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Agenda Item: 5.

Report to: Overview and Scrutiny Committee for Resources

Date: 23rd January 7 February 2007

Report from: Chief Executive

Title of report: **REVIEW OF SENIOR MANAGEMENT STRUCTURE**

Purpose of report: The attached document is a draft report and will be the subject of a special meeting of Cabinet on 8 February 2007. At the request of one of the committee members and with the agreement of the chair. This draft report is being tabled as an urgent item in order for the committee provide Cabinet with their views on the proposals.

Recommendations: The Committee is asked to discuss and submit its views to Cabinet on:

1. The framework proposed in Section 2 of this report for a new Senior Management Structure.
2. The Process and Timetable set out in Section 3 for introducing the proposed Framework.

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Agenda Item: **5**

Report to: Cabinet
Date: 8th February 2007
Report from: Chief Executive
Title of Report: REVIEW OF SENIOR MANAGEMENT STRUCTURE
Contact Officer: Roy Mawford
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PURPOSE OF REPORT

~~to be completed~~ This report asks Cabinet to approve proposals to change the structure of the Council's senior management, following a recent review. It explains why change is needed, and sets out a proposed framework for a new senior management structure.

The report proposes to replace the current arrangement of Deputy Chief Executive and 5 Executive Directors, with 4 Corporate Directors (one of whom would also be the Deputy Chief Executive). It explains the important differences between these new posts and the current arrangements. Related to these changes, it proposes that the number of Personal Assistants to Directors should be reduced from 6 to 4.

The report also proposes a reduction in the number of service managers reporting to directors from 31, to around 20 Heads of Service. It explains that some, but not all, posts at this 3rd Tier of management would be affected by the change. Where posts are affected, some service functions would be brought together under a single Head of Service. Some other posts would change their reporting line, to become part of the 4th Tier of management.

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The report proposes a two-stage process for introducing the above changes. A timetable is set out, and various procedural matters are considered. Finally,

DRAFT FOR CONSULTATION – 15th January 2007

the report addresses the financial and other policy implications of these proposals.

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RECOMMENDATIONS

Cabinet is asked to approve:

1. The Framework proposed in Section 2 of this report for a new Senior Management Structure for the Council
2. The Process and Timetable set out in Section 3 for introducing the proposed Framework

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1. INTRODUCTION

1.1 Towards the end of last calendar year, and in consultation with the Council Leader, I undertook a review of the Council's Senior Management Structure. Arising from my review, I have formulated proposals, which are set out in this report, to change that structure.

1.2 This report:

- Addresses the question of why change is needed?
- Describes the framework I am proposing for the new senior management structure
- Sets out the timetable and two-stage process, including consultation arrangements, I envisage for making the proposed change
- Considers the financial and other policy implications of my proposals

2. WHY CHANGE IS NEEDED

2.1 The Council is faced with many changes taking place in Local Government nationwide, and new demands to be even more cost effective and performance driven. Locally, the elections last May resulted in a change in political leadership, leading to changing priorities for the Council.

2.2 The 2007/08 budget proposals, on which the Cabinet agreed at its 22nd January meeting to consult, reflect a much harsher financial climate moving forward than we have experienced for several years. All these factors demonstrate the need for a more adaptive organisation, whose size and shape reflect current and expected future realities.

2.3 The current senior management structure was agreed by Cabinet in May 2003 and, in my view, has generally worked well over the last four years. The changes agreed then mainly concerned chief officer posts, which were reduced from 15 to 7. Five new senior management posts were created, making a net reduction of 3 senior jobs.

2.4 At the time, we wanted to be able to look sympathetically at proposals to strengthen staffing structures at more junior levels in the organisation. By reducing senior jobs, the ability to respond to that wish was created, and organisational capacity was increased.

2.5 The Council now has a well-established senior management team (**see Attachment A**) of officers with potential, energy and commitment. Experience of working within the current structure has shown, however, that some of the changes did not take us as far as we now wish to go. Hence, another very important factor driving change now is further organisational development, to enable us to be (and to continue to be) 'fit for purpose'.

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3. PROPOSED FRAMEWORK FOR NEW SENIOR MANAGEMENT STRUCTURE

3.1 The current senior management structure (**Attachment A**) comprises:

- Chief Executive (1st Tier)
- 6 Directors (2nd Tier), all with fixed line management responsibilities
 - Deputy Chief Executive
 - 5 Executive Directors
- 31 functional managers reporting to Directors (3rd Tier)
 - Executive Manager (Financial Services)
 - 11 General Managers
 - 19 other managers (mostly at senior grades, but a few at more junior grades)

3.2 My proposed framework is intended to streamline senior management, to have fewer but more empowered and stronger posts, and to enable further delegation of decision-making. Services are not delivered in isolation from one another, however, and structural changes in one part of the Council can be expected to impact to a greater or lesser extent on other parts.

3.3 My proposed framework is in two parts. Part one relates primarily to Directors, but also affects their Personal Assistants. Part two relates to the 3rd Tier managers who report to Directors, but also considers the consequential impact on 4th Tier, secretarial and administrative support arrangements.

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Directors

3.43 I propose that 4 new 'Corporate Directors' should replace the current 6 posts. One of these new directors should also be the Deputy Chief Executive.

3.54 These Corporate Director posts would have new job descriptions and person specifications, reflecting that there are important differences between them and the current posts. In particular, the Corporate Directors would be:

- More corporately focused
- More focused on strategic issues, and
- Less involved in operational management (more delegation to the managers reporting to them)

3.65 Each Corporate Director would act as 'Area Champion' for one of the four Hastings 'quarters' created by our Area Co-ordination arrangements. This would be a corporate role, and cover the whole of the Council's activities.

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3.76 Each Corporate Director would also have a line management role, but their 'portfolio' of functions to be managed would not be fixed. They would be agreed initially with the Chief Executive, in consultation with the Council Leader, but could then change over time. Changes might occur:

- Either to reflect changing workloads and priorities
- And/or by rotation with colleague directors, as a means of broadening experience and personal development

3.8 Within the 'portfolio management' flexibility outlined above, I would wish to achieve three of the Corporate Director portfolios leaning strongly towards externally focused ('front of house') functions, and one leaning internally.

3.97 The number of Personal Assistants to Directors would reduce from 6 to 4, in line with the changes proposed above.

3rd Tier Managers

3.108 I propose the number of posts at this level should be reduced, broadly in proportion to the reduction in director posts: that is, by broadly one third to around 20 'Heads of Service'. These posts would include the most senior officers in nearly all of the larger specialist/professional disciplines represented among the Council's staff. They would also include managers designated as deputies to the Corporate Directors.

3.119 Current 3rd Tier manager posts have a relatively wide range of grades. Some are at 'executive/general manager' grades, some at the top 'Hay' grades used by the Council (grades 1 and 2), and some at lower 'Hay' grades. I propose these posts should be rationalised, in a way that would reduce this range to include only executive/general manager and top Hay grades.

3.120 The effect of this rationalisation would be fewer separate functions at this tier of management (service divisions would, on average, be larger), but more empowered and stronger Heads of Service. Many posts and service divisions would be unaffected, but:

- (a) Some currently separate functions would be brought together under a single Head of Service post
- (b) Managers of some other currently separate functions would no longer report directly to a director (but instead would become 4th Tier post holders, reporting to a Head of Service)

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3.13 My proposals for 3rd Tier managers would have some 'knock on' effect on the 4th Tier, if the type of change outlined in (b) above were to occur. There would also be an impact on secretarial and administrative support arrangements. Both these impacts would be considered as part of more detailed planning.

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3.144 Further work is required before firming up detailed proposals for the functional management responsibilities of the new Heads of Service. This would be the focus of the second stage of the process I envisage for making the proposed changes to the senior management structure (see Section 4 below), and would be the subject of a further consultation with all those affected, before decisions are made.

3.152 Managers, the new Corporate Directors and other Council staff will undoubtedly have ideas on the most effective shape of this key part of the organisation. These and other contributions need to be sought and carefully considered. Their involvement in both creating and owning any changes is an essential ingredient to 'getting it right'. Only then can matters be finalised by the Chief Executive and Corporate Directors, in consultation with the Council Leader, following the proposed timetable (see Section 4).

Overall

3.163 My proposals are summarised in **Attachment B**. Their overall intention is to:

- Respond to changing national and local circumstances, and to enable the Council to manage and lead the agenda for change
- Streamline corporate management arrangements, and to concentrate thinking at chief officer level on strategic leadership
- Enable stronger performance management and monitoring, and a stronger emphasis on resource management
- Create service portfolios designed to be flexible, responsive and adaptable
- Help achieve closer collaboration between teams within the Council, and to support a similar approach to joint working with other organisations
- Provide greater opportunity for management and staff development
- Create opportunities for savings and resource redistribution

3.174 In conducting my review, research was undertaken to look at the structures of other organisations, ~~structures~~ and to learn more about their success or otherwise. This approach has limitations, however, as many other councils with similar populations and history often have specific local characteristics, which differ from our own. Nevertheless, the available evidence does suggest that my proposal to create a smaller senior management team is in line with current good practice.

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4. PROCESS AND TIMETABLE

Process

- 4.1 I propose a process of two overlapping stages for taking forward the proposals set out in Section 3 above. In Stage One (which began with a draft of this report being issued for consultation):
- Consultation with all those affected takes place on my proposals (a) for the overall framework for the new Senior Management Structure, (b) to replace the current 6 director posts with 4 Corporate Directors (one of whom would also be the Deputy Chief Executive), and (c) to reduce the number of Personal Assistants to Directors from 6 to 4
 - Decisions are taken on these matters by the Cabinet
 - Appointments are made to the new Corporate Director posts (if agreed by the Cabinet) by the Chief Officers Employment Committee
 - Appointments are made by the new Corporate Directors to the Personal Assistant posts
 - Following appropriate periods of notice, the new 2nd Tier structure is fully implemented
- 4.2 In Stage Two (which would begin as soon as new Corporate Directors are appointed):
- Proposals are formulated by the Chief Executive and new Corporate Directors (taking into account earlier consultation and Cabinet resolutions) for the revised 3rd Tier management structure of around 20 Heads of Service
 - Consultation takes place with all those affected by these proposals
 - Decisions are taken on these matters by the Chief Executive and Corporate Directors, in consultation with the Council Leader
 - Appointments are made to the new Heads of Service posts by the Chief Executive and Corporate Directors
 - Following appropriate periods of notice, the new 3rd Tier structure is fully implemented

Timetable

- 4.3 Any process of organisational restructure is complicated, and proper provision needs to be made for consultation. It is also important, though, to complete the process once it has started without unnecessary delay.
- 4.4 My proposed timetable (**Attachment C**) seeks to balance these potentially conflicting requirements. It began on 15th January, includes a consultation period for each of the two stages, and would be completed towards the end of July.

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- 4.5 The timetable also satisfies two aspirations, agreed with the Council Leader:
- To implement fully the new 2nd Tier structure changes (Corporate Directors and Personal Assistants) by the start of the 2007/08 municipal year
 - To agree and make appointments to the new 3rd Tier structure (Heads of Service) by the start of the 2007/08 municipal year, and to implement fully these changes as soon as possible thereafter

Consultation

- 4.6 I discussed my review with the current directors in general terms towards the end of last calendar year. I then outlined to them in early January the main elements of my proposals. Very shortly afterwards, I also outlined my proposals to:
- The Executive Manager (Financial Services) and General Managers
 - Other 3rd Tier senior managers
 - The Personal Assistants to Directors
 - The Staff Side Secretary
 - The Leaders of the Labour and Liberal Democrat Groups
- 4.7 I stressed to all those above that, although the periods of consultation on my draft proposals would be limited, my desire to seek their views through it was genuine, and I fully expected their views to affect my final proposals. I then issued a draft of this report to them and to other interested stakeholders on 15th January (as indicated in the attached timetable). The Staff & Management Forum will discuss the draft report at its 24th January meeting.
- 4.8 In the Stage One consultation, I am seeking views on all aspects of my proposals. In the Stage Two consultation, subject to Cabinet approval, I shall be seeking views specifically on the proposed 3rd Tier management structure. Because of the larger number of staff directly affected by the detailed Stage Two proposals, a longer consultation period than during Stage One is included in the timetable.

Appointment Process for Directors

- 4.9 Directors are chief officers of the Council, and are appointed by the Chief Officers Employment Committee (COEC), which is a committee of the full Council. If Cabinet approves my proposal to reduce the number of directors from 6 to 4, it will then be necessary to issue 'at risk' letters to those affected.
- 4.10 I propose that the selection procedure should be by means of an 'Assessment Programme'. The elements of this programme would together address all aspects of the Corporate Director Person

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Specification. Programme elements could include, as well as a formal interview:

- A short written statement from candidates, indicating why they want the job and how they relate to the Person Specification
- A personality questionnaire completed by each candidate, to provide information on management style and team type
- Psychometric assessments completed by each candidate, to provide information on ability to evaluate problems and interpret information
- A 'Management Exercise' observed by members of the COEC, undertaken either by each candidate individually, or by all candidates as a group

4.11 An informal briefing on this report and the selection procedure has been arranged for members of the COEC, before the 8th February Cabinet meeting.

4.12 I also propose that the COEC should be advised in carrying out the selection procedure by:

- The Lead Member for Organisational Development
- An external personnel expert, probably from Local Government Employers (formerly called the Employers Organisation)
- Myself

Appointment Process for Personal Assistants to Directors and 3rd Tier Managers

4.13 These staff are not chief officers, and would be appointed by the Chief Executive and Corporate Directors, if my proposals are approved. Details of the separate selection procedures for (a) Personal Assistants, and (b) 3rd Tier managers are still being worked up.

General Procedural Matters

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4.14 It should be noted that not all staff 'at risk' as a result of a Cabinet decision to approve my proposals ~~would~~ necessarily be involved in a selection procedure. Where an officer in a redundant current post is 'identified' as 'slotting into' a new post, because of the extent of similarity between the posts, then the issue of selection ~~would~~ does not arise.

4.15 Applications for all other new posts would initially be restricted ('ring fenced') to officers in redundant current posts, who have not been 'slotted in'. The position of officers who do not secure a new post by this means would be addressed using the Council's established procedures for managing organisational change.

4.16 In all cases, before a redundancy or early retirement is considered, redeployment into suitable alternative Council employment would be explored. If appropriate, this could involve pay protection for up to 3

years and retraining. Voluntary redundancy requests would also be considered, but the Council would continue to reserve its right to accept or refuse each such request.

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5. FINANCIAL AND OTHER POLICY IMPLICATIONS

Financial Implications

- 5.1 The financial consequences of the restructure will not be fully apparent until the structure reporting to the new Corporate Directors (Part Two of the proposals) is resolved.
- 5.2 Phase One of the proposals, which involves the deletion of two director and two Personal Assistant posts, will save approximately £250,000 in a full year.
- 5.3 There will be costs involved in implementing the restructure, which will not be known until later in the process. It would be prudent, therefore, to assume that savings will start to be realised from 2008/09, but not in 2007/08.

Other Policy Implications

- 5.4 The other policy implications relate to:
- (a) Organisational Consequences – These are set in the report above. ~~to be completed~~
 - (b) Risk Management – ~~to be completed~~ All precautions will be taken to minimise disruptions associated with change management, and to maintain effective service and operational arrangements. Changes will be made by building on 'what is good', and by recognising the value we place on our managers and staff. This can be achieved through the potential for more empowerment and a positive, devolved management style.
 - (c) ~~to be completed~~ Equalities & Community Cohesion – The proposed changes will be taken forward in a fair and non-discriminatory manner, adhering to best practice in employment matters. The impact on service delivery has been, and will continue to be, properly considered.

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6. BACKGROUND PAPERS

6.1 – ~~to be completed~~ Report on 'Organisational Development – Reviewing The Senior Management Structure' to HBC Cabinet, 6th May 2003

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