

Cheltenham Borough Council

Council

20 July 2015

Restructure of Environmental and Regulatory Services Division

Accountable member	Appointments and Remuneration Committee/Lead Cabinet member Cllr. Andrew McKinlay
Accountable officer	Andrew North, Chief Executive/Head of Paid Service
Ward(s) affected	None specifically
Significant Decision	Yes
Executive summary	<p>The REST project envisaged that a restructuring of the Environmental and Regulatory Services Division would be necessary. Many elements of the restructuring are within the authority delegated to the Chief Executive (as Head of the Paid Service), but where director level posts are affected by any proposed changes the authority to approve these rests with the Appointments and Remuneration Committee.</p> <p>The Committee has now endorsed the Chief Executive's proposals for a new divisional structure as set out in this report and Council approval is now requested to approve the structure proposals and agree their financing in view of the fact that the intended structure is initially more expensive than the current one. However, the intention is that any additional cost in 2015/16 and 2016/17 will be funded from other budgets and in subsequent years the aim will be to recoup any additional costs by organisational changes elsewhere in the division as a Phase 2 restructure.</p> <p>This proposal is therefore for one-off investment over two financial years with no overall increase in ongoing revenue costs; the objective being to create senior capacity to achieve better, more focussed and more efficient services in the longer term.</p> <p>This report is intended as a formal report to Council under s4 of the Local Government and Housing Act 1989.</p>
Recommendations	<ol style="list-style-type: none"> 1. To consider the recommendation from Appointments and Remuneration Committee for the restructure of the Environmental and Regulatory Services Division as set out in this report 2. To approve the restructure and the financial implications arising as set out in this report 3. To request Budget Scrutiny Working Group to monitor the

	<p>staffing budget for the Division to ensure that cost savings achieved from the Phase 2 restructure are not at the expense of service outcomes, quality or effectiveness</p> <p>4. To authorise the Chief Executive to make minor amendments to the structure prior to implementation.</p>
Financial implications	<p>As detailed in section 4 of the report.</p> <p>Contact officer: Nina Philippidis, Business Partner Accountant</p> <p>Email: nina.philippidis@cheltenham.gov.uk,</p> <p>Tel; 01242 26413</p>
Legal implications	<p>In preparing this report for Council the Chief Executive is exercising his power as Head of Paid Service under s4 Local Government and Housing Act 1989.</p> <p>The appointment to the director posts within this report falls within the remit of Appointments and Remuneration Committee. Prior to appointment of directors the appointer must consult with the Leader and Cabinet in accordance with the Employment Rules.</p> <p>Contact officer: peter.lewis@tewkesbury.gov.uk, Tel 01684 272012</p>
HR implications (including learning and organisational development)	<p>Taking a phased approach to a restructure is a tried and tested process which ensures that key senior managers are able to co-create the other phases to ensure that the final structure will work effectively,. However, due to the time it will take to recruit to these key roles there will be a significant period of potential uncertainty and worry for employees within the division. This recruitment should be done in a timely process while still ensuring the right candidate is selected through a wide search and robust recruitment process.</p> <p>It is not possible to be clear where future savings will come from, or how additional revenue would be raised without predetermining the outcome of the future restructure. It will be critical to the continued successful outcome delivery to support staff through this difficult period by excellent communications, leadership and appropriate learning and organisational development activities.</p> <p>The systems thinking work has prompted reviews in a number of the teams and this may lead to recommendations that there are changes to where teams sit in the structure. If there are clear business and operational reasons for moves within the division then the move should happen.but movement of teams out of the division should not be done until the new leadership structure is in place.</p> <p>Contact officer: Richard Hall, HR Business Partner richard.hall@cheltenham.gov.uk</p> <p>Tel; 01242 774972</p>

Key risks	<p>Any restructuring if not handled correctly can lead to loss of staff morale, service disruption and risk of legal challenge.</p> <p>Failure to properly address, as part of the restructuring, the needs of the service and its customers into the future can lead to underperformance and potentially service failure.</p> <p>The Senior Leadership of Environmental and Regulatory Services makes a key contribution to whole-council strategic leadership and any underperformance of the top team could thus potentially compromise the success of the council as a whole.</p>
Corporate and community plan Implications	The performance of the Environmental and Regulatory Services Division and its Senior Leadership is fundamental to the effective delivery of the council's plans.
Environmental and climate change implications	The Environmental and Regulatory Services Division makes a key contribution to the council's effort in these areas and the attitude and performance of the Senior Leadership will be critical to success.
Property/Asset Implications	None

1. Background

- 1.1 In April 2014 the Cabinet endorsed a programme to transform those services which are now part of the Environmental and Regulatory Services Division which is based on the following vision: -

Programme vision

The Environmental and Regulatory Services Division will be:

- *More customer focused – delivering services in a more convenient manner for the customer*
- *More supportive of economic growth*
- *More efficient - with joined up services provided at optimal cost*

- 1.2 The REST (Regulatory and Environmental Services Transformation) programme is based on continued direct council provision of services commissioned against clear outcomes with customer focus, efficiency and effectiveness of service delivery and financial savings achieved through a systems thinking approach. So far the programme has identified £155k in savings and substantial additional savings are anticipated as the systems thinking work progresses.
- 1.3 The other key influence on the proposals in this report is the urgent need to create senior level capacity to improve Cheltenham's economic performance in the light of the proposals in the Athey Consulting report. This report, titled "Developing Cheltenham as a Business Location", was commissioned to support development of a Cheltenham Economic Strategy and made a number of high level recommendations for action emphasising the need for collaboration with, for example, GFirst LEP, the Cheltenham Development Task Force, government agencies and local businesses. There is currently no dedicated capacity in the council to pick up these recommendations and this need must be addressed.
- 1.4 Government policy for the last 5 years, expected to continue for the foreseeable future, has been to promote economic growth and reward local authorities who are successful in this objective through the business rates retention scheme and via New Homes Bonus. As Revenue Support Grant is progressively reduced these sources of revenue become vital to the council's future. The current debate about devolution of powers from government to local areas is also in the main about giving local government power to shape the local economy according to the opportunities that exist. It would be short-sighted in the extreme not to invest properly, and at the right organisational level, in driving this growth agenda.
- 1.5 REST is crucial to shaping the council response to the need for economic growth in that it embraces the land use and infrastructure planning functions which are crucial to unlocking growth potential by facilitating the growth in existing business - on existing sites or through relocation - and by providing attractive site options for new business. To maximise the impact and effectiveness of council support to the local economy whilst protecting those aspects of the town that make it so attractive to live and work here, the council needs to provide 'joined up' services which support business customers rather than presenting the obstacle course which is often experienced. This needs a unified and properly resourced senior management structure for our remaining directly delivered front line services.

2. Divisional Restructuring Progress

- 2.1 There is general acceptance that there are inadequacies in the current structure with an unmanageable burden being placed on the current director. Radical change is needed not least owing to the extended economic development objectives mentioned above. An informal consultation has taken place with senior officers in the Division, and a service manager workshop

was held on 17 February 2015 to help validate and further define initial ideas proposed by our consultants on the project, ICE Creates. Informal consultation then took place with the entire division on the draft structure that emerged from the initial work.

2.2 Formal consultation commenced on the 9th April and concluded on 8th May 2015, seeking the view from the current director and trade unions on the proposed triumvirate structure. After considering the feedback, a final structure has been proposed and communicated to the Environmental and Regulatory division which will be complementary to the systems thinking work and will help drive innovation and customer focus.

2.3 At an Appointments and Remuneration Committee on the 9 March 2015 it was resolved that:

2.3.1 It be confirmed that the post of Director of the service be 'in-scope' for the restructuring

2.3.2 That the three new roles be appointed together, with the managing director post being advertised externally, subject to HR advice as to suitable alternative employment options for the 'at risk' employee. It is anticipated that the affected staff member will be ring fenced for the director roles.

2.3.3 That the Committee consider the job descriptions for the three posts when they are available

2.4 Then at its following meeting on 9 June 2015 it resolved to:

2.4.1 Recommend to Council approval of the structure as presented to the committee.

2.4.2 Allow the Chief Executive to make minor amendments to the structure prior to implementation.

2.4.3 Confirm agreement to job descriptions

2.4.4 Confirm that the current director be appointed to the new role of Director – Environment

2.4.5 Form a sub-committee to recruit internally to the Director – Planning post on a temporary (12 month) appointment

2.4.6 Seek an external recruitment agency to assist with the search for candidates for the Managing Director role to compete alongside any internal candidates and to use the same sub-committee in the recruitment.

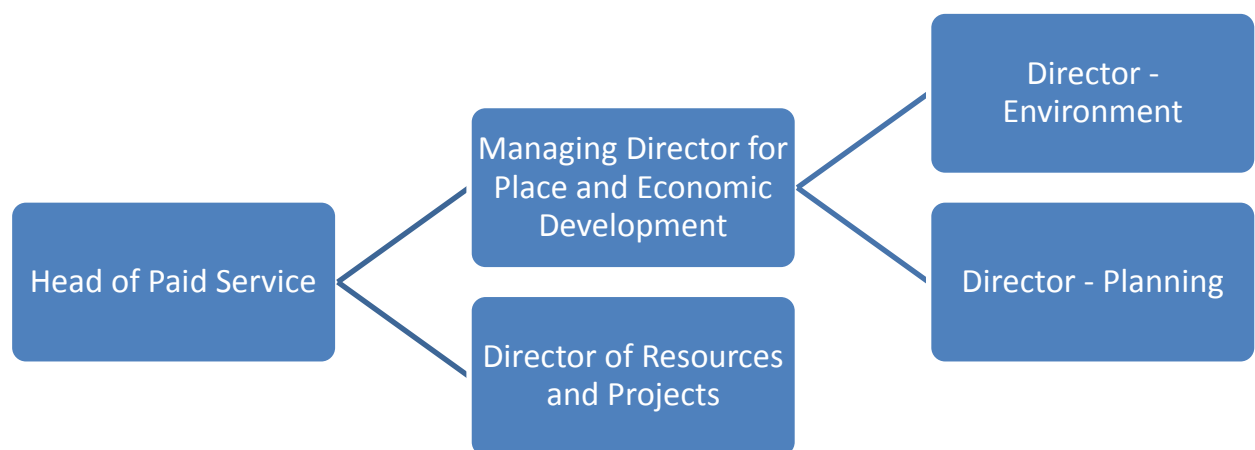
2.5 The sub-committee consists of Cllrs Flynn, (Rowena) Hay, Mason and McKinlay.

2.6 Progress has since been made on the restructure and the current proposal is reflected in the structure diagram at Appendix 2. Job descriptions for the three senior roles are attached for information as Appendix 3.

3. The Impact of the 2020 Vision Programme

3.1 It would be incomplete if this proposal for structural change didn't recognise the potential impact of 2020 Vision on Council senior officer structures even though there is no final commitment to embark on such changes and (as yet) no business plan to justify those elements which might affect Cheltenham's senior management.

- 3.2** With this important proviso, current 2020 Vision work concentrates on a senior structure which, if implemented, would involve a Partnership Chief Executive, a dedicated and directly employed Cheltenham Head of Paid Service, a Director of Resources and Projects concentrating on key projects and whatever senior officers the Council now approves for Environmental and Regulatory Services.
- 3.3** However, the services to be directly managed by this thinner structure (outside of Environmental and Regulatory Services) would, under 2020 Vision, potentially be considerably fewer; the time of the Head of Paid Service and Director of Resources and Projects would be concentrated not on direct management but on clienting existing commissioned services (Ubico, CBH, the Cheltenham Trust, Gloucestershire Airport for example) as well as the commissioning of and possible transition to greater sharing with 2020 Vision partners. Major Cheltenham projects such as the Accommodation Strategy and supporting elected member structures and initiatives would also need to be covered.
- 3.4** The consequence is that whilst Environmental and Regulatory Services senior management should be seen as contributing to whole council objectives and initiatives, in operational service management terms the services covered by the REST project would need to be relatively self-contained. Thus whether or not 2020 Vision is implemented in Cheltenham this will not affect the need for Environment and Regulatory Services restructuring or materially alter the proposals for the new structure as set out in this report.
- 3.5** Should the Council approve the recommendations in this report **and** also approve the 2020 Vision proposal, the senior officer structure could potentially look, diagrammatically, as follows:



4. Financing the new structure

- 4.1** The cost arising from the structure will (for a full year) be in the region of £157,500. The intention is for the final structure to be cost neutral and therefore equivalent levels of savings will be delivered from a combination of Phase 2 restructuring, and (hopefully) commercial growth across the Environmental and Regulatory Services division.

- 4.2** The Managing Director will be tasked with delivering these savings; however it is recognised that the Managing Director will need sufficient time to undertake this process effectively. It is therefore prudent to plan on the basis that the savings will be wholly delivered by 1st April 2017, at the latest. This allows the Managing Director 12-15 months in post to ensure the saving is delivered in line with the service outcomes and that the Phase 2 restructuring is not rushed.
- 4.3** The proposed structure requires the senior management posts to be in place to shape the service prior to the delivery of the savings. There will therefore be an upfront cost to the structure which will have to be funded on a one-off basis. Costs of the recruitment process, the backfilling arrangements arising from the internal recruitment to the Director – Planning role, and pay protection also require funding.
- 4.4** In 2015/16, these one-off costs will be met from income arising from the council allowing new partners to join Ubico Ltd. The council received £68,000 from the 3 joining partners, and this will provide the cost envelope for covering the costs arising from the restructure in the current financial year.
- 4.5** Based on a projection at 22nd June 2015, New Homes Bonus is likely to deliver additional one-off funding in 2016/17 which will be sufficient to cover the one-off costs arising in that year. In approving the structure, it is recognised that New Homes Bonus will be used to cover one-off costs which will be capped at £157,500 (but hopefully should be lower if the savings are delivered sooner than 1st April 2017, thus mitigating the draw on New Homes Bonus in 2016/17).

5. The Scale of the Phase 2 Restructure

- 5.1** One aim of Phase 2 will, as described, be to make savings from the staffing budget without impacting adversely on service outcomes or delivery, but clearly this will need to be done without compromising other REST aims such as customer focus and efficient joined-up service delivery. Whilst Phase 2 has not yet commenced, to reassure Council that Phase 2 could realistically deliver the required scale of savings it may be helpful to explain that the current director of the service has 9 service managers directly reporting to him. To deliver the annual saving required a reduction in direct reports could be sought of between 2½ and 3 of these posts. Thus 6 service managers could still be retained for the division, possibly split by deploying 3 service manager posts under each of the new Directors.
- 5.2** If this was the approach for phase 2 restructuring it could result in one-off costs to the council to the extent that posts are deleted from the structure. This cost would range between £41k and £215k dependent upon the posts concerned. Depending on final value, these costs will be funded from the pensions reserve and / or general balances.
- 5.3** It is important to say that none of this suggests a predetermined solution to the Phase 2 restructure as the intention is that this second phase will be led by the new Managing Director, when in post, and may well involve a more holistic view of the division perhaps introducing flatter structures and taking the opportunity to push more capacity into front line delivery. It may well be that additional income generation could mitigate the need for reductions in staff numbers. The point here is merely to give reassurance that the savings can be achieved without undermining service quality elsewhere in the division.

6. Recommendations

- 6.1** For Council to consider the restructure proposals and financial implications of the restructuring and (if felt appropriate) to endorse the decisions made by the Appointments and Remuneration Committee as set out above.

7. Reasons for recommendations

- 7.1** A new structure is required for Environment and Regulatory Services Division to facilitate the achievement of the objectives of the REST project
- 7.2** The appointment of the current director as the new Director – Environment has ensured that his knowledge and skills are retained and that there is some continuity for the division at this unsettling time.
- 7.3** The temporary appointment for 12 months of a Director – Planning will provide necessary senior leadership capacity to ensure the continued successful delivery of services and projects in the Service
- 7.4** Recruiting externally as well as internally to the crucial new post of Managing Director – Place and Economic Development – with the help of consultants – should facilitate the widest choice of candidates fit to lead our remaining customer facing, directly provided services as well as substantially raising the council's contribution to Economic Development in Cheltenham.
- 7.5** Although the cost of the new director level structure will be markedly higher than the structure it replaces this additional cost will be contained as described in Section 4 of this report.

8. Alternative options considered

- 8.1** Originally it was felt that the Director post should be out-of-scope for the restructure but this would have limited the emerging options for the new structure and would fail to address a capacity shortfall.
- 8.2** The option of splitting the division into two, and having just 2 directors instead of 2 directors with the overarching MD post was considered but this would not support the REST Project vision of a more joined up, commercial and customer focused service.

9. Consultation and feedback

- 9.1** There has been informal consultation with senior managers in Environmental and Regulatory Services Division including a workshop on 17 February 2015. Formal consultation with in scope employee and trade unions took place 9 April 2015 until the 8 May 2015. The Appointments and Remuneration Committee have considered the structure on two occasions as described above.
- 9.2** Discussion took place with the REST member working group on 18 February 2015, 13 May and 24 June 2015.
- 9.3** The Leader of the Council, the Cabinet member for Development and Safety, Political Group Leaders and the trade unions have been briefed on the emerging ideas about structure of the Division.
- 9.4** The Budget Scrutiny Working Group has considered the financial implications of this proposed restructuring at its meeting on 7 July 2015 and raised points which have been addressed in this final version of the report.

10. Performance management – monitoring and review

- 10.1** This report principally deals with the financial implications of the proposed new structure, much of the other detail having been agreed by Appointments and Remuneration Committee. It will be important that officers (including the new Managing Director when appointed) ensure that Phase 2 of the restructure delivers sufficient savings to counterbalance the additional costs detailed in this report. It is therefore recommended above that Budget Scrutiny Working Group monitor the

staffing budget for the Division to ensure that cost savings achieved from the Phase 2 restructure are not at the expense of service outcomes, quality or effectiveness

- 10.2** A divisional outcomes framework, with clear targets, has been agreed as part of the REST project. Further individual targets will need to be agreed with the directors as part of the appraisal process as they take up their posts.

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Structure Chart for Environmental and Regulatory Services Division3. Job Descriptions-Senior Posts
Background information	<ol style="list-style-type: none">1. Athey Consulting Report

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If any restructuring (including Phase 2) is not handled correctly then it can lead to loss of staff morale, service disruption and risk of legal challenge.	Chief Executive	19/02/2015	3	2	6	Reduce	Follow due process including appropriate staff and member engagement	31/07/2016	Chief Executive	
	If there is a failure to properly address, as part of the restructuring, the needs of the service and its customers into the future then it can lead to underperformance and potentially service failure.	Chief Executive	19/02/2015	3	2	4	Reduce	CEO to implement the decision of the Appointment and Remuneration Committee and full Council and to conduct the Phase 2 restructuring in conjunction with Lead officers, GOSS HR and the project team	31/07/2016	Chief Executive	
	If Phase 2 fails to deliver savings at least equivalent to the additional costs of the director level restructuring the financial targets for the project will be missed.	Chief Executive	20/07/2015	3	2	6	Reduce	The MD will be recruited with an explicit expectation that s/he will deliver the required savings from Phase 2 and it is proposed that progress will be monitored by the	31/3/2017	Chief Executive until the MD – Place and Economic Development is in post.	

								Budget Scrutiny Working Group			
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											