

Cheltenham Borough Council

Appointments and Remuneration Committee – 29 January 2018

Executive Board Restructure – Formal Consultation Feedback

Accountable member	Appointments and Remuneration Committee
Accountable officer	Pat Pratley, Chief Executive
Ward(s) affected	None Directly
Key/Significant Decision	Yes
Executive summary	<p>At its meeting on 7 December 2017 this committee approved, for the purposes of formal consultation with those directly affected, the Executive Board restructure proposals as set out in section 1.2 of this report. The formal consultation process ended on 7 January 2018 and this report provides an update on the feedback received and requests the committee to</p> <ul style="list-style-type: none"> • Approve the Executive Board Structure as set out in section 1.2 and in detail at Appendix 2 and the key accountabilities at Appendix 4. • Authorise the Chief Executive to conduct the processes for recruitment to the new post of Executive Director – People and Change and set up a Sub-Committee to appoint to that post <p>In addition, this committee is requested to recommend to Council the creation of the new Executive Board structure.</p> <p>The report also updates Members on the proposals for dealing with the feedback received through the formal consultation process.</p>
Recommendations	<p>The committee is recommended to</p> <ol style="list-style-type: none"> 1. Approve the Executive Board structure as set out in section 1.2 and Appendix 2 of this report with Executive Director remuneration being at salary grade 3 in accordance with the authority’s existing Chief Officer salary grade structure. 2. Approve the key accountabilities for the Executive Directors and the Director of Corporate Projects at Appendix 4 and agree, subject to Council approving the creation of the new Executive Board structure, that the affected employees be appointed to those posts as set out in section 5.1. 3. Authorise the Chief Executive, in consultation with the Committee Chairman, to establish and implement the process for the recruitment to the post of Executive Director – People and Change.

	<p>4. Constitute a Sub-Committee for the appointment of the post of Executive Director – People and Change with the terms of reference set out in section 6.3.</p> <p>5. Recommend to Council the creation of the new Executive Board structure</p> <p>6. Authorise the Chief Executive to take such actions and decisions as are necessary to facilitate the above recommendations.</p>
<p>Financial implications</p>	<p>As detailed in paragraph 4.4.4, the cost of these proposals amount to £188,426 and can be funded via the Pension and Restructuring earmarked reserve. This cost is less than the indicative compulsory redundancy cost of £219,870, whilst also providing for much needed additional temporary resource for the period this transition period relates.</p> <p>Paragraph 4.3.4 highlights the potential for increased costs as a result of formal job evaluation. Whilst any back-dated element can be funded via the Pension and Restructuring earmarked reserve, it is anticipated that any permanent uplift will be incorporated into the base budget from 2019/20. This would be considered as part of the overall cost envelope for the entire management structure which is anticipated to be concluded by December 2018.</p> <p>Paul Jones, Chief Finance Officer Paul.jones@cheltenham.gov.uk; 01242 775154</p>
<p>Legal implications</p>	<p>The appointment to director posts as referenced in within this report falls within the remit of Appointments and Remuneration Committee which may delegate to a sub-committee. The appointing body must include at least one Cabinet Member from the committee. The Employment Rules must be followed which include inter alia the requirement, prior to appointing (or dismissing) directors, to consult with the Leader and Cabinet.</p> <p>Contact officer: Peter Lewis, Head of Law (One Legal) Peter.Lewis@tewkesbury.gov.uk, 01684 272012</p>
<p>HR implications (including learning and organisational development)</p>	<p>The report covers the outcome of the formal consultation process with individuals, the Chief Executive response to comments raised and some recommendations for the committee regarding the individuals in scope.</p> <p>Contact officer: Julie McCarthy, Strategic HR and Client Manager (Publica) Julie.McCarthy@cheltenham.gov.uk; 01242 264355</p>

<p>Key risks</p>	<p>The key risks remain as the 7 December 2017 committee report and as stated arise out of the SWOT analysis and are again outlined below and assessed at Appendix 1</p> <ul style="list-style-type: none"> • The need to address the strategic capacity and skills in relation to service modernisation and organisational development (values, behaviours, skills, competencies) and for a whole authority approach to be taken. • Addressing the issues created through the return of services to the authority which means some service groupings are not now logically placed, duplication of effort at Executive Board level can occur in some areas and capacity to deliver key corporate projects is lessened. • Achieving financial sustainability.
<p>Corporate and community plan Implications</p>	<p>The ability to be able to effectively deliver the authority's ambitions has been fundamental to informing this review and of particular focuses has been the authority's ambition for Cheltenham in terms of "place". The proposed Executive Board structure also addresses the need to transform and modernise how our people work and ensure that the authority is fit for purpose as a 21st century local authority and has a sustainable financial future.</p>
<p>Environmental and climate change implications</p>	<p>The proposed Place and Growth directorate will continue to make a key contribution to the authority's efforts with regard to environmental issues and climate change and will continue to do so under the proposals outlined within this report. The Finance and Assets directorate will also continue to ensure that the authority's own assets are managed in a way that pays due regard to the need to mitigate and combat climate change where this is possible and operationally and financially feasible.</p>
<p>Property/Asset Implications</p>	<p>There are no operational property and asset matters arising from this report. However, the proposed Executive Board structure recognises the importance of active asset management and investment in a balanced property portfolio to the future financial sustainability of the authority.</p>

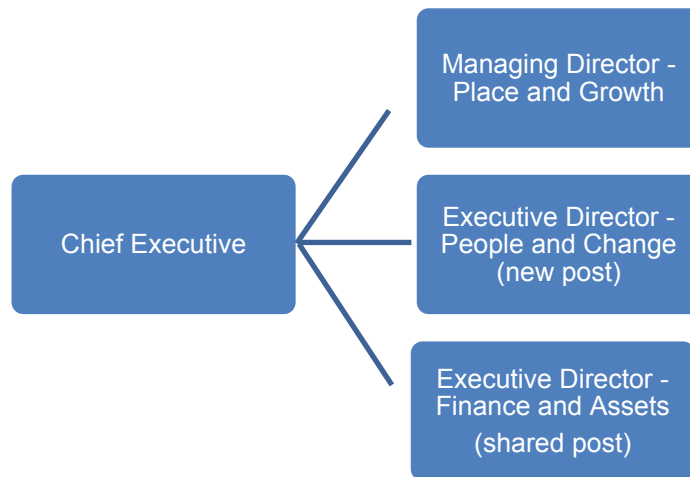
1. Background

1.1 At its meeting on 7 December 2017 this committee approved the Executive Board restructure proposals as outlined in Section 9 and Appendix 4 of that report for the purpose of formal consultation with those directly affected. The detailed structure proposals are shown here again at **Appendix 2** for the benefit of Members.

1.2 The proposed Executive Board structure is as follows:

- Chief Executive
- Managing Director – Place and Growth
- Executive Director – Finance and Assets (full time post, the post-holder is seconded part-time to the Forest of Dean DC as s151 Officer)
- Executive Director – People and Change (new post)

The proposal considered by this committee in December also included for the deletion of the post of Director of Resources and Corporate Projects, and the creation of a new, part-time transitional post of Director Corporate Projects. The proposal is that this new transitional post will report to the Executive Director – Finance and Assets.



2. Response to the formal consultation

2.1 The formal consultation process with those directly affected ended on 7 January 2018. Feedback was received from 2 of the affected post-holders and **Exempt Appendices 3A and 3B** outline the key points with Section 4 of this report aiming to summarise the key issues and potential implications for this review.

3. Future organisational design

3.1 Before commenting upon the responses to the formal consultation it will be worthwhile considering the next steps with regard to the review of the authority's organisational structure as this has implications for the responses to the feedback received.

3.2 Members will be aware that when Council approved the review of the authority's senior leadership team in July 2017 that reference was made to a phased approach with a subsequent phase to be undertaken to ensure that the *"Council has the necessary capacity, skills, behaviours within the executive and service management organisational delivery model and budget to deliver the Council's vision"*.

- 3.3** Work is already underway to consider what that future service management organisational model could look like and a very high level initial opportunity assessment is in preparation. The December 2017 report referred to the desire to create a 21st century local authority, and the need to transform and modernise the authority to assure a sustainable future and to modernise service delivery.
- 3.4** Whilst the work on what the future service management structure looks like is in its early stages there are some key principles that will, I believe, subject to affordability, underpin the future design; integrated technology, teams organised around the customer and activity, potentially new roles across the authority based on job families, broader roles with the aim of having clearer progression pathways, people working in multiple/informal teams, more matrix management as opposed to functional line management.
- 3.5** In addition, the future structure will need to accommodate the fact that the new Director of Corporate Projects role is a transitional role and the delivery of those strategic projects that will remain at the end of that transitional period will need to be driven forward.
- 3.6** It is anticipated that the future organisational design work will have been concluded by December 2018 and whilst it is not possible to say at this point what the future design, and service management structure, will look like, there is a strong possibility that it could look very different from that of today.
- 3.7** Therefore this Executive Board review phase recognises the need to address the current gaps in skills and capabilities at the most strategic officer level within the authority in order to support the implementation of a new service management structure, together with having the necessary organisational change and organisational development approach which will be crucial to the authority's future success.

4. Responses to the formal consultation

- 4.1** Both responses to the formal consultation acknowledged the need for change and endorsed the direction of travel with regard to the proposed Executive Board structure and the aspirations for the authority in the future.
- 4.2** The main issues raised fall into 3 categories;
- Whether the proposed size and scope of the Executive Board job roles are equitable in terms of job grade and salary
 - Having sufficient capacity to manage the transition period between the new Executive Director – People and Change commencing in post and continuing to be able to deliver against key corporate projects
 - Whether the role of Deputy Chief Executive should be formalised within one of the Executive Board roles
- 4.3 Jobs sizes and scope**
- 4.3.1** Section 3 of this report has outlined the proposed next steps with regard to the phased approach to the review of the authority's service management structure as requested by Council.
- 4.3.2** As already stated, the future service management structure has not yet been fully developed, however, based on what we know now there is a likelihood that current staffing numbers could be more evenly distributed as work is organised around the customer and activity and not in service silos. There is the likelihood that the current traditional functional line management relationship between the Executive Board and the director/service manager level could change to a more matrix management relationship with the Executive Board having less operational responsibility

freeing them up to be able to concentrate on their roles as the most senior officer strategic leaders of the authority.

- 4.3.3 It is acknowledged that some change in accountabilities has taken place at the Executive Board level principally with regard to duties previously held by myself as Deputy Chief Executive and which were not sustainable for me to continue to perform in either my role as Head of Paid Service or now as Chief Executive. It is also acknowledged this has meant additional accountabilities have arisen, for the Managing Director Place and Economic Development and, in the proposed restructure for the Executive Director Finance and Assets. The authority is undergoing a period of significant change and, as is the case with the progression of time and as the future strategic direction and priorities of the authority evolve, this has the potential to impact on job roles, size and accountabilities.
- 4.3.4 Also, as the authority moves forward into the delivery and implementation phase of the Joint Core Strategy, accountability for delivery of key strategic sites such as West Cheltenham and key infrastructure enabling projects such as the £22M growth deal linked to the potential for a Cyber Business Park, plus M5 J9 and J10 M5 upgrades will need to be addressed. The role and focus of the Cheltenham Development Taskforce (CDTF) is also undergoing review with the CDTF Chair and key Members, and its relationship with the Place and Economic Development directorate is being clarified in terms of where accountability for delivery at both MD and Director-Planning level.
- 4.3.5 Therefore, with regard to the feedback that the scope, size and grades of future roles does not seem equitable, my proposal is that this be reviewed as part of the next phase. However, such a review needs to be equitable to all Executive Board members and will also be in the context of the organisational re-design which will have potentially wider implications for job sizes and roles across the authority. Were it to be the case that any job evaluation process demonstrated that an increase in grading for an Executive Director was the outcome then it would be appropriate to consider back-dating subject to adequate budgetary provision.

4.4 Capacity to deliver

- 4.4.1 The Director of Resources and Corporate Projects is delivering a number of key corporate property-based projects including Leisure@, Depot review and the Town Hall re-development which are moving into their next project phases, the former into construction. The director is also the sponsor for the Accommodation Strategy project.
- 4.4.2 It is hoped that the recruitment process, subject to the necessary approvals, for the new Executive Director – People and Change will commence late February/early March and will run smoothly, with a new director being in post at the latest in July. However if a delay in the recruitment process causes the current director's flexible retirement to commence before the new director is in post, there is a risk that the momentum being maintained on some key corporate projects will suffer.
- 4.4.3 A transition period between the new Executive Director commencing in post and the existing director's flexible retirement starting would mitigate this risk. In addition, if it were the case that a new appointee was in post by July a hand-over period between the current director and the new Executive Director would be extremely beneficial. Such a situation would create capacity for the new director to understand the authority, its preparedness and readiness for change and allow them time to formulate their thinking with regard to the necessary organisational change and modernisation. It would also give them time to have early input into, and contribute to shaping the development of the future organisational design/structure which will be a key element of the programme that they will be accountable for managing.
- 4.4.4 Therefore in terms of the transitional role of Director of Corporate Projects the proposal is that the flexible retirement commences on 1 November 2018 and ends on 31 July 2020. This increases the indicative costs to the Council reported in December from £174,326 to £188,426. This cost is

still less than the compulsory redundancy cost and can be funded via the Pension and Restructuring earmarked reserve.

4.5 Role of deputy chief executive

- 4.5.1 Members will be aware that the Deputy Chief Executive post was deleted when the role of Head of Paid Service was created. Members will also hopefully be aware that I have put in place informal arrangements whereby a member of the Executive Board is nominated on a year by year basis, to undertake the role for which an honorarium is paid. This arrangement has, in my opinion, worked well and has a number of advantages; it allows executive directors to experience acting in the capacity of the most senior officer within the authority (although not in the capacity of the statutory role of Head of Paid Service), provides them with opportunities to develop, gives them skills which are marketable and also builds resilience within the team. The honorarium acknowledges that it is an important role.
- 4.5.2 My view is that when I am away from the office, Members need to be clear on their point of contact for matters that they would in the normal course of events have directed to the Chief Executive. I also believe it is important to give senior officers opportunities to enhance their development and the current arrangements provide for this as well as working well for Group Leaders and other Members.
- 4.5.3 It is not my view therefore that at this time the re-introduction of the designation of deputy formally within any Executive Board job description is the right approach. However, I will keep this matter under review, in consultation with Group Leaders, and particularly when the next phase of the organisational design comes to Members for consideration.

5. Executive board restructure - implications for affected employees

- 5.1 Subject to the approval of this committee to the Executive Board structure outlined in section 1.2, and Council approving the creation of the new structure, the implications for those directly affected by these proposals are as follows and are in line with the authority's restructuring process guidance:
- Managing Director – Place and Economic Development – automatic appointment to the post of Managing Director – Place and Growth
 - Chief Finance Officer – automatic appointment to the post of Executive Director – Finance and Assets
 - Director of Resources and Corporate Projects – post-holder at risk of redundancy however the director has stated, through the formal consultation, that he is agreeable to be appointed to the new transitional role of Director Corporate Projects.
- 5.2 The key accountabilities for the above roles, together with the new Executive Director – People and Change post, can be found at **Appendix 4**. Through the formal consultation process the MD requested that certain additions be made to the key areas of accountability within the portfolio of the MD Place and Growth and these are shown in red.
- 5.3 In light of the intention to consider the future organisational design of the authority in December it is recommended that the Executive Board director posts are remunerated as currently at the authority's Chief Officer salary grade 3 but this be reviewed as proposed in section 4 above.
- 5.4 With regard to the transitional role of Director of Corporate Projects Council approval for the eventual redundancy of that post will be necessary at the appropriate time.

6. Recruitment process – executive director people and change

- 6.1 The Constitution provides for the Appointments and Remuneration Committee being “*responsible for the appointment and dismissal of any Executive Officers or the Director of the Cheltenham Development Taskforce*”. It is being recommended that the Chief Executive be authorised, in consultation with the Committee Chairman, to establish and implement the process for the recruitment to the post of Executive Director – People and Change.
- 6.2. It is custom and practice from this committee to delegate to a sub-committee of this committee the appointment process for executive officers. Therefore, it is being recommended that this committee constitute a sub-committee for the appointment of the post of Executive Director – People and Change within the terms of reference as set out below.

6.3 Appointments Sub-Committee

Membership

Liberal Democrat 2, Conservative 1 (note: at least one member of Cabinet from the committee must be included)

Remit

To be able to undertake the below functions in respect of the Executive Board restructure considered by the Appointments and Remuneration Committee on 29 January 2018

Functions

- To appoint directors
- To determine conditions on which Directors hold office

- 6.4 No recruitment process will commence until Council has approved the new Executive Board structure.

7. Reasons for recommendations

- 7.1 As outlined within the body of this report.

8. Alternative options considered

- 8.1 Alternative options were outlined in the December 2017 report however the committee considered the proposals put forward as being in the best interests of the authority.

9. Consultation and feedback

- 9.1 As previously reported the proposals contained within this report have been subject to informal and now formal consultation with those directly affected. The comments received from that consultation and my responses to them are as set out in summary at **Exempt Appendix 3A and 3B**.
- 9.2 Consultation with trade union colleagues has taken place following the December report and they are supportive of the direction of travel.

10. Performance management – monitoring and review

- 10.1 It will be possible to report on the functioning of the new Executive Board structure when the proposals for the next phase of the organisational design are considered by Members towards the latter part of the year. In terms of individual performance members of the Executive Board are subject to the authority’s performance appraisal process and their annual performance targets will be set and monitored in line with that policy.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Proposed Executive Board Structure 3. Exempt Appendices 3A and 3B – Formal consultation feedback 4. Key Accountabilities
Background information	<ol style="list-style-type: none"> 1. Appointments and Remuneration Committee Report – 7 December 2017

Risk Assessment

Appendix 1

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
1	If strategic capacity, skills and focus on authority-wide modernisation and organisational development (values, skills, competencies, behaviours) does not exist there is a risk that the authority will not be as effective and efficient as it might be, and will be less able to deliver against its ambitions	Pat Pratley	7.12.17	4	4	16	Reduce	A&R Committee approve the recommendations within this report	29.1.18	Pat Pratley	
2	If the capacity issues at the Executive Board level are not addressed there is a risk that the authority will not move forward at the necessary pace and key projects will suffer delay or	Pat Pratley	7.12.17	4	3	12	Reduce	Transition period to allow the for arrival of the new Executive Director – People and Change Additional capacity for a	29.1.18	Pat Pratley	

	need to be re-prioritised								period of time to accommodate the pace and delivery of key corporate projects			
3	If the authority's financial strategy is not underpinned by the structure, competencies and culture to deliver then there is a risk that financial sustainability will not be secured	Pat Pratley	7.12.17	5	3	15	Reduce	Financial sustainability to be collectively owned by the Executive Board Commercial strategy to be approved by Council as part of the 18-19 budget process	Ongoing	Pat Pratley		
4	If current service groupings below the Executive Board level are not addressed this will continue to be inefficient and will not support the approach to modernising the authority's services	Pat Pratley	7.12.17	4	3	12	Reduce	A& R Committee approve the recommendations in this report	29.1.18	Pat Pratley		

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

