

<b>Title of meeting:</b>	Employment Committee
<b>Date of Meeting:</b>	4 <sup>th</sup> November 2014
<b>Subject :</b>	Senior Management Structure
<b>Report by:</b>	Chief Executive
<b>Wards affected:</b>	N/A
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## **1 Purpose of report**

- 1.1 To advise Members of potential changes to senior (head of service and strategic director level) management structure of the Council in light of the reduction in the budget and changes to the council's operating environment.

## **2 Recommendations**

It is recommended that:

- 2.1 Members consider the proposed reductions to the senior management structure as the basis for consultation with staff and unions.
- 2.2 Members agree the wider consultation arrangements as the basis for drawing attention of all staff through existing internal communications channels.

## **3 Background**

- 3.1 Since July 2007, the number of director and head of service posts has been reduced from 33 to 20, saving over £1.5m per annum off the wage bill. Over the last five years, as requested by Employment Committee and in common with most unitary councils, this Council has reduced the number of directorates and has moved to 'People, Place, and Performance' as the basic building blocks of the officer structure.
- 3.2 The council does not have to have a Chief Executive, but does have to have a head of paid service, to whom a number of statutory posts must report. The post of chief executive can be shared with another council.
- 3.3 The council's current senior management structure is as shown on the chart at Appendix A. This structure was last formally reviewed in 2012 which resulted in a reduction in the number of director and head of service posts. These reductions, without reductions in the scope and responsibilities of the organisation, have implications for uplifting gradings across other posts under the council's job evaluation system as well as the capacity of the remaining staff.

- 3.4 At Employment Committee on 16<sup>th</sup> September 2014, Members agreed for the Chief Executive to undertake a review of the senior management structure, taking into account the importance to reflect the council's current and future priorities and the need to identify financial savings.
- 3.5 A range of different permutations have been explored, together with the following drivers for change which Members will need to consider in determining their preferred approach:
- Member priorities - where we need to maintain capacity and retain our talent
  - Which areas are not political priorities - where we can seek to cut management capacity
  - Where Members are prepared to take greater risk - where we can seek to reduce our management and operational capacity
  - Where Members are most risk averse - where we need to ensure we have an appropriate level of expert capacity and resilience
- 3.6 In addition to these considerations, before making decisions about the structure, Members should reflect that:
- 'Senior' management is only part of the management tiers of the organisation and shouldn't be looked at in isolation
  - Sufficient corporate governance needs to be retained at the appropriate level of influence
  - Consideration needs to be given to the impact of changes on the council's ability to generate income and attract grant and growth e.g. City Deal
  - Integration of services e.g. Better Care Fund work/CCG
  - Senior Management change capacity to deliver priority strategies and respond to likely changes in legislation and policy.

## **4 Overview of people, place, performance**

### **4.1 People**

- 4.1.1 This is the area of greatest council spend and the area facing the biggest pressures. It covers social care, education, safeguarding, and revenues and benefits. It also encompasses the council's responsibilities for community safety, licencing, civil emergency and public health and the interface between the council's activities and the health sector. It has links with the council's roles associated with housing, an area where it is felt that there is scope to explore greater synergy and integration. The council's work with troubled families also falls within this area, for which funding will be made available at head of service level by central government - this can help support our drive

for early intervention and greater integration with services delivered by other agencies, such as health.

4.1.2 Statutory guidance and central government policy and inspection regimes such as CQC and Ofsted heavily influence the areas of health, education and social care. The council has to have Directors of Children's services, Adults' services, and Public Health but subject to safeguards and review, these roles can be shared. They must report direct to the Chief Executive. The current structure combines these roles in two post holders at director level. Work is underway looking at greater sub-regional collaboration on public health services and far greater integration of health and social care at a local level, including with the Clinical Commissioning Group and major service providers.

4.1.3 There are currently six service units within the 'people' area:

- Education & strategic commissioning - part-funded by schools directly and as a traded service
- Children's social care and safeguarding
- Adult social care
- Revenues and benefits – exploring private sector partnership
- Integrated Commissioning - jointly funded with the CCG
- Health, safety and licencing - including public health

4.1.4 Whilst it is possible to consider the combination of roles, this should be balanced alongside the importance the city places on raising educational attainment, and the critical risks involved with children's social care and safeguarding, at this stage it is not recommended that these two roles be consolidated under a single head of service. Both roles are difficult to fill and have required market pay supplements. Elsewhere where this has been attempted councils have had difficulty in recruiting to a combined role even where the salary is substantially above PCC pay rates. Many local authorities still retain separate Children's Services and Adult Services Directors because of difficulties recruiting at 2<sup>nd</sup> Tier. Stable and permanent senior managers in this area are seen as essential by regulators and 'churn' can trigger an early Ofsted inspection.

4.1.5 In terms of future savings through integration, the areas of council activity which offer potential for greatest synergy with this work are between adult social care and health. Much of the work supported by the Better Care Fund is focussed on this, but more radical integration should be considered. Within the council, greater integration with housing (with social care) and environmental health (with public health) are worthy of examination. The area with arguably the weakest link to the 'people' directorate is revenues and benefits; despite being a front-line service in the eyes of recipients of benefit,

many local authorities host revenues and benefits with their other support services.

## **4.2 Place (Regeneration)**

4.2.1 The 'Place' directorate has principal responsibility for the future economic and physical development of the city; attracting investment, providing and maintaining infrastructure, supporting business growth, skills alignment to employment opportunity and developing the cultural offer, sustainability and attractiveness of the city. As well as housing services, it includes some major services that the public use on a regular basis, such as highways, street lighting, waste collection and disposal. It is much more than the physical infrastructure of the city, and includes many regulatory services such as planning, parking, environmental health, trading standards and building control. Members chose to use the term 'Regeneration' rather than 'Place'.

4.2.2 There are currently four service units in the directorate. This configuration was the area that generated most debate last time members looked at the service units:

- Transport & Environment
- City Development & Cultural Services
- Corporate Assets, Business & Standards (incl. environmental health, private sector housing)
- Housing & Property Services

4.2.3 This configuration arose through Member desire to consolidate environmental contract management (waste, leisure, highways) and to split estate management functions between the operational and strategic. It leaves aspects of two key functions in two or more service units: housing and property. The greatest emerging areas of activity relate to skills, inward investment and support to business growth, where there are clear sub-regional links, including with Solent LEP and PUSH.

4.2.4 The areas within the directorate which have strong links to other directorates are with the 'people' directorate - housing with social care and environmental health with public health.

## **4.3 Performance (support services)**

4.3.1 Effective and efficient support services are essential to enable the council to deliver its front line functions, control its finances, and manage its considerable corporate governance responsibilities, such as budgeting, public and democratic accountability and scrutiny.

4.3.2 For the last two years corporate support services have been brought together under one director (City Solicitor and Monitoring Officer) and four Heads of Service:

- Finance (including s151 officer)
- Information Services
- Customer, Community and Democratic Services - includes City Help Desk, a 'front line' service for all
- HR, Legal, and Performance (including Audit, Procurement, Strategy, Insurance)

4.3.3 The Council is required to appoint to the roles of Monitoring Officer and s151 Officer although these roles can be provided in other ways such as through joint working with other authorities. Whilst the level of support service needs to be proportionate to the needs of the other services, it also must be recognised that a city council will always have significant demand for support services; it can either buy in these services, as for example Southampton has done, share with other organisations, or retain services in-house and look to meet some of its costs by supplying (selling) services to other organisations, as has Hampshire CC. This council has retained services in-house and trades with a number of other organisations, currently to a value of c£5m per annum. The support services are organised on a centralised model with some instances of devolved delivery. Decentralisation to the directorates is an option but can increase costs, reduce flexibility and reduce corporate grip. However, there is scope for greater responsibility to be taken by managers within the other services, with fewer but more expert staff within the support services.

## **5 Comparative Senior Management Models**

5.1 Information has been obtained from South East Employers in relation to senior management structures within other councils across our region and beyond. A table summarising these structures can be found in Appendix B.

## **6 Suggestions for consideration by Members**

6.1 The council faces many more years of significant cuts to its central government grant and some huge challenges, which if unmet will place even greater pressure on costly remedial services. Key amongst these challenges are those relating to the health and social care of the city's population. Whilst we are still coming to terms with the changes in service design necessary in our own and partners' organisations to address the additional costs of a growing elderly population, we are also faced with a mounting wave of younger people who will face multiple morbidities at a younger age as a consequence of poor diet and insufficient exercise leading to obesity and the major complications that brings in later life. Whilst medical advances would

enable this population to live to a reasonable age, it will be very expensive to maintain, and if unchecked will put huge additional pressures on our housing, health and social care services.

- 6.2 In addition to the development of a more integrated approach to housing, health and care, in order to address the root of these problems it will be essential that the educational and skills attainment of the city's population is quickly and drastically improved; hand in glove, we must continue to support the creation and growth of an employment base with a good range of high value-added jobs in the sectors in which the local and regional economy can expect to compete globally and in which our indigenous emerging workforce has the skills and aptitudes to fully participate and prosper. Providing the physical and cultural infrastructure for the city and the sub-region to operate effectively and become a location of choice for employers and residents are also pre-requisites.
- 6.3 City councils are obliged to deliver a broad range of services (over 1200 statutory services), and others they choose to provide. The council must ensure that it can offer the support services necessary to enable the front-line services to deliver as efficiently as possible and meet the standards of accountability, democracy, transparency and prudence demanded of it.
- 6.4 In addressing the challenges set out above, the council has been pursuing a four-strand strategy:
  1. Reduce dependency on tax and grant - e.g. generate more income
  2. Reduce the population's need for council services - e.g. early intervention and prevention, manage demand, increase skills and employment
  3. Increase efficiency and effectiveness - e.g. reduce waste, increase value for money, integrate services
  4. Cut low-impact services first - recognising that 'low impact' means different things to different people
- 6.5 Over the last 4 years the controllable budget of the council will have been reduced by £63m, largely achieved by increases in efficiency and effectiveness. In very few areas has the council actually stopped providing services, but has expected more from less, often with increasing expectations in terms of service quality and the ability to do new things. The council needs to ensure that its senior management structure is capable of delivering on this change agenda, and that its expectations are tempered by reduced capacity.
- 6.6 Recognising that significant reductions have been made in capacity over the last eight years, the following suggestions identify areas where reductions to the amount and configuration of senior management could be considered by Members to help maintain the council's ability to maintain its response to the budget challenges it faces.

## **6.7 People**

- Radical re-alignment of adult social care, housing and health management to achieve:
  - increased independence in the community and reduced dependency on council services
  - lower level of council funding of services
  - increased level of integration between health, housing and social care
  - increased level of personal budgets/direct payments
  - externalisation of PCC direct service delivery including potential commissioning of adult social care through the Clinical Commissioning Group
- Move Public Health from adults' portfolio to children's portfolio, as this is where the emphasis of early intervention and best start in life should be focused, for example in the role of Children's Centres.

## **6.8 Place (Regeneration)**

- Retain emphasis on regeneration of the city, wealth generation and developing employment opportunities and employer-led skills provision
- Review areas of housing and estates – both areas currently split across two Heads of Service - including consideration of sharing estates function with other partners, e.g. neighbouring councils, University of Portsmouth, Solent Healthcare Trust etc. and move of housing activities into the 'people' directorate.
- Create a 'Development Team' exploiting property investment opportunities that can lead to increased revenue income and capital receipts in line with council priorities
- Consider promoting the amalgamation and expansion of cultural trusts and new models of service delivery
- Seek engagement with neighbouring councils and other organisations on issues such as parking management, environmental health, planning policy, waste management
- Seek greater co-production/shared staffing with Solent LEP and PUSH

## **6.9 Performance**

- 6.9.1 Members have indicated that this is an area where they feel that the number of heads of service could be reduced. Consolidation of senior management can be achieved in a number of ways, for example by combining the range of

activities/responsibilities currently covered by four heads of service, therefore reducing overall headcount. Members must recognise that this may lead to a reduction in the resilience of support services to properly assist front-line delivery, and the capacity of the organisation which may inhibit the council's ability to attract business from elsewhere. However, more can and should be expected of the managers elsewhere across the council to take responsibility for more of their own 'support service' decisions. Such an approach would put the affected heads of service at risk.

## **7 Process**

- 7.1 The adoption of proposals contained within this report will have direct implications for a number of staff as a consequence of change to the existing senior management structure. The Council has an obligation to consult unions and employees to ensure a fair redundancy procedure.
- 7.2 In accordance with the council's workforce organisational change policy, the unions and those staff directly affected have been advised, at the earliest opportunity that their posts may be at risk under the proposals being considered.
- 7.3 Members need to decide the approach that best meets the needs and circumstances of the council over the next few years. This report sets out options which the committee is advised to consult upon with staff and the unions. If the committee accepts the recommendations of this report, this will enable a new structure to be drawn up and a formal period of consultation to commence. Please refer to Appendix C for full details of the process.
- 7.4 The length of the consultation period is legally determined by the number of staff at risk of leaving across the council as a whole. Currently there are fewer than 99 staff at risk across the organisation; therefore the minimum consultation period required will be 30 days during which time further proposals may be put forward.
- 7.5 At the end of the consultation period, Members will be required to consider any representations received during consultation, prior to endorsing the recommendation of the proposed senior management structure.

## **8 Equalities Impact Assessment (EIA)**

- 8.1 A preliminary Equalities Impact Assessment has been undertaken.

## **9 Legal implications**

- 9.1 The implications outlined in the report, whilst preliminary, are such that a redundancy process (a potentially statutorily fair reason for dismissal) will potentially need to be considered as against a background of structural change. The key factors to avoid claims of unfair dismissal either based upon



a redundancy situation not existing or flaws in the process of selection (substantive unfairness) are at this point as follows:

- The burden is upon the employer to establish that the jobs/posts no longer exist in that the need to employ has ceased or diminished.
- The process of consultation and procedure will need to be clearly established prior to dismissals occurring as, whilst the employer might be able to establish a reason for dismissal (redundancy), the dismissals might be unfair if the consultation, selection and criteria used are flawed.
- Appropriate consideration to existing corporate policies will need to be given in any process mapping.
- Consultation will need to be meaningful and engaged early enough to avoid any applications to the Employment Tribunal for protective payment awards; the current time frame would be 30 days.
- The key to avoid claims is to map accurately the structure re-profiling, engage early, consult throughout and be able to objectively justify selection, as a Tribunal will be concerned about decisions being fair and reasonable in all the circumstances having due regard to the size and nature of the undertaking (the employer's organisational size).

## **10 Head of Financial Services comments**

10.1 The financial implications arising from the implementation of any of the changes contained within this report will relate to the estimated costs of redundancies and the ongoing savings arising from a reduction in Heads of service posts.

10.2 Whilst it will be for Members to determine the final structure, in terms of in-year and future savings, the savings arising from the reduction up to four Heads of Service in both current and future years is estimated at £311,000 for 2015/16 and all future 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 a guide, with likely re-grades at more junior levels, the full year savings are:

Director	£82,600*
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Head of Service	£77,700*
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\*These figures exclude redundancy & pension strain costs

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**Signed by:**

**Appendices:**

Appendix A - Current Senior Management Structure Chart

Appendix B - Summary of Comparative Senior Management Models

Appendix C - Consultation Process

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of doc ume nt	Location