

Agenda item:	5
Decision maker:	Employment Committee
Subject:	Senior management structure
Date of decision:	10 April 2012
Report by:	Chief Executive
Wards affected:	All

Key decision (over £250k):

1. Purpose of report

To advise Members of proposed changes to the senior (head of service and strategic director level) management structure of the Council in the light of reductions in the budget, changes to the role of local government, and the implementation of the Council's voluntary redundancy scheme.

2. Recommendations

It is recommended that:

- 2.1 Members agree the proposed four further reductions in senior management posts as the basis for consultation with staff and unions.**
- 2.2 Members note the financial implications of the proposals as set out in the exempt financial appendix, the costs of which will be funded from the MTRS Reserve.**
- 2.3 Members agree to the voluntary redundancy of three heads of service, as set out in the report and financial appendix.**
- 2.4 Members record their thanks to those senior managers taking voluntary redundancy for their work for the council and the city.**

3. Background

In January 2011, I advised this committee that in the light of the reductions in central government funding, it is inevitable that further changes will take place to the managerial structure and capacity affordable within the council, and that this will be kept under review as the coalition government's financial and legislative programme develops.

Over the last year, four senior manager posts at head of service and strategic director level have been deleted from the establishment, resulting in savings of £500,000. Since 2007, the number of senior managers has reduced by 10 and costs are now £1.2m per annum less. The current structure is set out at Appendix 1.

The Budget report to Council on 8 February 2011 explained that over the next three years the council will undertake further organisational changes to drive down costs. Members have expressed a wish to see a reduction of at least a further 2 posts over the next financial year and recognise that further savings will be required. The approved budget requires a reduction of two posts at Head of service level over the next six months. Members have also indicated that they would expect to see reductions in the number of service units for the support services, and a greater equalisation of the size of the service units in this area.

The proposals set out in this paper meet the above objectives and provide for further savings which it is considered that the council will have a business need to secure over the next few years (between 2013 – 2016 the Council will need to save a cumulative £56m in addition to that which it has saved to date).

4. Consultation and procedure

The proposals contained in this report have direct implications for a number of staff, including two post holders whose posts are 'at risk' as a consequence of the proposals. The Council has an obligation to consult unions and employees on an individual basis to ensure a fair redundancy procedure. The Employment Appeals Tribunal (EAT) has set out principles for ensuring the fairness of redundancy dismissals. Whilst the principles were formulated in relation to consultation where the employees are represented by a trade union, employers should also apply them when consulting individually, whether or not a union is involved. The principles include:

- The employer will seek to give as much warning as possible of impending redundancies so as to enable the union and employees who may be affected to take early steps to inform themselves of the relevant facts, consider possible alternative solutions and, if necessary, find alternative employment in the undertaking or elsewhere.
- The employer should begin consultation when proposals are at a sufficiently formative stage to enable the consultation to be meaningful. This should be at an early enough stage so that all options can be explored with employees including whether or not the need for redundancies can be avoided. Consultation must be completed before the employer issues any notice of dismissal.

Because one of the heads of service requesting voluntary redundancy is the Head of HR, I have sought the support of the Head of HR from Hampshire County Council to advise on the processes to be followed and considerations in scope.

In accordance with the council's workforce change policy, the unions and those staff directly affected have been advised of the proposals contained in this report. Two heads of service have been advised, at the earliest opportunity, that their posts may be at risk under the proposals being considered.

In putting forward these proposals to the committee, a wide range of different permutations have been considered, including those put forward to date by heads of service. These have included the merger of HR with IS; the merger of Audit and Performance Improvement with Customer, Community and Democratic

Services; the deletion of one of the Strategic Directors responsible for 'people' (health and social care); and alternative allocations of parts of existing service units in different permutations. A representation has also been received supporting the synergies that exist between Audit & Performance Improvement and HR. If the committee accepts the recommendations of this report, they will commence a formal period of consultation for 30 days during which time further proposals may be put forward. The committee will need to meet after the end of the consultation period to consider any representations before determining and implementing its preferred structure.

5. Applications for voluntary redundancy

As part of the council's budget reduction measures, in December 2011, the Employment Committee gave employees until 3 January 2012 to apply for voluntary redundancy before the scheme was terminated. The same redundancy scheme operates for all staff, regardless of grade, including the calculation of costs and benefits. However, under the council's constitution, decisions on redundancies at head of service level and above rest with the Employment Committee. Three heads of service made applications for voluntary redundancy within the 3 January deadline:

- I. Head of Asset Management
- II. Head of Human Resources
- III. Head of Planning Services

Whilst the redundancy of three posts and the loss of three such senior and experienced officers will be a significant reduction in capacity and capability to the council, the financial pressures currently faced by the council are such that such reductions do need to be considered. The schedule attached at Appendix 2 sets out the nature of the risks involved and what actions the council can take to help mitigate those risks.

Clearly, any potential compulsory redundancies could be avoided completely at this stage by the Council accepting the three requests for voluntary redundancy and allocating the components of those service units across the other services in the council. However, I do not consider that would meet the best interests of the council and the brief given. The savings required to be made over the next two financial years (2013/14 and 2014/15) are greater than originally anticipated, as reflected in the MTRS. More savings are therefore needed as Members have made a commitment to review and reduce senior management in order to help preserve front line services. If this is to happen, it is preferable from a management perspective to deal with this review together to allow the organisation to settle into a more stable structure during a period of considerable change. This will be helpful with retention of staff and give more certainty to teams across the council.

Members will be aware that the terms of redundancy are the same for all staff regardless of grade. The costs of redundancy will be met from the MTRS Reserve, and the Head of Financial Services commentary on the savings and associated costs for the three posts are as set out in Section 10 below and at Appendix 4. Provided that members are confident that, given their business needs to reduce the cost of senior management, they can be satisfied by a structure with a greater reliance on combined services rather than being headed

by the lead professionals seeking redundancy, then members can properly progress those redundancies at this stage (and therefore achieve greater savings), as they will not be compromising the outcome of the consultation process on the future shape of the senior management structure.

6. Reduction in senior management posts and re-alignment of strategic directors and heads of service

The current senior management structure is illustrated at Appendix 1. It is considered that the structure illustrated at Appendix 3 (Appendix 3a and 3b illustrate in more detail the proposals within the Support Services and Regeneration Directorates) meets the criteria set out above. Whilst this level of reduction in capacity and experience cannot be absorbed without to the capacity of the organisation, the impact can be minimised by the re-arrangement of services in the manner illustrated. This configuration also brings the following advantages:

- Provides an integrated service for future planning and regeneration incorporating cultural services, liveability and leisure
- Amalgamates tourism attractions with attracting inward investment, which will help position the city internationally
- Provides a regeneration team to main stream and bring forward major projects
- Brings together a multi-skilled project delivery team to get infrastructure built
- Provides a strong contract management team across the council's environmental services to make our contracts deliver better outcomes
- Brings together business support and regulatory services to support private sector growth (skills, business and enterprise)
- Reduces the number of support service units from 7 to 4 and places them all within a single directorate
- The 4 Support Service Units are of approximate equal size
- The council retains its key corporate advisors
- Some non-support elements are more appropriately located within other directorates

The proposals at Appendix 3 illustrate how the reduction of four heads of service can be accommodated, including the three requests for voluntary redundancy. I therefore recommend that the committee agrees the three requests for voluntary redundancy and allows the notice period for those redundancies to commence during the consultation period on the revised structure.

7. Next steps

Members need to decide what structure best meets the needs and circumstances of the council. This report sets out a recommended structure which the committee is advised to consult upon with staff and the unions. At the end of the consultation period, the committee will need to consider any representations received and decide on its final structure. If, having fully considered the responses to consultation, Members decide to implement a structure that results in posts being 'at risk' of redundancy and the creation of a new post at head of service, then Members will need to decide whether to ring-fence recruitment to those post holders at that level who are at risk, or whether to advertise the post on the open market and invite the post holders to apply accordingly. Members do not need to make a decision on this at this stage.

8. Equality impact assessment (EIA)

An Equality Impact Assessment has been undertaken.

9. Monitoring Officer comments

The proposals set out in this report comply with the Council's policy and procedure and is within the capacity of the Committee to endorse the recommendations set out above.

10. Head of Financial Services comments

The financial implications arising from the recommendations contained within this report relate to the costs of redundancies and the ongoing savings arising from a reduction in 4 Heads of Service posts.

In terms of costs, should the proposals as set out proceed, the redundancy costs would be as set out in the exempt appendix 4. The costs of these redundancies can be funded from the MTRS Reserve.

In terms of in year and future savings, the savings arising from the reduction of 4 Heads of Service in both the current and future years is estimated at £190,000 for 2012/13 and then £380,000 for 2013/14 and all future years. This amounts to excess savings in Senior Management over and above those approved by the City Council of £53,000 in 2012/13 and £198,000 in 2013/14 and all future years as set out below.

Description	2012/13	2013/14	Future Years
Proposal - Savings from Reduction of 4 Heads of Service	190,000	380,000	380,000
Less – Approved Budget Savings from Snr. Management	(137,000)	(182,000)	(182,000)
Excess Savings over Approved Budget	53,000	198,000	198,000

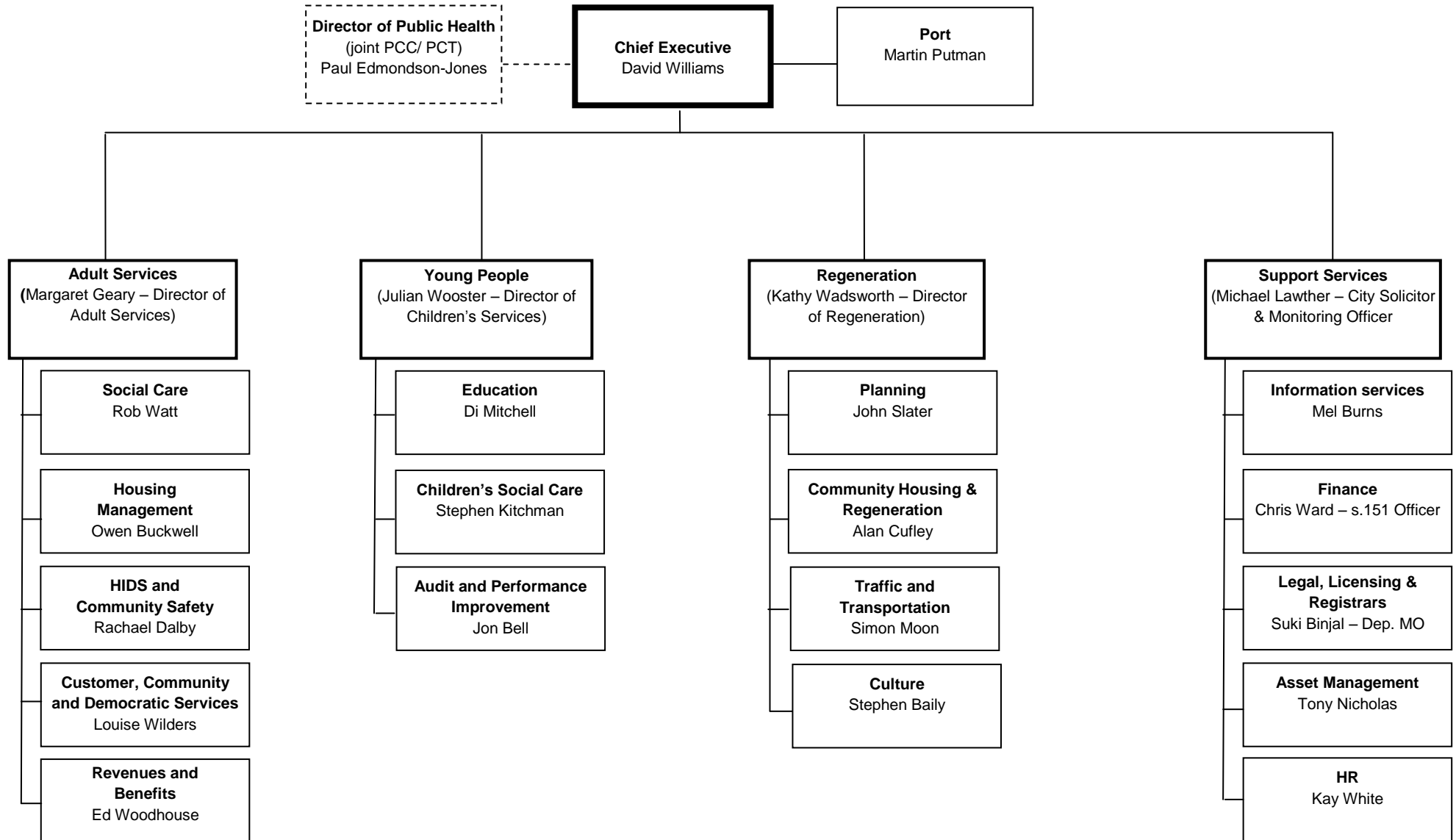
In overall financial terms, taking both the costs and savings into account, the overall payback period is expected to be less than 1 ½ years. Any delay to the implementation of the proposed redundancies will serve only to reduce the level of savings that could have been achieved. This is because any delayed savings considerably outweigh the reductions in the redundancy costs which would occur.

As set out in the report, significant reductions in expenditure on senior management have been achieved over the last three years.

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Chief Executive

Current structure

Appendix 1



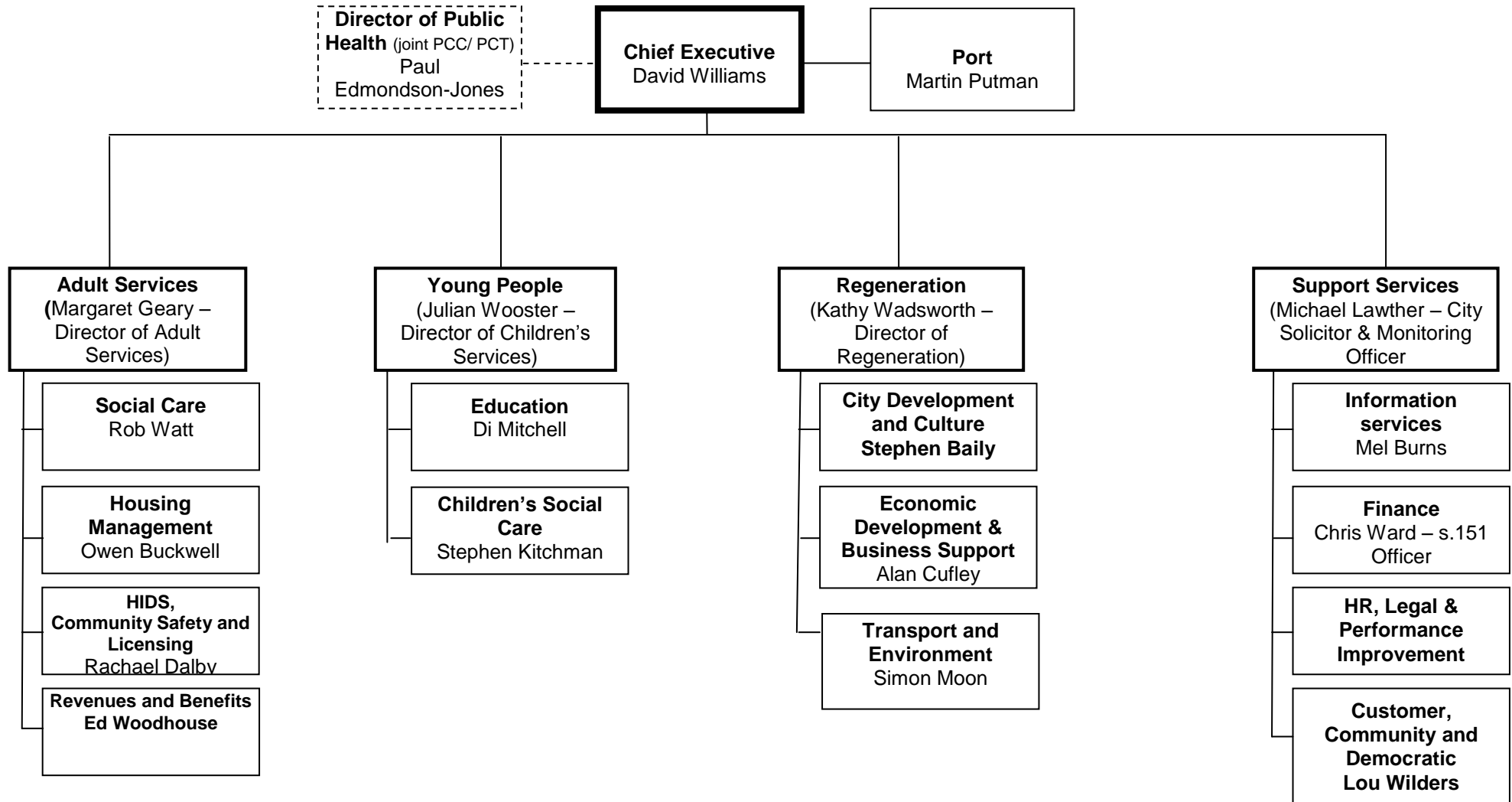
Appendix 2

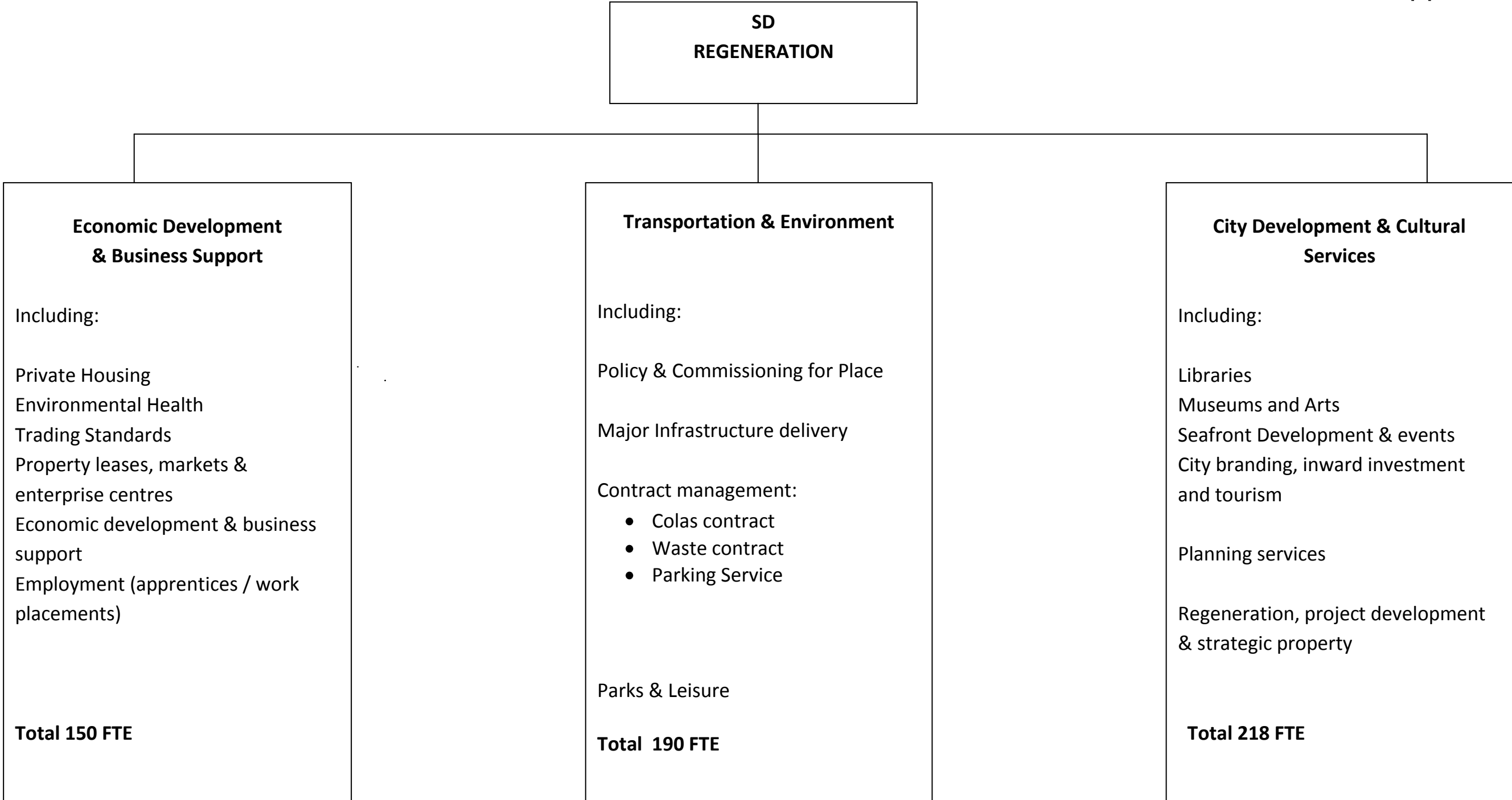
Risks associated with proposed changes

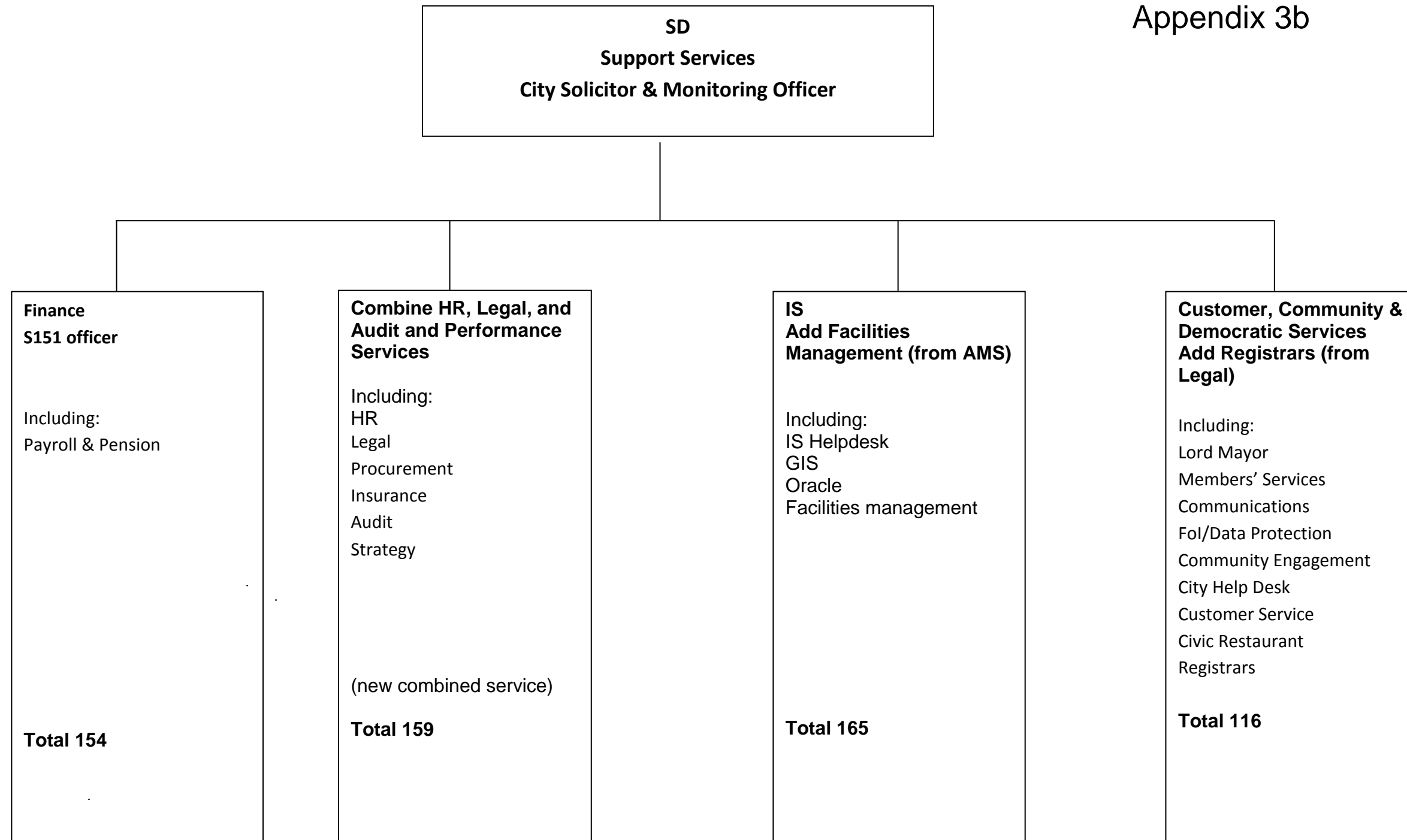
Risk	Impact	Likelihood	Mitigation
Loss of specialist knowledge and experience	Relatively low impact as wide spread knowledge of particular issues and projects	Inevitable impact but considered manageable	Develop clear priorities clear aims and objectives Less distraction on non-priorities Need for clear debrief from exiting staff.
Loss of specialist skills	Low impact as strong third tier specialists	More readily replaceable than knowledge and experience	Smart training Ability to purchase skills as and when needed at lower cost than retaining current structure
Loss of managerial capacity	There will be fewer managers overall in the organisation at senior level. Impact will be more responsibilities for the remaining staff and less time available for the development and supervision of staff	Certainty.	Training to improve & help managers to manage (LaMP programme). Streamlining of processes Need for clarity of priorities, values and aims and objectives. Better systems to measure and support performance.
Generalist manager vs specialist professional	Head of Service will cover areas for which they do not necessarily have a professional or specialist qualification but these skills will be in place at third tier	Yes, inevitable if tier is reduced but situation exists satisfactorily at present e.g. AMS, Environmental Health, Trading Standards, Libraries, Building Control.	Important that the council has ready access to the specialist skills needed – either in house, shared or bought-in if more cost-effective. Move away from mind-set of creating 'management' posts to adequately reward specialists – taking them away from what they are good at and what we need.

Proposed structure

Appendix 3







Key

Suggested more detailed moves – staff numbers in brackets:

- (i) Oracle team (8) from Finance to IS
- (ii) Voluntary Sector support (3) from Customer, Community & Democratic Services to Adults
- (iii) Licensing (10.27) to Community Safety
- (iv) Registrars (14) from Legal to Customer, Community & Democratic Services
- (v) Carbon management (3) from Strategy Unit to Transport and Environment