

Cheltenham Borough Council
Council – 22 July 2013

**The future function, culture and structure of the paid service within
Cheltenham Borough Council
Report of the Chief Executive**

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| Accountable member | Full Council |
| Accountable officer | Chief Executive, Andrew North |
| Ward(s) affected | All indirectly |
| Significant Decision | Yes |
| Executive summary | <p>Cheltenham Borough Council has evolved over the last few years to become a major commissioner of services - predominantly commissioning from shared arrangements set up with other local authorities. The result is that the council is now much smaller in terms of directly employed staff and has a smaller budget to support those remaining directly provided services.</p> <p>In the light of this and having regard to the continuing financial challenges facing the council as a consequence of the government's austerity programme, it is appropriate to consider a restructuring of senior management. This process should start with consideration of the type of organisation we aspire to be in terms of our vision and organisational culture. It should follow from a clear view of those services we wish to continue providing directly, at least for the present.</p> <p>This report seeks to describe for consideration and comment an holistic approach to these questions badged as 'Cheltenham Futures'. It also seeks specific approval to formally consult on proposed changes to the structure of senior management and authority for the Borough Solicitor to make technical changes to the Constitution to facilitate implementation of the new structure.</p> |
| Recommendations | <p>That Council:</p> <ol style="list-style-type: none"> 1. Notes the content of the Cheltenham Futures programme as set out in appendix 2 and makes comment as appropriate for relevant officers (and Cabinet where so identified) to take into account in implementation. 2. Approves the proposed Senior Staff structure and redundancies as set out in section 2 of this report so that these proposals can be taken forward for formal consultation. 3. Instructs Appointments and Remuneration Committee to: <ul style="list-style-type: none"> • approve any terms necessary to implement any redundancies within the financial parameters set out in this report • approve the formal job descriptions of the Deputy Chief Executive, Director of Corporate Resources and the Director of Environmental and Regulatory Services • decide and oversee any process for confirming staff in the revised roles |

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| | <p>4. Agrees that the Chief Executive take forward any necessary changes to the structure proposals arising from the formal consultation that do not affect the substantive or financial parameters of this report.</p> <p>5. Authorises the Borough Solicitor to amend the Council Constitution as set out in section 3.3 of this report.</p> |
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| Financial implications | <p>The proposed structure will deliver savings of circa £220k per annum by 2016/17 which allows for one-off costs totalling £223k to be funded from the revenue saving from earlier years as detailed in appendix 5.</p> <p>The MTFs has identified a target saving of £200k from a Senior Management team review, with phased savings planned from 2014/15. In order to realise the on-going revenue saving at the earliest opportunity, it may be prudent to fund the one-off costs from general balances. This concept will be discussed and brought forward as part of the 2014/15 budget setting proposals to Council in February 2014.</p> <p>Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154</p> |
| Legal implications | <p>In making this report to Council the Chief Executive is exercising his power as Head of Paid Service under s4 Local Government and Housing Act 1989.</p> <p>Prior to appointment or dismissal of chief officers the appointor must consult with the Leader and Cabinet in accordance with the Employment Rules.</p> <p>Also see section 3.3 of the report.</p> <p>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</p> |
| HR implications (including learning and organisational development) | <p>As contained in the body of this report. The proposals may result in compulsory redundancies. The Council will follow the proper process to effect any change / redundancies fairly and lawfully, and do all it can to mitigate the risk of any compulsory redundancy through the normal mechanisms (i.e. alternative work), and provide support to any employee placed at risk / facing redundancy. The Trade Unions will be consulted as part of the process.</p> <p>In appointing to the revised structure, the Council's normal policy on ring fencing and slotting will apply.</p> <p>Contact officer: Amanda Attfield, amanda.attfield@cheltenham.gov.uk, 07920 284313</p> |
| Key risks | As set out in appendix 1 |
| Corporate and community plan Implications | <p>The proposals contribute towards the meeting of the Council's financial targets included in its 2013/14 action plan.</p> <p>Specifically they fulfil the commitment to propose a new senior management structure to Council by December 2013 which delivers a saving of £200k per annum.</p> |

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| Environmental and climate change implications | None |
| Property/Asset Implications | There are no property implications arising directly from this report Contact officer: David Roberts, david.roberts@cheltenham.gov.uk |

1. Background

- 1.1 Cheltenham Borough Council is a very different organisation to the council which existed five years ago. Given the extent of change it is now timely to consider our structural and cultural arrangements to reflect the new situation.
- 1.2 A brief history might assist. In 2008 council officers had explored the possibility of a delivery partnership with the private sector to drive efficiency and cost savings in relation to corporate support activities. This study concluded that savings were not available by following this particular approach, but shortly after the opportunity arose to form two shared services with Tewkesbury Borough Council, one for legal services with Tewkesbury as the lead authority (One Legal) and another shared service for building control with Cheltenham as the host.
- 1.3 At around the same time a shared service with Cotswold District Council for internal audit was formed. The pattern of commissioned services that have been put in place to date is as follows:-

| Service | Partner(s) | Lead organisation | Start year | No. of staff transferring from CBC |
|---|---|--|------------|------------------------------------|
| Legal (inc. Monitoring Officer) | Tewkesbury Borough Council | Tewkesbury Borough Council | 2009 | 20.5fte |
| Building Control | Tewkesbury Borough Council | Cheltenham Borough Council | 2009 | 10 fte came into CBC |
| Audit | Initially Cotswold District Council (extended in 2012 to include West Oxon District Council) | Cotswold District Council | 2009 | 4 fte |
| Waste collection, street cleansing, parks and garden maintenance | Cotswold District Council | Ubico Ltd (NB: as a parallel project a joint committee for waste commissioning has been put in place with Gloucestershire County Council and other district councils) | 2012 | 118 fte |
| GO Shared Services (finance, HR, Procurement and systems support) | Cotswold District Council, West Oxon District Council, Forest of Dean District Council, Cheltenham Borough Homes, Ubico Ltd | Cotswold District Council | 2012 | 29.42 fte |
| ICT | Forest of Dean District Council | Forest of Dean District Council | 2013 | 15 fte |

- 1.4 Over the relevant financial years, from the start of 2009/10 through to the end of 2012/13 the

number of staff delivering direct services as employees of the council has reduced from 571 fte to 343 fte. The main reason for this is the formation of the shared services mentioned above, but there has also been a significant impact in head count through deleting posts (most of them through natural wastage) and from other TUPE transfers. The cost of direct services provided by the council has thus, over this period, reduced from £19.5m to around £10m.

- 1.5 As Members will know we are currently exploring the commissioning options for Leisure and Culture. This initiative may have the impact of reducing directly employed staff numbers by a further 83 fte and removing £2.9m from the cost of direct services making our directly employed staff numbers around 260 fte and the amount spent on direct services £7.1m. For the purposes of the structural proposals in the remainder of this report I have assumed that this commissioning initiative will proceed – though the arrangements suggested are flexible enough to accommodate a second directly provided service for Leisure and Culture should that be necessary.
- 1.6 Cheltenham Borough Council has always sought to be efficient in the way in which it spends public money, and becoming a commissioning council was intended primarily to increase efficiency, effectiveness and value for money. However since 2008 the financial challenges facing the council have increased in intensity and scale such that approximately one third of the council's grant from central government has been cut and it is likely that this proportion will reach 50% by the end of 2015/16. This has provided an additional imperative for the council to consider its future as a much smaller organisation which manages a set of diverse relationships with a range of shared service providers (including the voluntary and community sector), whilst retaining some direct delivery. However, the financial impact of any decisions made will be critical to the council's long term sustainability. The council's smaller size following the significant transformation to date provides opportunities to reduce council overheads in areas such as accommodation, the cost of support services and the cost of senior management.

Vision

- 1.7 The dramatic changes described above have been implemented against a vision which remains as relevant today as it was when first adopted in 2008, namely 'we want Cheltenham to deliver a sustainable quality of life where people, families, their communities and businesses thrive and in a way which cherishes cultural and natural heritage, reduces their impact on climate change and does not compromise the quality of life of present and future generations'.
- 1.8 This vision supports an outwardly focussed approach which has involved identifying four corporate objectives – enhancing and protecting our environment, strengthening our economy, strengthening our community and enhancing the provision of arts and culture; plus a more inwardly focussed fifth objective about providing value for money and services that effectively meet the needs of our customers. These objectives are in turn supported by a set of outcomes we wish to see for the Cheltenham community.

Role of the council

- 1.9 Increasingly we no longer define ourselves by the services we directly provide but by the outcomes we achieve either ourselves, or which we support and influence others to achieve. Relationship and provider management is therefore critical as we consider organisational needs for the future, as is the need to ensure that elected Members have political oversight and influence over the contribution and performance of providers in carrying out their commitments. The task of the council is to commission from the various shared local authority arrangements, from the community and voluntary sector, from the private sector or from directly employed staff, the achievement of these outcomes.

Cheltenham Futures

- 1.10 The change which the council has undergone as a result of its own choices about the future direction of service delivery (but against the backdrop of the government's austerity programme) has inevitably had an impact upon the way the remaining council-employed staff carry out their jobs. The council has had to be much more careful about the way in which it manages its more limited staff capacity in order to ensure achievement of the desired outcomes for the community and the major programmes and projects which are designed to support those outcomes. Having got to this point in the transformation it is now time to pause and consider the impact of this change on organisational culture and ask whether the mechanisms that are intended to support a high learning, high performance culture in which staff are empowered to make a difference are 'fit for purpose'. These mechanisms include the system of appraisal, performance management, staff progression, grading, reward and recognition processes. A key work stream of the Cheltenham Futures Programme (**Workstream 3**) is looking at exactly these issues.
- 1.11 The other two work streams of Cheltenham Futures concern structural change. **Workstream 1** seeks to take a coherent view of those services which the council continues to provide to the public to reach a conclusion on which of those services we should retain in-house (i.e. employing the staff directly) and which could more appropriately be provided by commissioning them from other organisations, from shared services or – potentially – from mutuals formed by staff working in the service (a route favoured by the Cabinet office who provide funding to support the creation of mutuals). The preliminary conclusion of this workstream is that we should retain a single division entitled 'Environmental and Regulatory Services' which includes the planning and licensing function, the very small car parking team which deals with off-street parking enforcement and elements of public protection. **Workstream 2** involves the 'right sizing' of our corporate support activities, perhaps commissioning from other providers where a business case exists to do so and promoting effective scenario and risk planning to ensure that we are prepared for the failure or serious difficulty within any of the provider organisations which we now rely on to carry out our functions.

2. Senior Management Reductions

- 2.1 There are three main reasons for an early focus on senior management structures in mapping out the council's future; those are: -
- Senior management structural change which is made as a genuine response to the need for a changing functional role sends out a strong signal to the rest of the organisation that things are different and that all of us need to operate differently to deal with the new context. This was a particularly relevant factor behind the creation of the current Commissioning Division in 2010 and this structural change proved particularly valuable in helping the council to successfully adopt a commissioning approach.
 - When asking our own staff and those working closely with us in shared services to accept change and budget reductions it is invaluable (in terms of maintaining morale and positive relationships with colleagues) to show that higher paid senior managers are bearing their share of the burden
 - It is a relatively quick and certain way of delivering sizable financial savings without impacting on front line services

Of course there are also future risks if senior management is cut too far or too fast – or if the quality of senior management suffers as a result of the change in that the capacity and capability to deliver coherent organisational leadership, relationship management and supervision of providers may be impaired.

- 2.2 Bearing in mind these opportunities and risks, I am presenting a proposed change in senior management structures which will, in phased steps, reduce our senior management contingent (our top three tiers) by two posts from the current six down to four. In doing so I am proposing revised roles for the remaining senior posts which reflect the new organisational context. A profile of the key accountabilities for the new roles can be seen in the appendices but essentially the four posts are:
- Chief Executive/Head of Paid Service with overall leadership responsibility together with operational responsibility for elections and democracy.
 - Deputy Chief Executive, responsible for maintaining strong and effective relationships with partners and stakeholders, managing contracts with providers and sponsoring significant future commissioning activities.
 - Director of Corporate Resources, strategic management role controlling central resource deployment (whether directly provided or commissioned) across all central service functions such as finance, ICT, HR, Revenues and Benefits.
 - Director of Environmental and Regulatory Services who will manage all employed staff within the public facing functional areas still directly provided by the council.
- 2.3 Such a structure, if approved, could be put in place by removing one Executive Director post in March 2014 and a Director post in October 2014 – which at current costs and in accordance with Council policy and statutory entitlement would, on an ongoing basis, save nearly £220,000 per annum (including on-costs and admin support savings). The one-off costs involved in achieving this saving would, it is estimated, pay back within 1.44 years (assuming that the change is effected without the need for incidental compulsory redundancies).

See indicative timeline for implementation at Appendix 4.

3. Reasons for recommendations

- 3.1 The intention of this report is to give full Council an overview of the Cheltenham Futures programme to provide an opportunity to comment on the appropriateness (or otherwise) of its content. The reasons for structuring the programme as it is should be adequately explained above or be self evident from the programme description at Appendix 2.
- 3.2 Formal approval is required to consult on the deletion of two senior council posts with those posts being declared redundant. The financial information relevant to this decision is contained in Appendix 5. Essentially the aim of this restructuring is to:
- 3.2.1 Facilitate the functional, cultural and structure changes developed as part of the Cheltenham Futures Programme. The aim is to have a slimmer management structure with a stronger concentration on relationship and provider management so as to assist in the delivery of the council's vision, objectives and in ensuring that we commission the outcomes desired for the Cheltenham community effectively. It will be an important element of our provider management mechanisms that elected Members are able to monitor and influence the performance of providers so as to ensure maximum impact on the achievement of desired community outcomes and a continuing high quality of service to users.
- 3.2.2 Recognise that now so many council services have been commissioned from other providers our current structures look 'top heavy'. In particular it is now difficult to justify maintaining the two separate corporate divisions of "Commissioning" and "Resources" which it is recommended can be rationalised; and with fewer major new commissioning programmes or projects being needed in the future the Executive Director role can now be refocused on relationship and provider management and be slimmed down to one post (which I am re-designating 'Deputy Chief Executive' to reflect the fact that the postholder will deputise for me in the Head of Paid Service

role and other responsibilities).

3.2.3 Deliver financial savings as set out above.

3.3 The Council's Employment Rules currently require appointment and dismissal of chief officers to be approved by Council following decision by Committee; there is no legal requirement for such except in the case of the Head of Paid Service. In view of this and the fact that Council, through this report, is being asked to agree the proposed structure it is recommended that the Constitution be amended by the Borough Solicitor to place appointment and dismissal with the Appointments and Remuneration Committee without the need to refer to Council for approval.

4. Alternative options considered

4.1 The status quo was rejected as an option as it fails to recognise and respond to the changes which the council has experienced over the last few years.

4.2 The deletion of an additional senior post beyond the two proposed in this report was considered but rejected on the basis that this would risk reducing leadership capacity to an unreasonably low level recognising the major challenges which the council and our local community continue to face.

4.3 Despite being ambitious and far reaching, much of the detail in the Cheltenham Futures programme description and in the role descriptions included in the appendices to this report have been developed through the involvement of staff and stakeholders concerned and thus are proposed as the collectively developed optimum solution and most achievable way forward.

5. Consultation and feedback

5.1 Extensive communication and discussion with staff and stakeholders affected by each proposal in the Cheltenham Futures programme, staff presentations, discussions with political group leaders and a workshop with councillors.

5.2 Some service commissioning has taken place under the Cheltenham Futures programme and this has involved consultation with customers and potential providers of those services.

6. Performance management – monitoring and review

6.1 The Cheltenham Futures programme has its own built in monitoring and review arrangements.

6.2 If the proposals on senior structural change are agreed by council it is suggested that the Appointments and Remuneration Committee be asked to take an overview of the implementation of any redundancies as well as any HR processes deemed necessary to finalise the proposed new structure.

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| Report author | Contact officer: Andrew North, andrew.north@cheltenham.gov.uk 01242 264100 |
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| Appendices | <ol style="list-style-type: none">1. Risk Assessment2. Cheltenham Futures Programme description3. Role description for the proposed posts of Deputy Chief Executive, Director of Corporate Resources and Director of Environmental and Regulatory Services4. Indicative timeline for proposed restructuring process5. Financial Analysis |
| Background information | Various Cabinet and Council reports accessible on the council's website |

| 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 senior management capacity, experience and capability is reduced by too much or too quickly there may be an adverse impact on front-line services (either of externally commissioned services or of directly provided services) | Chief Executive | 24/06/13 | 3 | 4 | 12 | Reduce | <p>Ensure that senior management focus is directed to the priority areas in which it is needed</p> <p>Ensure service manager roles are re-configured, where necessary, to support senior managers.</p> <p>Ensure 'discretionary' effort throughout the council is focussed on priorities and that the initiation of change activity must be based on a business case.</p> <p>Ensure that the transition period is used to identify areas in significant loss of experience and capability is possible and that a knowledge transfer programme is put in place.</p> | <p>31/12/14</p> <p>31/10/14</p> <p>31/03/15</p> <p>31/10/14</p> | <p>Chief Executive</p> <p>Senior Leadership Team</p> <p>Senior Leadership Team</p> <p>Chief Executive</p> | |

| 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 |
| | | | | | | | | Ensure that workstream 3 of the Futures programme is focussed on introducing a performance culture which supports remaining staff If the estimated savings are fully achieved, the surplus above the Bridging the Gap target (i.e. around £20K p.a.) will be used to address any capacity and capability gaps. | 31/12/14 31/10/14 | Strategic Director (Workstream 3) Senior Leadership Team | |
| 2 | If, following the reduction in senior management, members are unable to get an adequate response to their questions and issues, their ability to support their constituencies may be adversely impacted. | Chief Executive | 24/06/13 | 3 | 4 | 12 | Reduce | Ensure there is clarity over members' first points of contacts. Ensure service managers and others have the skills and capacity to deal with increased member contact. | 31/10/14 31/12/14 | Senior Leadership Team Strategic Director (Workstream 3) | |

| 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 |
| 3 | If the reduction in senior management leads to a drop in officer morale, front-line services may be impacted. | Chief Executive | 24/06/13 | 2 | 3 | 6 | Reduce | Ensure the rationale for the changes is explained to all officers. Ensure officers directly impacted are able to contribute to identifying changes to their roles and changes to organisational culture | 31/07/13 and ongoing 31/10/14 | Chief Executive Senior Leadership Team | |
| 4 | If senior management roles are not clear, gaps or overlaps may occur, leading to inefficiencies or failures | Chief Executive | 24/06/13 | 2 | 4 | 8 | Reduce | Ensure senior managers develop a clear understanding of their roles Ensure senior managers review any issues created by the new roles during their implementation | 31/10/14 31/03/15 | Chief Executive Chief Executive | |

| 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 |
| 5 | If wide member support does not exist for the senior management changes, tensions between members and senior officers may arise. | Chief Executive | 24/06/13 | 4 | 2 | 8 | Reduce | Ensure the rationale for the changes are explained to all members and specifically to group leaders. Ensure members have the opportunity to raise any concerns before and during implementation | 31/07/13 and ongoing 31/07/13 and ongoing | Chief Executive Chief Executive | |
| 6 | If the changes are perceived by the public or media as 'yet another restructure' or their costs are perceived to be too high or the approach to filling posts is seen as restrictive then negative publicity may ensue. | Chief Executive | 24/06/13 | 2 | 3 | 6 | Reduce | Ensure a proactive media message is put out which explains the rationale clearly. Ensure the overall impact on finances is explained clearly. Ensure the restructuring process is fair and accords with Council policy. | 31/07/13 and ongoing 31/07/13 and ongoing 31/10/14 | Communications Team Leader Finance Director Head of HR GOSS | |
| 7 | If there are additional unforeseen compulsory redundancies the financial case for the changes may not be delivered. | Chief Executive | 24/06/13 | 3 | 2 | 6 | Reduce | Return to Council with a further proposal. Ensure the council's processes for offering alternative roles are operated. | 31/10/14 | Chief Executive Head of HR GOSS | |

| 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 |

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