Agenda Item 9

JIC
28 October 2010
MW

Draft Shared Senior Management Structure Proposals (Phase 2)

Exempt Information

The Committee is asked to agree that the following report be considered in Closed Session by virtue of the Local Government Act 1972, Schedule 12A under Paragraph 1: Information relating to any individual.

Summary

In accordance with the agreed timetable this report proposes a shared senior management structure for the JIC to consider and then to recommend either as proposed or as amended to the Executives of both Councils (and thence onward to full Councils). Members will know that an earlier draft version of a shared structure was circulated widely and in preparing this proposed version I have taken careful account of the various views that were expressed both formally and informally by members and officers. I have also studied the shared management structures that exist in all other district councils where sharing is taking place.

The key criterion in assessing this proposal is that of the need for both Councils to set balanced budgets in forthcoming years against the need for both Councils to have sufficient senior management resource to service reasonably foreseeable future requirements. Inevitably this involves compromise in expectation and a requirement to accept that the future will necessarily be different from the present. This will impose challenge for members and officers in terms of how the business of both Councils is conducted. In addition, there are essential statutory services that both Councils will be required to deliver, albeit in the most cost effective way, and there will be additional services that both Councils will want to deliver for the benefit of their communities. The proposed structure seeks to identify a vehicle by which these objectives can be achieved whilst recognising the constitutional sovereignty of both organisations.

Recommendations

1. **That the JIC agrees the form of shared senior management structure that it proposes to recommend to both Councils (noting that the structure is the subject of consultation with affected employees and relevant trade unions).**

2. **That the JIC confirms in principle the proposed salaries and other terms and conditions that shall apply to the shared posts (including the period of sharing), with delegated authority being given to the shared CEO to conclude and agree any necessary consequential detail, and that subject to approval of this further extension of sharing by both Councils authority be given to both Leaders to sign and complete the necessary documentation.**

3. **That there be delegated to the shared CEO, in consultation with both Leaders, authority to make necessary consequential changes to both Councils' constitutions to facilitate implementation of the shared senior management structure, in consultation with the solicitor to each council, (noting that both Councils will receive a report of those changes at their Annual Meetings).**

4. **That there be delegated to the shared CEO, in consultation with both Leaders, authority to agree an appropriate and proportionate methodology for the sharing of costs necessary to implement a shared senior management structure, with any agreement being reported back separately to both Executives.**

a) Reasons for Recommendation

To allow the JIC to consider whether it wishes to recommend that both Councils share a senior management structure with effect from April 2011 as part of a considered response to the budget challenges that are being faced.

b) Alternative Options

To propose an alternative structure or to propose that further sharing of senior officers is not appropriate and that both Councils will carry out their own further internal re-structuring.

c) Risk Considerations

There are inevitably a number of risks associated with a decision to share a senior management structure and these risks are a refinement/extension of those that both Councils have already addressed in the major contractual partnerships that they have independently entered into (not the least of which is the current contractual arrangement regarding the shared CEO). A considerable amount of research has been done to assess how other Councils that are already sharing senior management teams have addressed these and this learning is reflected in the report and earlier reports that both Councils and the JIC have had. In terms of risk control it will be essential that the JIC continues as the most visible manifestation of the means by which any issues that may arise can be debated and mediated.

d) Policy and Budgetary Considerations

Implementation of the recommendations in this report can be seen as a policy extension of the earlier decision to share a CEO and pursue a strategic alliance. The savings that are achievable over the likely timescale of a shared senior management team will facilitate the key budgetary requirement of setting a balanced budget.

e) Date for Review of Decision

The operation of the shared management team will be the subject of on-going regular review but it will be necessary for formal legal agreements to be concluded regarding the period of sharing. The shared CEO agreement is for an initial 4-year period concluding on the 21 March 2014. It would seem appropriate for the shared management team to have the same end date (with the exception of the proposed fixed term posts) but this is a matter for both Councils to consider.

---

1 Main Body of the Report

1.1 Members have previously considered reports (including national studies by the IDeA) detailing the response of many district councils to the current and envisaged financial environment, namely that of sharing senior managers and teams. Although there are no current examples elsewhere in Somerset there are the examples of South Hams/West Devon and Teignbridge/Torridge in Devon as well as West Dorset/Weymouth and Portland in Dorset. There are of course additional examples elsewhere in the country and research has been carried out at some of these locations. EDDC and SSDC agreed to share a CEO for an initial 4-year period (to March 2014) and this report recommends to the JIC the next logical step to further progressing the sharing.

1.2 Members will further be aware that as part of the preparation for this report I did circulate for discussion purposes a paper and possible shared structure to encourage debate. The report was formally considered by SSDC's Audit & Governance Committee, and also the Scrutiny Committee. The Joint Scrutiny Committee also considered it, as did EDDC's Rationalisation Panel. Senior members also debated it amongst themselves and I had a number of responses from existing tier 2 and 3 officers and indeed Unison and GMB.

1.3 I have taken careful account of all the views that were expressed and now seek to recommend a structure (see Appendix A) that, at the very least, has had regard to the majority of those views. A comparison of the original draft with the current proposal will show where consequential changes have been made. The structure that is now proposed is one that I believe would work well for both Councils. It is innovative and potentially provides a model that could encompass additional partners. It is also a compromise between capacity and affordability and does assume that a degree of proportionality will be required on the part of all to ensure its sustainability.

1.4 I have not sought to engage consultants or other paid third parties in the preparation of this proposal. Any such decision in that respect will be for the JIC to decide although my own personal view is that any resulting costs are likely to be in excess of any perceived benefit. As I have indicated on many occasions all structures are a compromise between the need for capacity/resource and the financial resources available to finance the structure and these have been my primary considerations. If the JIC considers that additional capacity is required in the shared senior management

team then consequential changes to both Councils' budget strategies will be required (other savings will need to be found elsewhere).

2 Assumptions underlying design of the shared management structure

2.1 As we know both councils face district wide elections in 2011. The new councils will face significant challenges over their four years. My key assumptions for the new councils include the following:

- A continuing difficult financial environment: at the time of writing this report the Chancellor's comprehensive spending review announcement is awaited as are the details of both Councils' revenue support grants for 2011/12. We can say with certainty however that both Councils will need to make adjustments to their budgets of figures in excess of £2m each over a number of years.

- Retreat from monitoring and inspection environment brought about by CPA/CAA and underlying philosophical assumptions: the current coalition government has announced its intention to abolish the Audit Commission along with CAA and many of the reporting requirements associated with it. There are additional new requirements that have been imposed through updated financial reporting standards and both Councils will also want to report on the performance that matters to them. However I do believe that for the foreseeable future, much of the burdensome requirement (be it the plethora of unproductive 'partnership' meetings, or the expectation of 'management by template' or micro management by Whitehall) will be significantly reduced.

- Re-focussed emphasis on core functional delivery expectations: this is perhaps a contentious assumption (from a political point of view) but is predicated on the understanding that neither Council will be able to afford to do what it has enjoyed doing hitherto. To a large degree the flexibility that both Councils had to spend on services was the result of receipts from investments or other commercial dealings. Income from other areas has tended (broadly speaking) to be sufficient to deliver day-to-day services but it has been the investment receipts that have really allowed both Councils to punch their weight. The expectation is that interest rates will bump along the bottom for a number of years and neither Council can look forward to this area of income re-establishing itself any time soon. There is the additional pressure of declining capital sums which only add to this pressure.

- Continuation of demand led reviews through systems/lean thinking: both Councils have responded to increasing customer demand and sophistication (balanced against costs pressures) through systematic re-assessments of capacity to deliver. In other words both Councils have found that it is possible to do 'more for less'. This requirement will undoubtedly continue and assumes therefore that at both the corporate strategic capacity level and the operational level there will be officers who understand and have a track record of successfully applying this approach.

- EDDC/SSDC to retain different political leadership grouping resulting in varied approach to serving respective populations: at the time that the decision was taken to share a CEO the background papers demonstrated that there were in fact considerable strategic and operational similarities shared by EDDC and

SSDC. There were however some differences and I have assumed that these will continue at the present time.

3 Current costs of existing senior management structures

3.1 The budgeted costs (including on costs) for 2011/12 in respect of both Councils are as follows:

		£	£
EDDC	Tier 2 (4)	418,049	1,020,071
	Tier 3 (8)	602,022	
SSDC	Tier 2 (2)	245,553	724,957
	Tier 3 (6)	479,404	
TOTAL			1,745,028

3.2 In summary therefore the combined spend of both Councils at the current time is £1.75 million on the 20 posts currently comprising both senior management teams. This includes 6 posts at tier 2 costing a combined £0.66 million and 14 posts at tier 3 costing a combined £1.08 million. It needs to be noted that the cost differences between the two Councils are primarily because SSDC has only recently restructured its senior management team whereas EDDC has not.

4. Explanation of proposed structure

4.1 Much of current thinking around management structures tends to emphasise the financial, co-ordination and accountability benefits of flatter structures with fewer managers. The problems of organisational silo hierarchies, 'obstructive' middle management, and indeed, lack of effective management are well rehearsed. From a local government perspective however the unique role of the elected member needs to be recognised, as do the issues of managing a multi-site environment within a relatively prescribed legal, audit and financial framework. Bearing in mind these considerations, and the various views that have been expressed, I have sought to propose a structure that can balance out these competing considerations.

4.2 Tier 2 – the Deputy Chief Executives: the feedback I received was to the effect that if there is to be a shared tier 2 resource (and 2 posts seemed to be the appropriate number) it needs to ensure the following:

- Clarity around the strategic and corporate role of these posts.
- No confused operational accountability with tier 3 posts.
- The ability for these posts not to be constrained by line management responsibilities into re-inventing 'silo' and/or them and us organisational mentalities.
- Genuine ability to act cross and inter-organisation.
- An understanding and ability to focus on successful strategy development and successful project delivery.
- The ability to be a focal point for member contact in each location accepting that the shared CEO cannot be in two (or more) places at one time.

4.3 On this basis I have proposed that there be two Deputy Chief Executives who would both report into the shared CEO but who would not have direct functional line management responsibility for tier 3 posts. For present purposes I have termed them 'Corporate Strategy & Projects' to emphasise they will both be tasked with successful delivery of key organisational wide objectives – just 'being there' will not be sufficient. To achieve this they will have 'dotted line' access to tier 3 resources (and their teams) as and when required on a project based basis. This will allow them to achieve the objectives of both Councils (mediated as necessary by the CEO and through the JIC). Both posts would be shared across the two councils and would therefore have an overview of the differing requirements albeit they would both report into the shared Chief Executive in order to ensure coherence of approach and direction. Subject to the above, more often than not, it is presently envisaged that one deputy would be more EDDC focused and the other SSDC based but each would have one or more area requiring an across Council focus.

4.4 Cost of the Deputy Chief Executives:

In recommending salary levels for these 2 posts I have assessed the going market rate and am recommending a 'spot salary' on the assumption that the successful officers will not need a 'lead in' period and will act competently from day one. The resulting salary is £98,000, which is appropriate in terms of market information (as advised by South West Employers) and in terms of relativity to the shared CEO's salary. The use of spot salaries also helps minimise the potential for equal pay issues.

With on costs the yearly cost to be shared on a 50/50 basis is £125,000 for each officer (total £250,000 incl. on costs to be shared 50/50).

4.5 Tier 3 – the Heads of Service:

The feedback I received was to the following main effect:

- Members did not want to see any confused accountability for service delivery, which should clearly rest with the 'heads' of service (accepting that the heads would have to assess and advise on strategic aspects relevant to their service areas and contribute to the strategic agenda for both councils).
- The balance in the original draft was wrong with too much focus on support services rather than front line services, particularly streetscene and waste collection.
- The need for savings was understood but this needed to be balanced with a need for transitional capacity.
- There should be a direct reporting line from the S.151 finance officer and the monitoring officer into the Shared CEO.

In response to this I have therefore proposed a flatter structure with a better front line/back office balance and clearer reporting lines direct into the shared CEO.

4.6 The Front Line Heads:

It can be seen that 4 shared front line heads are proposed termed, 'Streetscene', 'Planning', 'Economy' and 'Communities'. The exact division of component service areas and relevant tier 4 reporting lines may need to be the subject of refinement but the essence of their role as accountable service heads responsible for delivery in their

areas should be clear. It will be for the shared CEO on behalf of both Councils to monitor delivery of their respective service objectives.

4.7 The Shared Section 151 Officer**:**

The key objective of a direct reporting line to the CEO is secured in the proposed structure. Members will also recall that the joint leads for the shared finance services business plan accepted that a consistent approach to financial advice, budgeting and financial management would assist both councils going forward. This was the primary reason for suggesting that the 151 officer is suitable for sharing.

Although cost savings can be achieved through sharing the S.151 officer, there is the consequential issue for EDDC to consider of residual capacity mainly within the financial services team. The post of Financial Services Manager (FSM) is currently vacant and along with Head of Service duties is effectively being covered by the Head of Finance. Assuming the proposed shared structure goes ahead it would be prudent for EDDC to budget for the FSM post to be filled for a given period of time whilst further work is undertaken on the sharing of financial services. An alternative to backfilling the FSM post, if it is considered that a separate S.151 officer should be retained for a period of time could be for the EDDC Head of Finance post to be retained for a fixed term as the S.151 officer. For EDDC this could negate the need for filling the FSM position (£53k) and the cost of a shared S.151 post (£45k). A total cost to EDDC of £98k, against a single S.151 officer cost of £76k; a saving to EDDC of £22k. SSDC would lose a saving (£45k) by not sharing a S.151 post but might consider this saving is offset by the additional transitional capacity. There would be redundancy costs savings involved on one EDDC post.

4.8 The Shared Monitoring Officer:

As with the S.151 officer a direct reporting relationship with the CEO is proposed. I am recommending that this post is suitable for sharing but members will recall that the joint leads of the legal services business plan (SSDC's Monitoring Officer and EDDC's Deputy Monitoring Officer) did not consider that the post was suitable for sharing (at least in the short term). Their concerns related to the need for both Councils to have access to their own legal advice, capacity issues related to the fact that both officers carry a high operational workload and also the relative cost of securing any 'substitute' advice from the private sector. Whilst I understand the concerns that have been raised I am mindful of the apparent fact that all the Councils that have shared management teams do share a monitoring officer. The issue of capacity may need to be addressed depending on the capability of a fully shared legal team but I am unable to recommend that both Councils retain separate Monitoring Officers. This will be a matter for assessment by the JIC.

In respect of both the S.151 Officer post and the Monitoring Officer post I acknowledge the corporate governance issues and the potential for conflict of interest. However I believe that the professional/statutory obligations of these two posts, combined with those of the shared CEO as Head of Paid Service, are robust enough to ensure that both Councils can receive appropriate advice and any conflict issues highlighted/addressed for members.

4.9 The Fixed Term Heads:

Part of the process of transformation and the transitional nature of the work that will be required in terms of implementing the shared services business case(s) does suggest a need for a fixed term additional resource in the areas of HR (harmonisation of terms

and conditions to facilitate shared services) and Systems Technology (integration of work and service delivery systems). Indeed a key learning point from all those Councils that are undergoing sharing journeys is a requirement for adequate capacity and resource to be addressed in these work areas. Although there is potential capacity at the 4th tier level I do believe that it would be unrealistic for these areas to form part of the shared S.151 Officer remit or the shared Monitoring Officer remit (as is the current case at SSDC). Ultimately they are service areas that might well be suitable for amalgamation (it is noted that South Oxfordshire DC and the Vale of White Horse DC share a 'Head of HR, ICT and Customer Service') but only after successful implementation of shared terms and key software requirements, (aligned to the delivery of savings). The fixed term nature also highlights an emphasis on delivery.

4.10 The EDDC Head of Housing:

Members will note from Appendix A that it is proposed that EDDC will retain a Head of Service dedicated to the housing function. The cost of this post will not be shared with SSDC. EDDC currently retains a stock in excess of 4000 properties and the indicated changes to the role of EDDC as landlord clearly suggest a workload that is sufficiently robust and independent of the common shared agenda, such that this separately funded post is recommended.

4.11 Costs of the Heads of Service:

In recommending appropriate salary levels for the shared heads I have adopted a similar approach to that of the deputy chief executives, namely that of proposing fair but market based spot salaries. This objective can be achieved by using existing SSDC grades at a specific spinal column point because the individuals going into these roles will be expected to operate competently from day one; there will be no growing into the role or developing which is the point of grades. Spot salaries at the recommended levels are appropriate in terms of market information and in terms of relativity to the Chief Executive's salary and help minimise the potential for equal pay issues.

On this basis the recommended salary for all but the shared S151 Officer and the shared Monitoring Officer are £64,800. To reflect additional statutory responsibility it is recommended that the shared S151 Officer and the shared Monitoring Officer are each paid £71,200. The EDDC Head of Housing would continue to be paid at this current scale.

4.12 The Tier 2 & Tier 3 Package:

Elsewhere on the agenda the JIC is referred to the proposed terms and conditions of the tier 2 & 3 posts. One area where comment has been made concerns the availability of leased cars (the collective cost of which would be £40,000). Bearing in mind that a market-based salary has been proposed it is not considered that leased cars are appropriate, as opposed to an HMRC based mileage allowance and an essential car user allowance. It is further thought that the intended widespread usage of conference calling and video conferencing should reduce the need for leased cars. Based on a worked example of an officer travelling twice per week to the other site from home (which will be typical) it is almost £2,000 per person, per year more cost effective for the Councils to use HMRC mileage rates and car user allowance rather than the lease car option. Clearly this will become more significant in terms of savings as the number of officers working in a shared capacity increases.

Summary of Costs and Indicative Savings

The indicative costings are as follows:

Deputy Chief Executives - £250,000
Shared S151 Officer and Monitoring Officer – £181,000 incl. on costs
6 Shared Heads – £ 491,000 incl. on costs
1 non-shared EDDC Head – £74,000 incl. on costs

Total cost = £996,000 EDDC share = £535,000 SSDC share = £461,000
Potential future years savings EDDC = £485,000 SSDC = £264,000 - £749,000.

The proposed structure would see tiers 2 and 3 reduced by 9 posts, 4 at Director level and 5 at Assistant Director/Head of Service level (of the latter 2 positions are currently vacant). The report further raises the option of each council retaining a S151 officer thereby reducing the potential number of redundancies by a further one. Based on the higher number of 7 redundancies the cost of the proposal being considered will be in the range of £434k - £796k (dependent upon which officers are made redundant) with a pay-back period somewhere between 7 to 12.8 months. Here it is assumed Directors will not fill Heads of Service posts if unsuccessful in applying for the 2 Shared Deputy Chief Executive positions.

There are a number of options for sharing both the one off costs of reducing the number of posts and the on-going salaries of the shared management team. At the very simplest the councils could share both on a 50/50 basis however this would not take account of the reduction in salary costs each can anticipate from the partnership. Arguably a more equitable arrangement would see the division related to that saving. This could be achieved for example by sharing the up-front redundancy costs in proportion to saving with each council then paying 50% of the on-going costs, in line with the agreement for the shared CX post. Alternatively each council could agree to meet their own redundancies and split future costs, for say the following 3 years, by reference to savings achieved. It is proposed that having considered alternatives with both Leaders the Chief Executive reports the agreed to formula to both Executives.

Legal Implications

The legal framework for shared services was reported in detail to EDDC's Executive Board on 10 February 2010 (Appendix G) and to SSDC's District Executive on 4 February 2010.The recommendations in this report will need the approval/agreement of both Executives before consideration by full Council. At the present time the Joint Integration committee does not have decision making powers. At Council on 24 February 2010 EDDC agreed that Council adopted the practice of commissioning an external assurance/validation assessment to assist in deciding what structural changes are recommended by JIC to both partners.

Financial Implications

As referred to in the report.

Consultation on Reports to the Executive

As indicated in this report an earlier draft was the subject of consultation with members, officers and unions. Furthermore the structure that is proposed in this report is the subject of consultation with affected officers and the unions.

Background Papers

All relevant background papers are previously published committee reports and the background papers referred to within those reports.

Mark Williams, Joint Chief Executive 28/10/10