

Overview and Scrutiny Management Board – 8th September, 2014

Report of the Chief Executive

Review of Senior Management and Organisational Structure

Purpose of Report

1. To consider proposals for the Council's senior management restructure and make any recommendations or observations to the Cabinet as part of the consultation process.

Background

2. On 3rd July, 2014, the Cabinet considered a proposed senior management and organisational restructure together with arrangements for the appointment of a new Chief Executive. The Cabinet endorsed the proposed new structure, as shown in Appendix 1, to form the basis of formal consultation in accordance with an approved procedure and timetable. I was authorised to take all necessary steps with regard to the consultation.
3. Since 2011 the Council has been required to make unprecedented savings in its revenue budget and this will continue until at least 2018. To date this has largely been achieved by a combination of efficiency savings and redundancies. In the current climate I concluded that the current management and organisational structure is no longer sustainable and that now is the right time for the Council to have a comprehensive review of our senior management and organisational structure.
4. After consultation with the Leader of the Council and the Leader of the Main Opposition Group, earlier this year I commissioned an independent review to be conducted by Colin Williams, Director of West Midlands Employers. His brief was to submit viable options which would ensure that future arrangements were fit for purpose whilst securing up to £1m savings in senior management costs. The review specifically took into account:-
 - Any ongoing need for, and the role of, a Chief Executive.
 - The number and deployment of Directorates including the pros and cons of bringing together Adult and Children's Social Care and/or Education under one Directorate.
 - The number and deployment of Assistant Directors and Heads of Service within each proposed Directorate.
 - Whether the Office for Public Health should remain within the Chief Executive's Directorate or be transferred to another Directorate.

5. The methodology for the review included face to face meetings with the Chief Executive and Directors; a series of focus groups with Assistant Directors and senior officers; and individual meetings with senior members.
6. In his final report Mr Williams suggested alternative options based on a three directorate structure. After discussions with senior members a preferred proposal was identified (see Appendix 1). This proposal involves a reduction in 2nd Tier Posts from 5 Directors (including the Director of Public Health) to 3 Strategic Directors. There is also a substantial reduction at 3rd Tier from 17 Assistant Directors (or equivalent) to 8 Chief Officers. At this stage, Appendix 1 simply lists the various functions that would probably fall within each of the new Directorates. The proposal envisages that the number of Heads of Service posts at 4th Tier will also reduce and this will be determined through further consultation. The overall number of managers at 4th Tier and above (including the Chief Executive's post) is envisaged to reduce from 87 to 71. In total this would represent a 20% reduction in senior management capacity and savings of about £1m. The 2nd, 3rd and 4th Tier posts will be evaluated using the JNC scheme which is recommended by West Midlands Employers and this could go down to the 5th Tier if necessary.
7. The creation of the new Strategic Director posts will reflect a change of focus for the Senior Management Team whose priorities will be based on integration, strategic co-ordination and external relationships, whilst holding to account the new Chief Officer posts for service delivery. Therefore, this is not simply about restructuring and reallocation of responsibilities, but is also a fundamental change in culture and approach.

Statutory Officers

8. The Council has 5 statutory posts which must be accommodated within this structure. Under this proposal the Section 151 Officer (Treasurer) and Monitoring Officer roles would fall within the Resources and Transformation Directorate. The Director of Public Health would be located in People Services. The statutory roles of Director of Adult, Social Services and Director of Children's Services would be undertaken by the Chief Officer (Adult Social Care) and Chief Officer (Children's Services) respectively. However, in making this decision the Council must have regard to statutory guidance.
9. In relation to the Director of Children's Services the statutory guidance issued by the Department for Education in 2013 states that:-
 - The Director of Children's Services is "appointed for discharging the education and social services functions of the local authority";
 - It is for individual authorities to determine their own organisational structures in the light of their local circumstances. However [they] must ensure there is both a single officer and a single elected member each responsible for both education and children's social care";
 - The Director of Children's Services should report directly to the Chief Executive."

10. An authority may decide to depart from the guidance provided there are clear reasons for doing so. There are precedents where a number of authorities have done this. In our proposed structure the statutory director will have direct access to the Chief Executive and other senior officers and will work closely with the Cabinet Lead for Children's Services. The seniority of the post will also be reflected in the salary.
11. With regard to the Director of Adult Social Services the statutory guidance issued by the Department of Health in 2006 is less prescriptive but it states that an authority should ensure that the Director is directly accountable to the Chief Executive and comparable in terms of seniority with the Director of Children's Services. These conditions are satisfied by these proposals.

Summary

12. To summarise this is the most radical restructuring proposal for the Council since its creation in 1974. It will mean that we continue to be fit for purpose for the formidable challenges that we face but it will require a reduction in our management capacity of 20% and it will create savings in management costs of around £1m. Mr Williams is of the opinion that the implementation of the proposed restructure would produce the leanest management structure of any metropolitan district council. This would place Dudley "ahead of the curve" but, to ensure that we remain fit for purpose and manage expectations, it will be necessary to define and invest in further transformation in order to realise the potential of key staff if we are to meet the rigorous challenges that lie ahead.

Chief Executive

13. The clear advice from Mr Williams, based on his consultations with elected members and senior officers, was that we should continue to have a Chief Executive post.
14. However, in presenting the proposals I had to consider my own position. As we enter a critical phase in our history I believe that the Council needs to have a settled senior management team for the next 5 years, so far as possible, in order to implement the new structure and manage the transformation agenda. It is for this reason that I have decided that the time is right for me to retire later this year when a new Chief Executive is ready to take over.
15. The process for recruiting a Chief Executive is already underway. An appointment will be considered by the Appointments Committee and their recommendation will be submitted to full Council for ratification in October, 2014.

Procedure and Timetable

16. Before any final decision is taken by the Council on restructuring, provision has been made for a statutory period of consultation with affected staff and relevant Trade Unions. A procedure and timetable was endorsed by the Cabinet on 3rd July, 2014, and the key stages are summarised as follows:

- Stage 1: Informal consultation – June, 2014
- Stage 2: Formal ‘first phase’ consultation – 30th June, 2014 to 8th September, 2014 (including consultation with Overview and Scrutiny Management Board)
- Stage 3: Decision making and implementation of appointments to 2nd and 3rd tier posts – 8th September to 1st December, 2014
- Stage 4: Detailed development of 4th tier structure and formal ‘second phase’ consultation – 1st November, 2014 to 30th January, 2015
- Stage 5: Decision making and implementation of appointments to 4th tier posts – 1st February to 31st March, 2015

17. Immediately following the Cabinet approval to commence the consultation process, I issued a message via the ‘Chief Executive’s Chat’ on 4th July, 2014 to Council employees concerning the restructuring proposals. The contents of that message are set out in Appendix 2.
18. The Cabinet will be considering the outcome of the consultation at its meeting on 1st October and make a recommendation to full Council on the new structure at its meeting on 13th October, 2014.

Finance

19. The proposed structure will realise savings in the region of £1m. Salary bandings for Strategic Directors and Chief Officers will be based on professional advice from West Midlands Employers in order to reflect the wider responsibilities of post holders, their changing focus and market comparability.
20. The precise impact on the Medium Term Financial Strategy will be calculated when the proposals (including any impact at Head of Service level) have been finalised. In calculating this impact, it will be necessary to adjust for existing directorate savings proposals at Assistant Director and/or Head of Service level as well as accounting properly for the General Fund, Housing Revenue Account, Public Health budget and Dedicated Schools Grant.

Law

21. Section 111 of the Local Government Act 1972 enables the Council to do anything that is calculated to facilitate or is conducive or incidental to the discharge of its various functions.
22. Pursuant to Section 1 of the Localism Act 2011 the Council has the general power of competence to do anything that individuals may do.

Equality Impact

23. An Equality Impact Assessment has been undertaken in respect of the proposals and was endorsed at the Cabinet meeting on 3rd July, 2014.

Recommendation

24. That the Overview and Scrutiny Management Board consider proposals for the Council's senior management restructure and that any recommendations or observations be submitted to the Cabinet at its meeting on 1st October, 2014.

John Polychronakis

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John Polychronakis
Chief Executive

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List of Background Papers

Minute No. 15 of the Cabinet meeting dated 3rd July, 2014