

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
24 January 2012

Subject: SENIOR MANAGEMENT REVIEW

**All Wards
Scrutiny Committees
Cabinet Member: Leader of the Council, Councillor N Huxtable**

1.0 PURPOSE AND BACKGROUND:

1.1 Since inception of shared services with Richmondshire in April 2009 there has been a shared senior management structure. Shared services are at the stage where all of the service based business cases are agreed and either implemented or being implemented. We are also taking a second pass approach to realise the benefit of our learning across all services as our shared services approach has developed. In keeping with this second pass approach, senior management requirements have also been reviewed.

1.2 The detail of the review and future requirements are contained in the annex to this report. In summary this proposes a phased reduction of some posts commencing from next year and further light touch reviews mid term and towards the end of this council term and the next.

1.3 The same proposals are being presented to Richmondshire to consider on 10th January 2012.

2.0 DECISIONS SOUGHT:

2.1 To support the review outcomes

3.0 LINK TO CORPORATE PRIORITIES:

3.1 Effective and efficient senior management support is vital to delivering all corporate objectives.

4.0 RISK ASSESSMENT

4.1 **Risk in approving the recommendation(s)**

Risk	Implication	Prob*	Imp*	Total	Preventative action
Capacity requirements can not be met in the short term	Impact on services	2	5	10	A phased approach to change
Capacity requirements can not be met in the medium term	Impact on services	2	5	10	A phased approach to change. Flexible resourcing that can be utilised to provide capacity requirements or converted into permanent resourcing.

4.2 Risk in not approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
Costs become 'unaffordable'	Other proposals need to be considered to meet future budget requirements	1	5	6	None identified

Whilst risks of implementing change are rated higher than no change the proposal includes provision for managing these risks which should not impair the recommendations.

5.0 SUSTAINABILITY IMPLICATIONS:

5.1 None

6.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES:

6.1 A summary is included in the annex. Costs of senior management will continue to be apportioned 50:50 between the two councils as part of the shared service arrangements.

7.0 LEGAL IMPLICATIONS:

7.1 None

8.0 SECTION 17 CRIME AND DISORDER ACT 1998:

8.1 None

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 None

10.0 RECOMMENDATION(S):

10.1 That the revised senior management arrangements and change requirements as detailed in the annex to the report are approved.

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Background papers: None

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SENIOR MANAGEMENT REVIEW

Background

1. Integral to the establishment of shared services and developments since inception in April 2009 we have a senior management structure where all the posts are shared.
2. Prior to the establishment of shared services both Councils had independently taken out significant cost reductions by reducing numbers of senior posts. On the inception of shared services some £200K of additional costs were removed with a reduction at Chief Officer level and the shared Chief Executive post. During 2009, two Assistant Directors left with a further Head of Service leaving in 2010. None of these posts were replaced through further efficiency gains. These changes reduced combined costs by a further £268K (incl reduced secretarial support). These changes represent a 26% reduction in posts.
3. As a single item, reductions in senior management costs have produced one of the largest cashable savings as a result of shared services. This was fully envisaged from the outset but the reductions are not always acknowledged with the passage of time and subsequent focus on the service based business cases.
4. Where we are now is that the Senior Management structure was set with the capacity considered necessary at the inception of shared services. There have been opportunistic reductions and consequent reconfiguration as post holders have naturally moved on. All the business cases for shared services have been approved and are implemented or implementing. We are undertaking a second pass to realise the learning across all business cases as we have progressed and also to look more critically at productivity issues.
5. The main purpose of this review is to take a second pass over senior management requirements as with the rest of the organisation. It does not go into any detail on leadership requirements, culture or the corporate approach required to make things work. These issues have been addressed to some considerable extent since the inception of shared services. They are very much developmental for all and will need to continue to be worked on as changes in the team occur as proposed through this review and the culture of shared services continues to be embedded. Therefore this review concentrates solely on structures.
6. No one should think that 'we have done shared services'. We are a considerable way along and to reflect this the review attempts to define requirements over the lifetime of the current councils.
7. It is also worth recording the contribution that the existing joint management teams have made in implementing shared services, managing change, developing services and responding to day to day requirements. This review does conclude to reduce numbers but I want it to be clear that this is no reflection on the individuals who might be affected, more simply that we are looking forward.

Requirements

8. There is no one structure that is right or wrong. At this level it is more intuitive based on sound experience of what works and the business needs relative to the Council Business Plans, other requirements of service delivery and future developments etc.
9. From a structural point of view the key requirements relate to:
 - Capacity
 - Resilience
 - Affordability
10. Whilst affordability is an inevitable principle driver, compromise too far on any of the factors and the leadership and managerial capacity will not be there to secure delivery. It is a false premise to think that things can function without the right level of senior management support – both politically and organisationally.
11. In formulating proposals I am factoring the capacity provided from a reasonable level of additional hours senior managers work over contractual hours as the norm at this level. This is acknowledged and will remain a feature to ensure capacity is sufficient from lean structures. The gains made in productive hours from this and required flexibility in working should be acknowledged.
12. The existing joint management has a proven ability to innovate, adapt and change. Also a team that is flexible and able to function on a multi disciplinary basis beyond core professional boundaries. Coverage of the professional disciplines is important but this ‘technical’ expertise does not all have to be at senior level in every case, rather accessible to the senior team. So, the capacity and resilience issues are pretty much determined by numbers.
13. Beyond the various tiers we need a structure that fits the shared service environment and is seen as genuinely shared between the two councils; delivering top quality services relative to the resources available. At all levels managers need to be focused on:
 - Innovation
 - Flexibility and ability to adapt organically
 - Enabling
 - Performance, including budget control and Value for Money
 - Understanding community needs
 - Delivering Council Business Plan priorities
 - Working corporately
14. In a nutshell requirements remain in terms of the leadership and strategic support required managerially and politically, the day to day support required to deliver services and respond to developments; both while implementing shared services and responding to the environment outside of the councils. This operating model is within the context of:
 - The two Councils Business Plans driving corporate priorities which articulate an end state vision and a clear role for both Councils
 - The organisational design that is behind shared services at all levels
 - Teams being able to ‘get on with the job’ within the parameters and framework of operational delegation and corporate requirements.

The current components

15. We have a structure of Chief Executive and Chief Officers, Assistant Chief Executive (ACE)/Assistant Directors (ADs) and Heads of Service.
16. Within the cadre of Heads of Service are the joint posts of:
 - Section 151 Officer/Finance Officer
 - Head of Legal Services and for Hambleton the Monitoring Officer
 - Head of Regulatory Services covering environmental health and planning development management.
17. Between the ACE/ADs there is cadre of seven posts. Each has a portfolio of services relative to the themes in both Councils Business Plans. They are the most senior tier of operational management.
18. The ACE post - as per the ADs - has reporting to it a portfolio of services relative to the themes in both Councils Business Plans. Additional capacity was also put into the structure through this post to help drive the delivery of shared services and capacity requirements to support the functioning of the shared Chief Executive.
19. The three Chief Officers have responsibilities in terms of day to day senior management requirements to support the ACE/ADs in their roles and strategic management of the Councils; all supporting the resource of the Shared Chief Executive. In practical terms the Chief Officers operate as 'chief operating officers' including the presence not always possible from a shared Chief Executive and the 'glue' necessary to deliver services across two sovereign boundaries yet provide one integrated service delivery organisation which is shared services.
20. The shared Chief Executive post operates as Head of Paid Service across the two councils coupled with roles of managerial leadership, principal policy advisor, overall strategic management, external relations etc.

What are others doing who are working in a similar shared environment?

21. There are about eighteen pairings of District Councils with Shared Chief Executives/Management Teams. There are differences relative to local circumstances and how shared services are configured. However, all have similar configurations of Chief Officers supported by Assistant Director type posts looking after a group of services. Beyond that it is down to groupings and numbers relative to local circumstances.
22. We are pretty much in the forefront of shared service delivery in the way the partnership between the two councils is configured. In terms of configuration and actual numbers, by comparison with others we are not distinct. However we do seem to be further along which does enable us to take a slightly different view on what the optimum might be although it is perhaps a moot point when any further reductions represent further efficiencies or actual cuts. Either way no one can argue about the financial landscape so whilst these semantics might be largely academic attention is drawn to managing the risks later.

Rationale for change

23. The three remaining Heads of Service roles are a 'legacy' of previous reviews. This does not mean that what they do and the level at which they operate is not necessary. However, notwithstanding the statutory designations of two of the posts, including access of the three posts to the Chief Executive and Senior Management Team, these posts no longer sit 'comfortably' within the ACE/AD and section/line manager structure. Also with the development of shared services all teams have a designated team manager position which was not always the case under previous structures. These Heads of Service positions, not the functionality, are now anomalous in the structure.
24. The Head of Legal Services is the most senior legal officer for both council's and also the Monitoring Officer for Hambleton. Both of these functions remain essential and are in part statutory. I propose this post be continued but redesignated to fit within the structure at AD/Line manager level. The post would continue as the Hambleton Monitoring Officer and also act in the same (shared) capacity for Richmondshire. This will not affect day to day governance and procedural advice within Richmondshire in the way it is now delivered. As Monitoring Officer, the post holder would continue to have access to the Chief Executive and Senior Management Team to be able to function accordingly. This could also see the first move for one of the internal support services to move more towards a trading company style of operation, with the hope that this will foster wider collaboration than the two councils. This aspect will be picked up in how we take shared services forward more generally.
25. The Head of Finance/Chief Financial officer post is the section 151 officer and the most senior operational manager for financial services in both councils. Strategic oversight of both Councils finances is supported within the cadre of the Senior Management Team. Senior day to day support for the finance functions is essential as is an appointment of the statutory section 151 officer. The functionality must be continued. To do so there is the option of continuing as we are but with the requirements assimilated into a more streamlined structure. As with the Monitoring Officer, however this happens the actual post holder would continue to have access to the Chief Executive and Senior Management Team to be able to function accordingly. There is a possibility of a shared service arrangement with another council in North Yorkshire that could offer another choice about how these functions continue.
26. The Head of Regulatory Services post could have its functionality subsumed into a more streamlined management structure.
27. In summary, for the Heads of Service posts, the positions they hold within the structure have become redundant but providing for the functionality remains which can be achieved through a mix of efficiencies and alternatives.
28. The Assistant Chief Executive post by post title is part senior management and also in function high level operational as with the Assistant Directors. Whilst on an individual basis the Chief Executive has been well supported by the senior team it is less distinct whether this is direct from this post or as part of the senior team compliment. This is simply a function of how the senior team works collectively to get things done and no more. The type of support I need is not always defined by structures but also organisationally in being able to get the right advice and support from the right people relative to the issue.

29. At Assistant Chief Executive/Assistant Director level the main task of day to day delivery of the two Council Business Plans remain - as well as managing change - whilst continuing to embed shared services and maximise efficiencies. The focus is on delivering and improving a portfolio of services whilst acting corporately at all times.
30. The compliment of the ACE/AD cadre can readily reflect the key themes in each Councils Business Plan as they do now. Although there is a slightly different emphasis in how each Council has defined its core themes – each has five priority areas which are reasonably well aligned. There is little distinction financially between the ACE and AD roles but delivering change and change management remains vital and continues to create a distinction we need to maintain over the next period as shared services continue to be developed. Going forward I would see the ACE role having a portfolio of services but those that influence change and efficiency more being brought together in one corporate resources group. ADs would continue to manage a group of services that are themed with the ACE/ADs continuing to work together as a corporate group.
31. The Chief Officer role continues to be one of:
- Leadership alongside the CE on strategic planning and management of corporate programmes, projects and transformations.
 - The physical presence required which can be delegated and the CE can not provide through being a shared resource and managing external relations.
 - High level support to Members and ACE/ADs
32. With the agenda as it is, the current capacity at Chief officer level is in my view still justified over the next 2-3 years at least as we continue to implement shared services and drive necessary change in addition to what might be regarded as the more day to day requirements. To offer greater resilience the Chief Officers need to be seen to be less aligned with either Council but a truly joint resource as with the ACE/AD level.
33. Also we are embarking on some wider shared serve explorations. In essence Hambleton and Richmondshire are significant in driving this across North Yorkshire and York and if any of this is to come to fruition it needs the capacity to do it. To do this type of brokering I need the support of Chief Officer expertise (and status). Experience shows that interest by potential partners is one thing but turning this into actual proposals is another. This input can come from an actual CO or equivalent support.
34. Equally capacity to respond beyond the here and now is necessary. We need to constantly look forward and plan ahead which requires strategic development beyond the leadership required for new ideas and approaches to gain traction. For example, this approach has stood us in good stead in both preparing for and implementing shared services. The change management process has for example achieved no compulsory redundancies so far. The alternative is simply to knee jerk or be reactive and feel at the cliff edge most of the time. Our organisations can not cope if this is the only way of managing change whilst delivering services and savings.
35. Chief Officer capacity generally can also pick up the capacity that is currently allocated to the CE through the ACE role which can now be taken as an efficiency as the needs and requirements for this have moved on – coupled with how I envisage the ACE role working in future.

36. As mentioned in paras 24-25 this would all be supported with dedicated finance and legal support.

A future structure

37. Within the parameters set out this would lead to a structure of CE, COs and ACE/ADs. The 'team' would continue to work as one, not distinguished by employer, rather by strategic requirements and alignment of service responsibilities. Terms and conditions of the Councils are similar, with no financial or managerial advantage of moving to a single employer at this time (and which will be dealt with as a wider corporate consideration).

38. This leads to a simple design of a senior management team operating strategically and owning the detail with accountability for delivery including performance and financial grip. This is supported by the Assistant Chief Executive/Directors group delivering services grouped in themes with a spread of technical expertise sufficient for the business requirements at this and line manager level. This is not distinct from the core design of the combined senior team now in the way we are structured but there are changes that can be made which are lead by the core requirements outlined.

39. The overall proposal is to consider reducing the compliment by up to four/five posts over the life of the Council. There is an opportunity to make a part reduction now and keep requirements under review over the term of the Council. Moving to any different compliment is a judgement call but as mentioned in para 23 this is also supported by changes that have occurred at line manager level. Cost issues are important and with opportunities that have presented themselves a combination of a reduction and flexible resourcing are proposed. Taking the opportunities available now also has value which may otherwise make change more difficult and destabilising to achieve. This approach will also stabilise the team and give some certainty.

40. A final position could see;

- The Heads of Service posts phased out.
- An ACE/AD compliment of five each with responsibilities for Council business plans delivery. This would lead to a reduction of up to two posts at this level.
- Additional senior posts to cover a financial services brief and legal functionality.
- Chief Officer capacity of two posts.

41. A top end reduction of senior managers out of the current compliment of 14 is nearly 35% on top of that achieved through shared services already. This could give a total reduction of some 52% of posts at this level since the inception of shared services. Whilst superficially attractive this will I believe impact on capacity and resilience which I address when assessing possible risks and how we can provide for requirements moving forward.

42. There would be a consequential impact on the capacity required from secretarial support.

43. The risks associated with this are:

- Capacity – There is no precise work measurement technique at this level that enables a categorical assurance to be given that capacity is right. It is a judgement based on experience of organisational requirements. We can recognise the shrinkage from the efficiencies gained from shared services and also major change like the impact of universal credit on housing benefits functions. Beyond these type of factors organisational and business requirements will not change greatly. Other budget cuts are not that material in this context. The management requirements from shrinkage from shared services efficiencies have also been recognised with the designation of team manager posts in all cases. Achieving a reduction needs a transition plan (below) and an acceptance that capacity requirements could represent a risk to the Councils.

I am reasonably confident that a smaller team can cope but this would require additional capacity being brought in from time to time to meet business requirements. Equally it has to be accepted that things may not get done in so much of a timely manner etc. and particularly Members will have to cope with the effects of the greater prioritisation that will be required. This prioritisation whilst informed by Members will have to be determined by the senior team in how resources are best deployed and ultimately accepted by Members. Operational freedoms will need to be maintained and developed including both 'rationing' and 're-provisioning' to facilitate priority actions to maintain financial balance.

We must also be mindful that this does not perpetuate a long hours culture that leads to burn out or disproportionate impact on personal lives. This is an issue if a smaller team is to remain effective. Whilst over and above hours is an expectation there is a balance to be struck. This might need a bit more consideration when the smaller team is formed.

- Resilience – with a reduction by definition there will be fewer people. We should be able to cope with flexibility but there will be an initial loss of knowledge and expertise that will have an impact and also inform implementation. Specialist knowledge being available across all tiers of management including the line manager level will take on greater importance and potentially add to the risks involved whilst all 'step up to the plate'.

Current examples are resilience risks in IT and Waste at the present time. These are being managed and will be addressed as skills and experience improve – but are another example of where some external support might be necessary from time to time.

- Affordability – a detailed assessment of the costs and savings have been undertaken which represent value for money.

Implementation and timing

44. There have been two rounds of consultation with the senior team over these proposals. Also I asked for any interest in voluntary redundancy that might be coincidental to achieve any of the changes outlined above.

45. In order to achieve the future structure my thinking is see this phased over the life of the Council so that a) this would literally be phased to assist management of the change and b) to assess progress against the risks. This would see:

- Phase 1: the Heads of Service posts phased out next year together with an AD post. Functionality would be aligned to the compliment of ACE/ADs or alternatives pursued to provide the required capacity and resilience.
- Phase 2: a further light touch review somewhere around mid term in conjunction with the introduction of Universal Credit and the loss of Housing Benefit functionality.
- Phase 3: a further light touch review of chief officer capacity towards the end of the Council term/next term dependent on progress and particularly the consolidation of our shared service approach and the wider shared services scenery (paras 31-35).

46. Achieving Phase 1. There is an opportunity to implement this from April 2012 through voluntary redundancy and alternative arrangements. The actual post reductions and change requirements can be met entirely from expressions of interest in voluntary redundancy and as such to assist with change this opportunity should be taken as it is both cost effective (value for money), a consistent approach at corporate level and in keeping with individual wishes. The alternative would be not to make any changes or to have to develop redundancy criteria and put all posts affected at risk which would ultimately mean a 'recruitment' exercise to the reduced establishment. This would be costly in terms of time and disruptive. I am reasonably satisfied that both functionality and capacity can be covered in the following ways which reflect a mix of alternatives;

- Section 151 and finance functionality lead by a partnership with Selby District Council who are agreeable to this shared service approach. This would suit our development of shared services and also the Selby model of service delivery.
- Regulatory services being covered within the responsibilities of the ACE/AD cadre.
- Monitoring Officer and legal functionality through the current Head of Legal Service post redesignated as 'Solicitor to the Councils' (as the only post holder qualified to take on this role).
- The functionality of one of the AD posts being covered within the responsibilities of the ACE/AD cadre.

47. To assist the management of these changes phasing could occur as follows:

- Subject to finally securing agreement on provision of Section 151 functionality this change could take place in April 2012.
- The Head of Legal Services post phased out from April and redesignated Solicitor and Monitoring Officer to the Councils.
- The Head of Regulatory Services covers development management and environmental health. Corporately those professional disciplines - from a technical point of view - can be covered by one of the Assistant Directors (where there is some duplication now) and also the Environmental Health Manager. However there is a significant change project underway with potential changes to the recycling service consequential to the recent tendering for disposal of household dry recyclates which could take us through to next summer. Revenues and Benefits is also temporarily supported at senior operational level by a Chief Officer as a result of another vacancy. Therefore to hold back on transfer of the regulatory functions would assist with the recycling project and placing Revenues and Benefits within the future AD functionality. This would give a change over date of September 2012.

- The reduction of an Assistant Director post can take place in April. By coincidence shared services has already seen part of this post holders functions transferred to the ACE and it is felt the remainder of the portfolio can be assimilated by April 2012.
48. Achieving Phase 2 and 3. The means or requirements to implement these phases would be reviewed nearer the time against actual requirements and opportunities closer to implementation. However an Assistant Director and Chief Officer Post have become naturally vacant as individuals have moved on. In effect these vacancies are coincidental with functionalities that could be subject to future review (para 45). However this is somewhat ahead of my preferred timing but the opportunity is there to be taken to assist with management of change whilst his capacity is still required in the medium term. One alternative is to recruit but I doubt in the current financial climate that this would be sanctioned or perceived to be the right action at a time when budget reductions and stability are being still being progressed. Also this would not really be effective and potentially destabilising knowing that this could put all the Chief Officer and ACE/AD posts at risk of future change. Therefore in the short term I intend to hold a sum back from the total final savings that could be achieved to assist with capacity and resilience requirements by in effect having the ability to buy in short term flexible resources on a project basis or to meet requirements more generally. This support will also assist the overall transition if used flexibly to fulfil requirements. In the longer term if a permanent resource is felt to be the most effective solution then the resources could transfer and be utilised to support that.
49. Senior Officer remuneration was independently reviewed as part of the implementation of shared services. I am not suggesting that there be a further pay review at this time as that would be out of step with what is happening on pay at a national level. However in part recognition of the changes and responsibilities those payment terms should be consolidated, including performance related pay. At the moment most senior posts are subject to performance related pay which works by withholding the equivalent from annual pay of an increment which is then earned based on satisfactory appraisal. In future I suggest that this works in a slightly different way by being paid with normal salary and if in any circumstances the criteria are not met it would be withheld in the following year. This is cost neutral but goes some way to recognising the issues in para 43 and I will also be looking at other non pay terms and conditions to see if there is any scope to recognise that a smaller team will be holding more responsibilities.
50. Costs of change – the costs of change involved in the redundancies to achieve phase 1 are £469,598 and with a Section 151 and financial services functionality being provided in partnership, together with holding the equivalent of a senior salary to assist with choices over phases 2 and 3 gives an annual saving of £151,161. Thus the payback occurs within the first quarter of year 4. Overall this represents value for money. The cost of change can be met from the service improvement reserve to release the revenue savings in line with corporate financing requirements.