

MINUTE EXTRACT

Cabinet Meeting – 24 May 2018

1. Title of Item/Report

Planning For The Future – Managing Transition (Phase 2)

2. Record of the Decision

Consideration was given to a report that provided 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.

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. The report provided that review and proposed 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.

The previous 2008 management structure was attached to the report. 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 was attached to the report. The implementation of the new structure was achieved smoothly and had ensured that the strong performance of the Council had been maintained at the same time as delivering £800k of annual savings from the new leaner management team. The management team shared a strong loyalty and commitment to the organisation and were enthusiastic advocates of the culture of the organisation. They were committed to the aims of the Shaping a Brighter Future programme and the ongoing development of a people-focussed, learning organisation.

The Transformation Team model had worked successfully. The savings projects delivered through the team were completed ahead of schedule allowing the Council to release employees earlier than anticipated to achieve greater savings. The continuity and handover arrangements supported by the model had also ensured that the transition to the new permanent structure had been smooth and performance across services had not been adversely affected.

Performance of the organisation remained very strong under the new structure. Over the last two years the Council had continued to deliver the commitments in the Council Plan. During that period the Council had:

- a. Continued 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 would 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 was now established and operating independently.
- e. Achieved positive inspection reports from Ofsted and Peer reviews in Children’s Services.
- f. The Council had 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.

The strong performance had been recognised in the shortlisting as Council of the Year in the prestigious APSE, MJ and LGC awards. This was the first time ever achieved in a single year.

Whilst the position was positive it was also a fact that the Council continued to face a number of challenges and changes which meant that the Council must continue to develop and plan for the future with the second phase of managed transition in senior management roles.

The 2018-21 MTFP period included the challenge of delivering additional savings of £11m and there were significant uncertainties around future funding, as part of the requirement to deliver additional savings in the next MTFP period identified in the 2016 budget that the Council would be able to deliver further savings of £250k per annum in reduced senior management costs from 2020. Achieving these savings would be challenging given the ongoing pressures and funding reductions, however there was a financial imperative and if the Council continued with the ongoing managed programme of transition then the changes could be achieved in a way that would support the ongoing strong performance of the organisation.

The Council remained committed to the 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 were due to complete in 2019 and then the Council would move into a period of operation and assimilation of these new assets rather than into a new capital investment programme.

The Council would need to continue to support employees to develop and grow through SBF to continually meet the challenge of delivering more with less.

The Council continued to face high levels of demand in Adults and Children's Social Care however it was hoped that the deeper embedding of the early help approach in both these services would begin to stem the growth in demand.

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.

The managed transition which had taken place since September 2015 had been achieved successfully and there was confidence that if the Council continued with a managed and planned approach, it could achieve further successful transition.

The following managed transition proposal had 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.

It was proposed that the post of Chief Executive be deleted in June 2019 and replaced with a Managing Director reflecting the transformed smaller Council officer establishment. Whilst this was in effect a redundancy situation, The Council negotiated a fixed term contract in which any right to redundancy payment was waived.

It was proposed that the Chief Executive steps down from his role as Chief Executive immediately prior to the 2019 Annual Council Meeting in June 2019, however he would 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 Chief Executive would 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 was proposed that following the move to an Interim Managing Director in June 2019, the Chief Executive would:

- a. Oversee the transition to the new Council following the elections in May 2019 and 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 would 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.

It was 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 Deputy Chief Executive post would be redundant.

It was proposed that one of the current Director posts would 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 would be determined in line with the Management of Organisational Change policy through a preferencing and Member-led interview process.

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.

There would be no other changes to the senior management structure.

The Council had 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 was not anticipated that these proposals would require a formal consultation process. The Corporate Management Team supported these proposals and were committed to supporting the programme of smooth transition.

As with the first stage of the senior management review, support had 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 had been subject to job evaluation by NEREO and a market testing of salaries had been undertaken. As a result of this, it was proposed that the new Managing Director role would be remunerated at a salary of £149,500. This salary reflected the changing scale of the organisation. It was proposed that the Deputy Managing Director role be remunerated at a salary of £125,000. This would deliver an annual saving of £250,000. The remuneration of all other senior management roles would remain unchanged.

An LGA Peer review would be undertaken in early 2020, this would provide a comprehensive review of the Council. The review would include an assessment of the structure to ensure that it provided sufficient capacity to meet organisational needs, a review of scrutiny and governance arrangements and support for Members. It was suggested that the recommended timing of the review was ideal as it could act as an assessment of the proposed new officer / leadership arrangements following the 2019 elections.

RECOMMENDED to Council that:

1. 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 be introduced.

2. The transitional arrangements be agreed and the appointment of the Deputy Chief Executive as the Interim Managing Director to ensure smooth transition be agreed.
3. A Local Government Association Corporate Peer Review be undertaken.
4. 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).