

# Cheltenham Borough Council

Council 13 December 2010

## Proposals for a Strategic Commissioning Council and supporting organisation structure (Report under Section 4 Local Government and Housing Act 1989)

Accountable member	Full Council/Leader of the Council
Accountable officer	Chief Executive
Accountable scrutiny committee	Economy and Business Improvement
Ward(s) affected	None directly at this stage

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Significant decision	Yes
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**Executive summary** A version of this report was considered by Staff and Support Services Committee on 28<sup>th</sup> October 2010 and by the Cabinet on 16<sup>th</sup> November 2010. It sets out the Chief Executive's formal proposals for a Strategic Commissioning Council together with the supporting organisational structure. The strategic business case for the introduction of formalised strategic commissioning is included at Appendix A to this report. The proposed Council structure to deliver formalised strategic commissioning has been developed from the findings and recommendations of an external review of the current senior management structure of the Council and can be found at Appendix B to this report. The restructuring process guidance and proposed timeline is included at Appendix C to this report and it is intended that the new structure (phase 1) takes effect on 1<sup>st</sup> April 2011.

The proposals were endorsed by Staff and Support Services Committee which made onward recommendations to Council and an extract from the minutes of that meeting is included in Appendix E to this report.

The Cabinet also endorsed the proposals and added a further recommendation for consideration by Council concerning a 'one off' resource to support the required business change. An extract from the minutes of the Cabinet meeting is included at Appendix F.

### Recommendations

**That Council:**

- 1. Approves the Chief Executive's proposals for a Strategic Commissioning Council and agrees the new Council structure as set out in this report and in Appendices A and B**
- 2. Sets aside a 'one-off' resource of £80,000, funded from virement as recommended by Cabinet, as outlined in section 4 of this report.**
- 3. Notes that formal consultation (stage 3 as set out in Appendix C) on the proposed new structure will be undertaken with affected employees**
- 4. Requests the newly constituted Appointments Committee (or appropriate sub-committee) to conduct and complete any necessary recruitment or redundancy processes at Assistant**

**Director level (including the AD Resources/s151 Officer) and to agree such terms and conditions of appointment or dismissal as may be necessary in order to facilitate the new structure**

<b>Financial implications</b>	<p>The proposed restructuring of the Senior Leadership Team resulting from a move to become a commissioning council will generate annual revenue savings which will be delivered in phases. A summary of the net annual savings, based on a projection of employment costs of the new structure, is as follows:</p> <p>2011/12 £144,000 (deletion of 2FTE's – wef 1/4/11)</p> <p>2012/13 £198,000 (deletion of additional 1FTE – wef 1/10/12 net of de-commissioning costs of c£20k for the post of AD OD and change)</p> <p>2013/14 onwards £213,000 (full year annual saving)</p> <p>There may be further one off de-commissioning costs of between c£26k and £29k depending upon the outcome of the restructuring process.</p> <p>The total de-commissioning costs will be in the range of c£46 to £49k which, when compared to the savings made, result in a payback of approximately 0.3 years.</p> <p>The outcome of a commissioning process may be that services are no longer provided in house. Options for provision may include shared services, trusts, private sector, worker co-operatives, consortium or joint venture. The pension implications of these options will need to form part of any business case and will require full actuarial assessment and may vary depending on the proposal. Early discussions with the actuary suggest that some of the options may have no impact on the pension fund. Should there be an impact on the pension fund, the savings made may offset any additional pension costs and a business case may still deliver a net saving to the council.</p> <p><b>Contact officer: Mark Sheldon</b> <b>mark.sheldon@cheltenham.gov.uk 01242 264123</b></p>
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<p><b>Legal implications</b></p>	<p>The Chief Executive, as the Council's Head of Paid Service, has a statutory responsibility to report to the Council on proposals for fundamentally changing the way in which the Council is structured and organised to deliver its services to its customers. Any such proposals must ultimately be determined by full Council. Staff &amp; Support Services Committee and Cabinet have considered the proposals and made onward recommendations to Council.</p> <p>As many of the day to day council functions are the responsibility of the Leader and Cabinet it will be important to ensure that the Leader and Cabinet are fully engaged in any decisions made which directly affected the delivery of those functions. Commissioning proposals for individual functions will be subject to the usual project and business case processes and will be referred to Cabinet for approval where appropriate.</p> <p>As the processes for introducing and embedding a Strategic Commissioning Council move forward, it is likely that significant legal support will be required, particularly in respect of the following: procurement advice and drafting of contracts, HR and structural/organisational issues, governance arrangements, constitutional issues including changes to Part 3 of the Constitution in respect of roles and responsibilities of officers and members.</p> <p><b>Contact officer: Peter Lewis</b>  <b>peter.lewis@tewkesbury.gov.uk 01684 272012</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>There are potential redundancy and financial implications associated with the proposed reduction of Assistant Director posts. The costs (and associated savings) are contained within the Strategic Business Case at Appendix A. A redundancy is a form of dismissal. Any dismissal (and appointment) of Assistant Directors must be undertaken in accordance with the Council's Employment Rules and the Local Authorities (Standing Orders)(England) Regulations 2001. Within CBC Assistant Directors are designated as Deputy Chief Officers and the Regulations require the appointment/dismissal committee to include at least one Cabinet Member. At CBC the new Appointments Committee is being set up to deal with appointments and dismissals (and other employment matters) in respect of Chief and Deputy Chief Officers. The Employment Rules require consultation with each Cabinet Member before an appointment/dismissal takes place. Whilst the Appointments Committee has to refer appointment/dismissal of the Head of Paid Service, Chief Finance (s151) Officer and Monitoring Officer to Council for final approval, on this occasion, in order to avoid unreasonable delay, it is recommended that the Appointments Committee (or appropriate sub-committee) makes the final decision in respect of the s151/Assistant Director Resources post.</p> <p><b>Contact officer: Julie McCarthy</b>  <b>julie.mccarthy@cheltenham.gov.uk 01242 264186</b></p>
<p><b>Key risks</b></p>	<p>The key risks are as set out in Appendix D to this report which is the updated risk matrix from the report to Council on 28 June 2010</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The corporate and community plans anticipate the progressive adoption of commissioning methodologies and the achievement of outcomes and objectives would be facilitated by the proposals in this report.</p>

<b>Environmental and climate change implications</b>	None directly arising from this report
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## 1. Background

- 1.1** The Staff and Support Services Committee considered reports on the 25 February 2010 and then (post borough elections) on 27 May 2010 on a possible change in approach so that the Council applies strategic commissioning disciplines consistently across the organisation. This would involve engagement with citizens, communities and partners to better achieve citizen focused outcomes whilst at the same time generating financial savings.
- 1.2** On 28 June 2010 full Council considered a report on strategic commissioning including feedback from this committee and resolved to confirm agreement to the principle of becoming a strategic commissioning council as well as agreeing that this committee would provide oversight to a programme to take the principles forward with the advice and support of a cross-party member group. At that meeting I indicated that a business case for taking a strategic commissioning approach would be produced for this committee and full Council's further consideration. The strategic business case for the introduction of a Strategic Commissioning Council is now attached as Appendix A.
- 1.3** The cross-party member group has been set up and has met on three occasions.
- 1.4** Staff and Support Services Committee considered the substance of this report on 28 October 2010 and Cabinet did the same on 16 November 2010 and their recommendations are included at Appendices E and F respectively.
- 1.5** As the previous reports made clear, structural changes are necessary as a consequence of the move to a strategic commissioning approach. In order to understand better the structural options that we might use to best take forward the new approach I sought advice from Eighty Twenty Insight, a firm we had previously engaged to support us on our sourcing strategy work. Their report was prepared with the involvement of partner agencies, senior staff and after discussion with the cabinet. As it runs to 69 pages I have not attached it to this report but it is available on the following web-link <http://www.cheltenham.gov.uk/sltstructure>.
- 1.6** My proposals for structural reorganisation are set out in Appendix B and follow closely the recommendations in the Eighty Twenty Insight report. If adopted my recommendations would reduce the number of Assistant Directors by two in Phase 1 (with an implementation date of 1 April 2011) with a further reduction of a post in Phase 2 (where the target implementation date would be 1 October 2012). This would reduce the number of Assistant Directors from the current 8.5 down to 6.5 after Phase 1 and then to 5.5 after Phase 2 (ignoring the uncertain impact on numbers of any shared services posts which may be created). When fully implemented this would produce an estimated annual saving of £213,000 in salary costs plus on-costs.
- 1.7** The principal areas where my proposals differ from the Eighty Twenty Insight recommendations are: -
- 1.7.1** I propose that we treat democratic services and elections as not being areas for sharing with other councils – at least for the present
- 1.7.2** Functions such as customer services, street cleaning, economic development and tourism have been added in for completeness
- 1.7.3** The point at which services move from one directorate to another has been changed in a couple of instances in order to minimise disruption to ongoing service delivery.

- 1.8** Clearly if the structural reorganisation is to progress it will need to be properly and carefully handled and constitutionally will need to involve elected members as affected posts are at Assistant Director level. Appendix C sets out the necessary procedural steps with a proposed timeline and it is proposed that the newly constituted Appointments Committee (or appropriate sub-committee) deals with appointment and dismissal arrangements to deliver the new structure. Formal consultation with those staff affected by the proposals has begun, following approval by Staff & Support Services Committee, as set out in more detail in Appendix C.

## **2. Reasons for recommendations**

- 2.1** The reasons for seeking to adopt a strategic commissioning approach are set out in the reports referred to in 1.1 and 1.2 above but essentially come down to a strong focus on understanding the needs of Cheltenham and its people in designing outcomes for public services, seeking to work much more closely (including sharing budgets where appropriate) with other parts of the public service and making objective, transparent, evidence based decisions about how services should be provided and by whom.
- 2.2** For the reasons set out in the previous reports I believe that by using a strategic commissioning approach we can improve the outcomes for people who rely on the council and the wider public sector whilst at the same time creating opportunities for financial savings. The structural changes proposed facilitate this approach and, incidentally, deliver modest savings from the leaner senior officer structures which are needed to run an efficient and effective commissioning organisation. Furthermore, the proposed changes allow for the council's senior officer structures to evolve further through the active pursuit of other delivery options such as charitable trusts or shared services; in this way they secure a solid and affordable top level structure to tackle the service and fiscal challenges which will face us over the next few years.
- 2.3** More specifically the separation of commissioning from provider activities allows service change and development to be driven transparently by the needs of citizens and service users and by partnership opportunities rather than the internal needs of the service provider. Contestability (i.e. the comparison of quality and cost across a range of possible provider options) will be best achieved by giving the commissioning responsibility to officers who do not have a direct career or financial interest in the outcome.

## **3. Alternative options considered**

- 3.1** Clearly one alternative option is not to reorganise around strategic commissioning principles but to maintain existing ways of doing business by providing most services in house and considering in an ad-hoc way any shared service or similar opportunities that may arise. The difficulty here is that we cannot always be certain that we are addressing service change in proper priority order or finding the optimum solution to deliver the defined citizen outcomes. This has been less of a problem as central support activities have been under consideration, but when front line services are being considered the need for a strong citizen outcome focus is vital. There is also a danger of neglecting full consideration of the impact on the cost base of retained support services if we progressively move front line services into alternative delivery models.
- 3.2** Further, should a strategic commissioning approach be driving the structural changes – as I am proposing, there are clearly a range of structural alternatives which have, at the core, a separation of commissioner and provider and might thus be regarded as fit for purpose. Indeed my indicative structure set out in the 25 February 2010 report to this committee and repeated in my report to Council on 28 June 2010 identified three fixed commissioning blocks whereas I am now proposing only two, more fluid blocks for commissioning activity. The 'hub' I originally proposed for central support activity has now been replaced with a 'resources' function separate from a 'commissioning support' function. Arguably there is no right or wrong solution to the structural choices available but I have largely adopted the ideas presented by Eighty Twenty Insight which do have the significant virtue of weaving the programme sponsorship role of the two strategic directors more explicitly into the commissioning arrangements as well as potentially offering

greater financial savings than originally envisaged.

## **4. Business Change**

- 4.1** During recent weeks the council has been assessing the resources required to deliver its various workstreams and key projects, including GO shared ERP. It is acknowledged that the council is going through a period of significant change and, in order to manage this change as effectively as possible and deliver more efficient services at reduced cost, the council will need to invest in the business change process. As such the Cabinet, at a meeting on 16th November 2010, agreed to set aside £80,000 of one off funding to be vired from the underspend in money set aside for the sourcing strategy which is no longer required. This proposal will be included in the 2011/12 budget report. This budget will be used to support the business change process and may be used to create additional temporary resource internally or buy in externally support. The Chief Executive will determine, in consultation with the Senior Leadership Team, how best to apply the budget to support the organisation.

## **5. Consultation and feedback**

- 5.1** As part of the Eighty Twenty Insight work in preparing their report the senior leadership team and the (pre-August) Cabinet were involved in workshops and discussions. Key partner organisations have been involved via the Cheltenham Strategic Partnership and/or through interviews. The feedback from these processes is set out in the Eighty Twenty Insight report.
- 5.2** I met with the trade unions (Unison and GMB) on 19 August 2010 to discuss possible senior structural changes building on a previous discussion about strategic commissioning. Their view was as follows – “the local Trade Unions have worked positively with the Council and its Officers over the past few years to ensure that the changes deemed necessary for the deliverance of Council services have been approached in an open and professional manner. This approach has delivered a change programme based on best practice and value for money whilst maintaining the core jobs and services within the Council’s direct labour team. As we approach this difficult period in local service delivery due to the central Government’s financial cuts, it is imperative that this established approach to change continues under the new criteria of ‘commissioning.’ The local Trade Unions are committed to continuing to work with the Council to find the best possible way to deliver these services, balancing the Government’s reduction in financial support, statutory service requirements, local community expectation and the inevitable changes in the structure and capacity of the Council as we move forward through the coming period of uncertainty.”
- 5.3** Economy and Business Improvement Overview and Scrutiny Committee discussed the issue of Strategic Commissioning at its meeting on 20 September 2010 and raised questions on various aspects including the cohesiveness of plans given the various initiatives currently being pursued by the council, the extent of partners’ commitment to working with the council on joint commissioning and pooling budgets, the importance of the public being able to hold providers accountable and be able to seek redress for a substandard service and the potential tension between achieving value for money through outsourcing and avoiding the inflexibility of long term contractual commitments. It was explained that an external report had been commissioned in order to independently examine the structural options available. As a result of the meeting the risk register has been revisited to enhance risk identification and mitigation in relation to strategic commissioning. The Committee has asked for further reports on examples of commissioning best practice in other local authorities and evidence that steps taken in Cheltenham can deliver and are delivering savings.
- 5.4** The cross-party member group has been set up in order to provide guidance and feedback on emerging proposals and to advise on the impact on members. At its first meeting on 23 September it reviewed the restructuring proposals and the outline commissioning process, raising a number of questions about the roles of members and member committees and asking whether there would be an additional workload for Assistant Directors and Service Managers. These issues are being followed up in further meetings.

- 5.5 Staff and Support Services Committee and Cabinet have discussed and supported the proposals as outlined above and briefings have been offered to political groups (and in the case of the two larger parties the offer was taken up).
- 5.6 A survey of all councillors commenced on 1 November 2010 and the survey results have been analysed to consider whether further information is needed. The results of the survey and the additional information will be circulated to elected members prior to this Council meeting.
- 5.7 Appendix C contains restructuring process guidance and a timeline which indicates the steps and timescales for an ongoing consultation process with staff affected by the proposed changes.

## 6. Performance management –monitoring and review

- 6.1 The process of development of a strategic commissioning approach in the way the council operates is being run as a major change programme with the performance and monitoring arrangements and the risk assessment and mitigation processes that this implies.
- 6.2 Should the proposals be approved the cross-party member group and the Economy and Business Improvement Overview and Scrutiny Committee have agreed to a continuing role in monitoring the implementation and the effectiveness of the changes proposed.

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### **Appendices :**

- A. Strategic Business Case
- B Proposed Structural Changes
- C Restructuring Process Guidance and Timeline
- D Risk Register
- E Extract from the minutes of Staff and Support Services Committee 28 October 2010
- F Extract from the minutes of Cabinet 13 November 2010

### **Background information:**

Previous reports to the S&SSC committee on 25 February, 27 May 2010 and 28 October 2010, report to Council on 28 June 2010, report to Cabinet on 13 November 2010.

‘Senior Management Structure Review’ – Eighty Twenty Insight report into the Council’s management structure in the light of its adoption of a Strategic Commissioning approach, dated 19 August 2010, available at <http://www.cheltenham.gov.uk/sltstructure>.