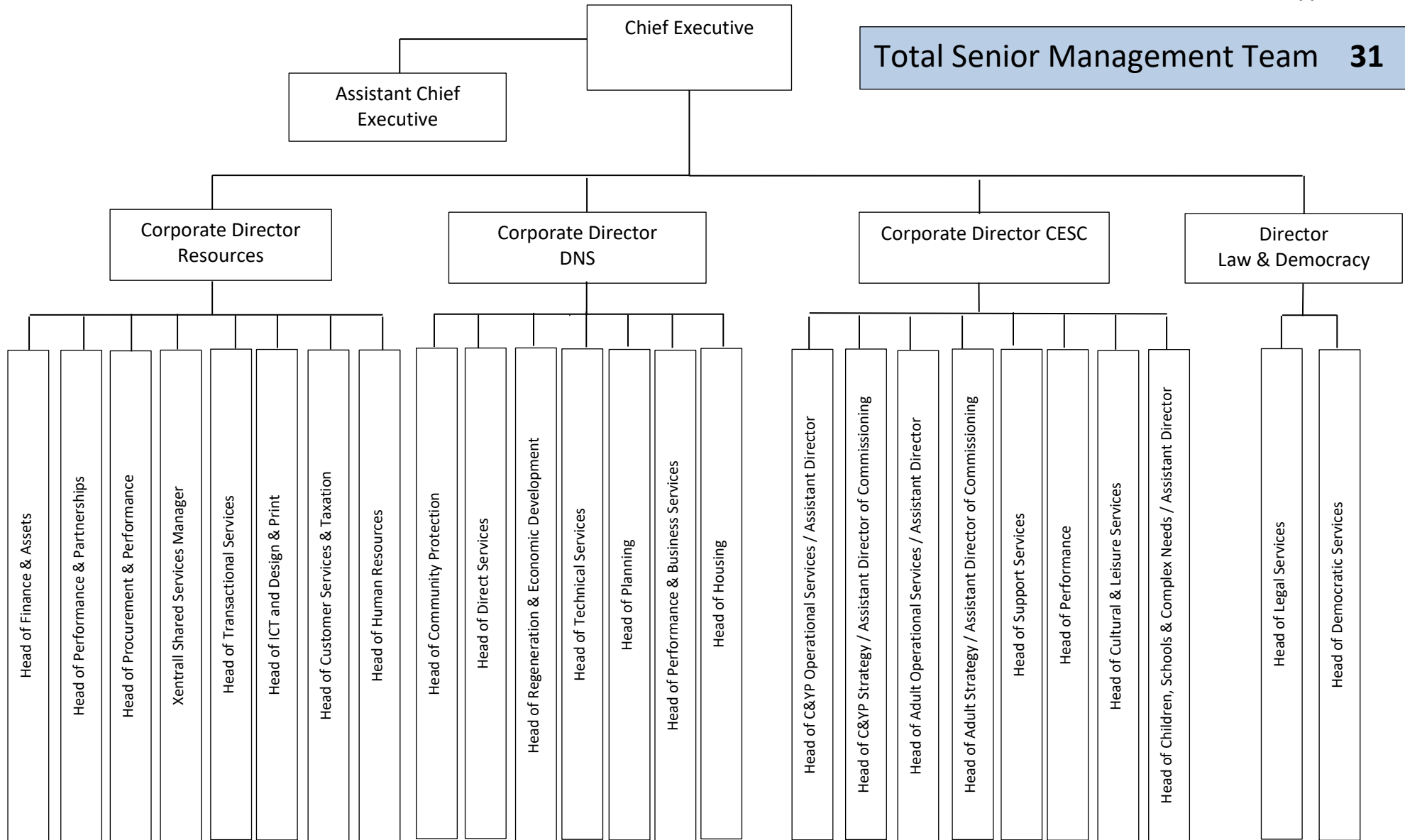
CONSULTATION

26. As noted in paragraph 14 above it is not anticipated that implementation of this proposal will require a formal 30 day employee and union consultation. However informal consultation has taken place with the Corporate Management Team and with Trade Unions through the Trade Union Liaison Group.

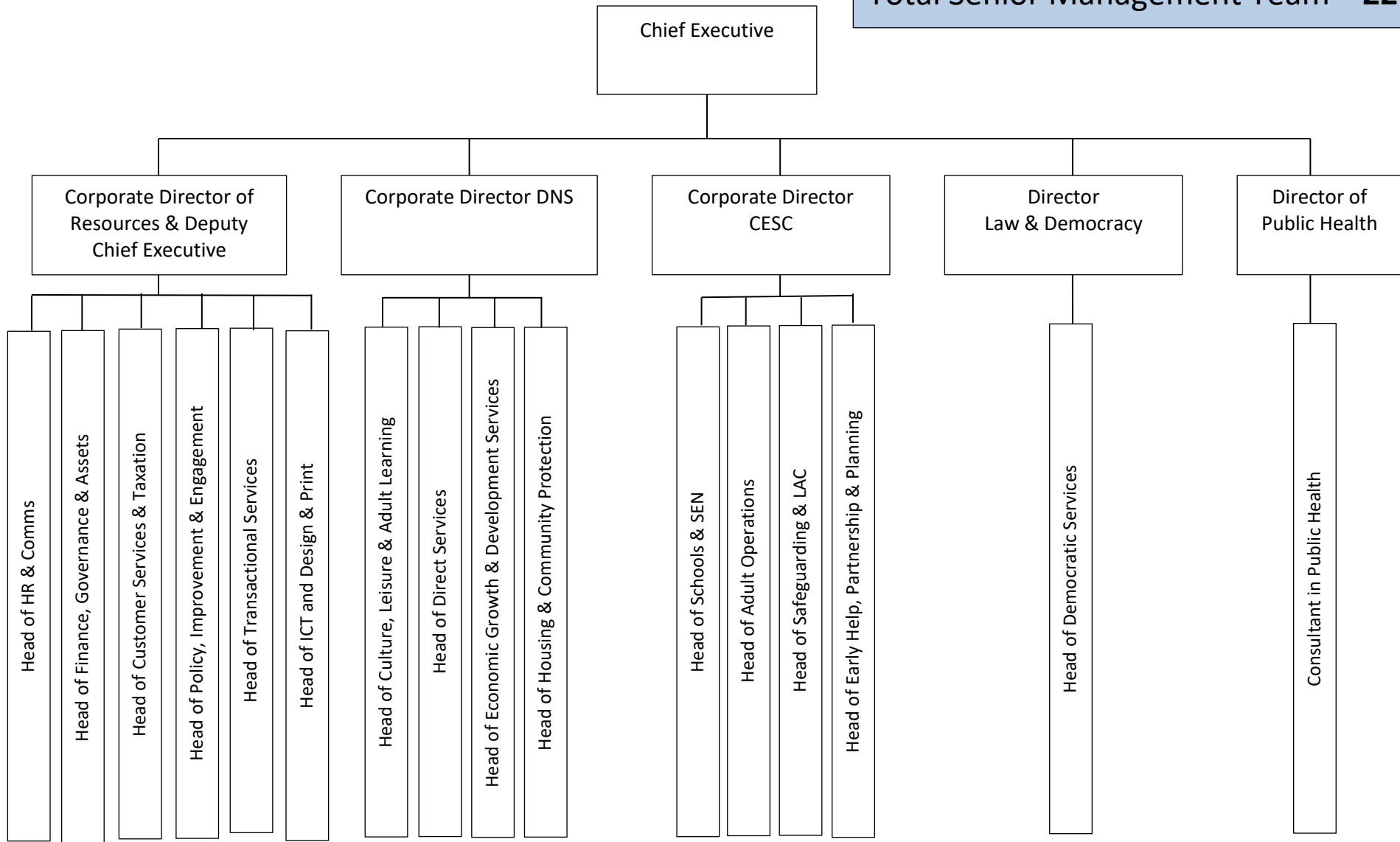
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SENIOR MANAGEMENT STRUCTURE - 2008

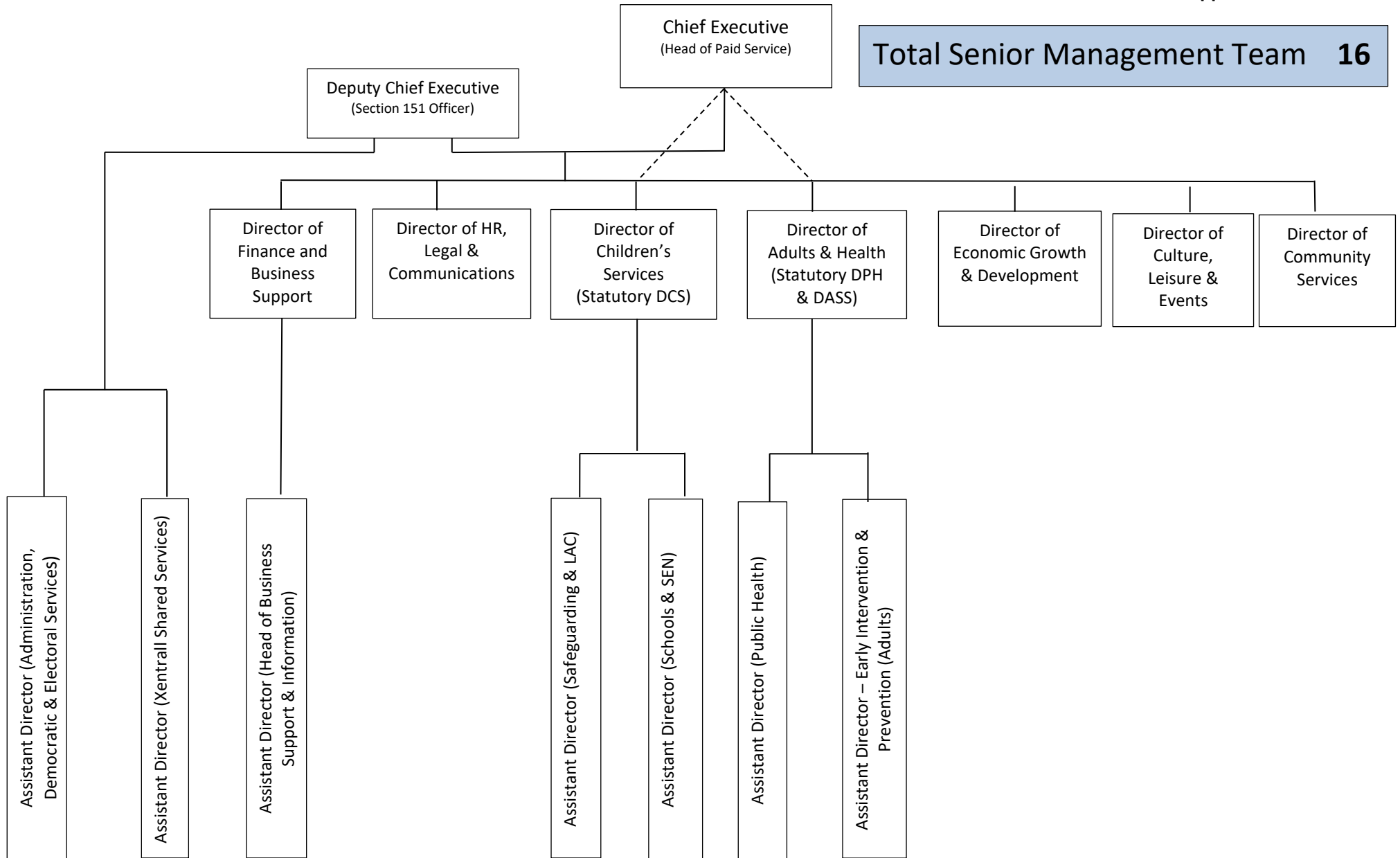
Total Senior Management Team **31**



Total Senior Management Team 22



SENIOR MANAGEMENT STRUCTURE – 2016



Total Senior Management Team 16

SENIOR MANAGEMENT STRUCTURE – PROPOSED 2019

Total Senior Management Team 15

