

WEST DEVON BOROUGH COUNCIL

NAME OF COMMITTEE	COUNCIL
DATE	24 JUNE 2014
REPORT TITLE	SENIOR MANAGEMENT STRUCTURE
REPORT OF	LEADER OF THE COUNCIL
WARDS AFFECTED	ALL

Summary of report: To make recommendations about the future senior management structure, the recruitment process, salary scales and the timetable for implementing the changes, as a further step to implementing the next phase of the Transformation Programme (T18). The recommendations have arisen following formal consultation with staff as well as lead member discussions with external advisors. This report completes the review of the senior management structure initiated by the former Chief Executive of the two Councils.

Financial implications: A reduction in senior management posts forms part of the business plan for T18 approved by both Councils in 2013. A reduction in management coupled with the recommendation to carry out an external recruitment process will inevitably result in costs comprising redundancy payments and in some cases, actuarial pension strain costs. These are predominantly upfront costs which will be compensated for by the annual recurring revenue savings generated through the T18 Programme. Therefore the scale and timing of when recurring savings will be achieved is dependent on the outcome of the recruitment process.

RECOMMENDATIONS:

That Council resolves:

- (i) that the future senior management structure to consist of two Executive Directors and four Service Leads, with the S151/ strategic finance role also being recognised as an integral part of the senior management team;
- (ii) to operate an Executive Director model with one Director responsible for Strategy and Commissioning and one for Service Delivery and Commercial Development, the former to be Head of Paid Service;
- (iii) to appoint two Executive Directors and four Service Leads;

- (iv) that the recruitment to the six senior management posts should be through open competition, the recruitment process to begin in July advertising for the two Director posts to appoint in September; Service Lead equivalent posts then filled by the relevant Director in October; Service Leads then to appoint the next tier of managers initially through an internal recruitment process by December 2014 in readiness for all other posts to be recruited to the T18 model in phases commencing January 2015;
- (v) iESE, as the Council's external advisors on the T18 Programme, to provide an Interim Head of Support Services in July to enable Phase 1a to commence from October in tandem with the permanent senior recruitment process;
- (vi) that the appointment of the two Directors should be by a Member Panel of six, decided by the two Leaders – three from South Hams and three from West Devon. The Member Panel will also sit in on the appointments of Service Leads, with the ultimate decision residing with the relevant Director;
- (vii) that the two Director posts be advertised with a salary range of circa £88,000 to £96,000; the Service Leads to be advertised at a range between £61,000 to £66,000;
- (viii) that agreement of the formal job titles for each of the four Service Lead posts be delegated to the Head of Paid Service in consultation with the Leaders and Deputy Leaders of both Councils.

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1. BACKGROUND

- 1.1 During Autumn 2013 both Councils resolved to adopt the T18 model to deliver services in the context of the long term challenging financial environment, approving an invest to save strategy which will introduce a more efficient way of working. On 25 March 2014 the Council resolved to consult on a new senior management structure designed to reflect the new model, in particular separating the development of strategy and commissioning of services from service delivery. The review of the management structure was undertaken by the former Chief Executive while he remained in post until 31 March 2014. Since leaving the Council he has continued to provide support to lead Members for this area of work to enable it to be progressed independently of the current Senior Management Team (SMT). His final report is attached as Appendix 1.

2. SENIOR MANAGEMENT STRUCTURE CONSULTATION AND FINAL RECOMMENDATIONS

- 2.1 All staff whether directly or indirectly affected by the draft proposals were invited to respond to a consultation document issued on 11 April 2014. Responses were requested by 9 May 2014. Appendix 2 is the published consultation document about the senior management structure and Appendix 3 summarises the 16 responses received.
- 2.2 The recommendations set out in this report have been influenced by the comments received and Appendix 1 describes changes to the initial proposals published in the spring. Of particular note is that further work on the T18 model during March concluded that the total number of staff initially needed within the Strategy and Commissioning Group is less than predicted when the senior management structure proposals were first being formulated. The consultation document that went out to all staff therefore included a second option that proposed a reduction in the number of senior managers by one to six in total.
- 2.3 The final job titles for each of the four Service Lead posts have yet to be concluded and it is suggested that resolution of this detailed issue is delegated to the Head of Paid Service in consultation with lead Members (see paragraph 8 of Appendix 1).

3. LEGAL IMPLICATIONS AND STATUTORY POWERS

- 3.1 The Constitution sets out that the Council is responsible for appointing the Chief Executive or Head of Paid Service. The appointment of staff below this position is the responsibility of the Head of Paid Service. As it is recommended that the Council adopts an Executive Director model with one Director responsible for Strategy and Commissioning who is also designated Head of Paid Service, and one Director responsible for Service Delivery and Commercial Development, it is proposed that these two Director posts will be appointed by a Member Panel. If the recommendation is accepted the changes will be incorporated into the constitution in due course. It is recommended that the Member Panel also sits in on the appointment of Service Leads as advisors however the final decision on recruitment will reside with the relevant Director.
- 3.2 The consultation process, suggested terms and conditions of employment and any redeployment and/or redundancy consequences will continue to follow the Council's policy and procedures. However it should be noted that the Council's normal recruitment policy for all posts is to seek to appoint internally initially and if no suitable candidate is identified then an external recruitment process takes place. Continuing with this approach for the recruitment of the senior management team has been considered by senior Members, but it has been concluded that open competition is appropriate for all SMT posts given the different skill sets needed in the new model.

4. FINANCIAL IMPLICATIONS

- 4.1 In March 2014 the two Councils considered a report from the Chief Executive on the senior management restructure. The financial implications section of this report stated that the average exit cost (including pension strain) for a member of SMT was £95,000, reflecting both the age, length of service and salary of many senior managers. This compared to £20,000 for other staff members and the average figure built into the T18 financial model.

- 4.2 When the business plan for T18 was developed during 2013, it was not envisaged at that time that the SMT restructure would happen at the start of the T18 Programme. An organic approach to senior management change was anticipated to ensure sufficient senior capacity to deliver the Programme in its early phases, with major change taking place towards the end of the implementation period.
- 4.3 The retirement of the Chief Executive has acted as a catalyst for a senior management restructure happening on an earlier timescale. Members have also expressed a preference for open competition, which is a change of direction from when the business plan was agreed during the autumn. Both the cost of external senior recruitment and the potential for a greater number of staff exits, in addition to the reduction in the number of senior management posts planned for within the model, is a new cost pressure on the business case to be set against the savings that will accrue from an earlier reorganisation.
- 4.4 As a consequence, it is recommended that any costs arising from the SMT restructure are in part funded from the existing pension strain budget which is in both Councils base budget for 2014/15. This financial provision arises from the management re-organisation which took place in 2011 as the costs are paid over a three year period. Furthermore the retirement of the Chief Executive has enabled an early saving to be achieved through a reduction in the management team without any redundancy costs. This will assist in meeting any further additional exit costs arising from the next phase of senior management changes.
- 4.5 In the March report it was agreed that the remuneration and terms and conditions for the senior management roles will be determined by Council in June based on the recommendations of the Member Panel. At Appendix 4 the former Chief Executive summarises a benchmarking exercise he has undertaken comparing salaries against other Councils which operate either shared service arrangements, or where an Executive Director model is in place. Following the benchmarking exercise and after lead member discussion with an external recruitment advisor, recommendations for senior salaries are included within this report.
- 4.6 Members should note in relation to paragraphs 6 and 14 of Appendix 1 that if the S151 role is not accommodated within either the Director or Head of Strategy and Resources roles, there will be an additional budget pressure to fund a separate S151/Strategic Finance lead.

5. RISK MANAGEMENT

- 5.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	All
Considerations of equality and human rights:	No specific issues identified
Biodiversity considerations:	None
Sustainability considerations:	None
Crime and disorder implications:	None
Background papers:	Report to Council – 25 March 2014
Appendices attached:	Appendix 1 – Report from Richard Sheard acting as an external advisor to the Leaders of the two Councils Appendix 2 – Senior Management Structure – Staff Consultation Appendix 3 – Summary of Consultation on Senior Management Arrangements Appendix 4 – Senior Management Structure – Comparative Salary Levels – Directors and Service Heads

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Introduction of an Executive Director Model	That it fails to deliver sufficient senior management capacity needed to ensure success of the T18 model	5	2	10	↔	Design sufficient capacity into the senior management structure based on the business process review to enable the introduction of the new operating model, but to keep the structure under review, particularly in relation to the introduction of any new partners	Council
2	Robustness of the appointment process	That it fails to deliver appropriate senior management capability needed to ensure success of the T18 model	5	2	10	↔	An open recruitment process provides the widest field to select from, given that different skill sets will be needed in the new model	Appointments Panel
3(a)	Implications of external competition recruitment process	Could lead to significant redundancy costs and actuarial pension strain costs	3	1-5	3-15	↔	Council to take a balanced view on achieving an appropriate senior management team and the potential impact on the payback period anticipated within the initial business plan	Council
3(b)	Implications of external competition recruitment process	Could lead to an increased risk of lack of focus on delivery of the T18 Programme and puts already tight timescales and considerable workload at risk	3	2	6	↔	Council to take a balanced view on achieving an appropriate management team for the long term and the cost of implementing change, with its consequent impact on the payback period initially anticipated within the business plan. Members to continue to monitor progress of the Transformation	Council

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
							Programme, as well as day to day service performance	
3(c)	Implications of external competition recruitment process	Damage to wider staff morale in the short and medium term	3	3	9	↔	Council to take a balanced view on achieving an appropriate management team for the long term and the cost of implementing change, with its consequent impact on the payback period initially anticipated within the business plan. Members to continue to monitor progress of the Transformation Programme, as well as day to day service performance	Council
3(d)	Implications of external competition recruitment process	Potential loss of knowledge, continuity and experience within the senior management team	2-5	1-5	2-25	↔	The Member Panel, or the subsequently appointed Executive Directors, to take a balanced view at interview, assessing the quality of existing members of the senior management team against the quality of external candidates. The impact and chance of a negative outcome and therefore the risk score, will depend on the scale of change within the senior management team and the quality and number of new appointments that arise from the recruitment process	Member Panel/ Directors
3(e)	Implications of external competition	Timescale could be at risk if external appointments are made and they need time “to	2-5	1-5	2-25	↔	The Member Panel, or the subsequently appointed Executive Directors, to take a balanced view at	Member Panel/ Directors

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
	recruitment process	find their feet” and understand the new model					interview, assessing the quality of existing members of the senior management team against the quality of external candidates. The impact and chance of a negative outcome and therefore the risk score, will depend on the scale of change within the senior management team and the quality and number of new appointments that arise from the recruitment process	
3(f)	Implications of external competition recruitment process	Loss of expertise if unsuccessful candidates with responsibility for delivery of the T18 Programme leave the organisation	2	3	6	↔	<p>The Member Panel, or the subsequently appointed Executive Directors, to take a balanced view at interview, assessing the quality of existing members of the senior management team against the quality of external candidates. The impact and chance of a negative outcome and therefore the risk score, will depend on the scale of change within the senior management team and the quality and number of new appointments that arise from the recruitment process.</p> <p>Any current SMT member who is not successful through the recruitment process may be prepared to provide transitional capacity to support the delivery of the T18 Programme if required</p>	Member Panel/ Directors

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3(g)	Implications of external competition recruitment process	Ongoing challenge from the Unions and potential challenge from any unsuccessful current member of SMT that the approach does not meet the agreed Managing Change Policy	2	3	6	↔	Lead Members have taken a range of advice and on balance have concluded that it is in the wider interest of both Councils to have open competition for all SMT posts given the different skill sets needed in the new model	Council
4	Delay in implementing this aspect of T18	Deferral of SMT recruitment may lead to delays in other elements of the Programme	4	2	8	↔	Commission external support for Members as required to ensure that change is delivered in line with the timetable and that key issues are communicated to the wider membership	Lead Members