

READING BOROUGH COUNCIL

REPORT BY CHIEF EXECUTIVE

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| TO:              | PERSONNEL COMMITTEE  |              |  |
| DATE:            | 12 OCTOBER 2017  | AGENDA ITEM: | 2  |
| TITLE:           | PROPOSAL TO STRENGTHEN CORPORATE SUPPORT SERVICES and DENS |              |  |
| LEAD COUNCILLOR: | CLLR LOVELOCK  | PORTFOLIO:   | LEADER   |
| SERVICE:         | CORPORATE SUPPORT SERVICES                                 | WARDS:       | BOROUGH-WIDE   |
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 Further to Minute 20 of Personnel Committee on 8 December 2016, this report sets out my proposal to strengthen the senior management structure of the Corporate Support Services Directorate of the Council; and the framework and timetable for this review.

Key objectives of the review were to strengthen the corporate centre and build capacity to take forward the authority's transformation process to deliver significant budget savings and other changes across the whole council, and to make direct appointments to senior management posts in place of current interim appointments. A new post of Director of Resources will be established in place of the Strategic Director of Finance, to be filled by competitive external recruitment. This post will be the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972. The Chief Auditor will report the Director of Resources which is considered best practice in accordance with professional standards. The Chief Auditor will continue to have free and unfettered access to the Chief Executive.

- 1.2 The Director will have responsibility for all services in Finance and Corporate Support Services. Five Head of Service posts will report to the Director, as follows:

- Head of Customer Care & Transformation
- Head of Finance
- Head of Human Resources
- Head of Law & Governance
- Head of Procurement & Contracts

- 1.3 The posts of Head of Human Resources and the Head of Procurement and Contracts are new. The Head of Finance role will be substantially amended as part of the review. All three will be subject to competitive external recruitment.

- 1.4 While it may appear unusual to be creating new, corporate support posts at a time of budget reductions, it is clear that the consequences of not having these posts is a lack of leadership capacity and skills to drive through the savings, efficiencies and improvements that are essential to the financial sustainability of the Council. The risks of not having this leadership capacity are evidenced by at least some of the findings detailed in recent Audit and Governance Committee papers. Hence these posts are brought forward as an essential part of Reading Borough Council's improvement journey.
- 1.5 The post Head of Customer Care & Transformation will be that of the current Head of Customer Care (Zoe Hanim); and the post of Head of Law & Governance will be substantially that of the current head of Legal & Democratic Services (Chris Brooks), the Council's Monitoring Officer, but without Human Resources.
- 1.6 Given the changes, the termination of the present Head of Finance's current employment contract has been agreed on the grounds of redundancy. A separate Part 2 report on your agenda deals with the specific consequences resulting from this proposal.
- 1.7 A review and restructuring of the Council's Finance section is underway, which will see the inclusion of a Chief Accountant. Detailed proposals on the re-structuring of the Finance Section will come forward to Personnel Committee in due course. Other functions (e.g. management of IT systems and applications, and management of performance and data) will also be reviewed and proposals brought forward for consideration as necessary.
- 1.8 A family tree setting out the proposed structure for the Directorate of Resources is attached at **Appendix A**.
- 1.9 We consulted the trade unions and sent a consultation document to all staff in CSS, and held a meeting which all staff attended. The reaction from managers and staff has been positive at an informal level and we only received 17 formal replies which suggests wide acceptance of the proposal. The replies ranged from general support to specific questions and individual concerns, they have been all reviewed by the chief executive and HR and none have given rise to material changes in the proposal but a number will be addressed in how we implement the change at a local level. The replies are welcomed and individuals will receive replies from myself.
- 1.10 The current DENS management team was formed as part of the Council-wide reshape programme in 2013, driven in part by the desire to reduce the number of senior manager posts across the council at the time. There are currently 4 Heads of Service covering all the services provided by the directorate. Notwithstanding the level of savings and additional income already delivered by the Directorate in previous budget rounds, it is currently tasked with delivering a further circa £16m of savings and income generation in the next 3-4 years to help address the Council's on-going budget gap.
- 1.11 The proposal is to increase senior management capacity by introducing an additional head of service post in order to ensure the timely and effective delivery of a very challenging and complex programme of agreed savings and additional income proposals. A key element of the proposal is to put in place a dedicated head of service to drive the Council's commercialisation agenda, with a particular focus initially on the environmental direct services offer, in order to generate an operational surplus to help support the Council maintain the high standard of those universal services it provides across the town.

- 1.12 The departure of the Head of Transportation and Streetcare (HoTS) earlier this year presents an opportunity to reshape the senior management tier to provide the necessary capacity and focus, whilst minimising any destabilising effects of any structural change.

It is proposed to delete the post of HoTS, and to create two new head of service posts:

- Head of Environment and Commercial Services:
- Head of Transportation and Infrastructure

The other 3 Head of Service posts would be retained, but will see some limited changes in reporting lines across the directorate.

It is proposed that a 2 week staff consultation will commence shortly. The 2 posts will be advertised externally.

## 2. RECOMMENDED ACTION

- 2.1 That the new post of Director of Resources created, to have the range of responsibilities set out in Appendix A, and to be the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972, in place of the Strategic Director of Finance ;
- 2.2 That the following new posts be established:
- Head of Human Resources
  - Head of Procurement and Contracts
- 2.3 That the post of Strategic Director of Finance be deleted, and the current arrangement with Peter Lewis to cover the post on an interim contract end when an appointment has been made to the new post of the Director of Resources the successful appointee has taken up the post;
- 2.4 That the Head of Finance post be substantially re-scoped as part of the review, to include the creation of a Chief Accountant post; and as a consequence of this, the current Head of Finance's contract of employment be terminated on redundancy grounds from a date yet to be finalised, but likely to be 30 April 2018.
- 2.5 That the appointments to the new posts of Director of Resources and Heads of Finance, Human Resources and Procurement & Contracts be made by competitive external recruitment by this Committee during the Municipal Year 2017/18
- 2.6 That the current posts of Head of Customer Care, and Head of Legal & Administration, be re-named Head of Customer Care & Transformation, and Head of Law & Governance; and that their current postholders, Zoe Hanim and Chris Brooks, be confirmed in the newly-titled posts, with Chris Brooks, as the Head of Law & Governance, continuing to serve as the Council's Monitoring Officer;
- 2.7 That the Chief Executive be authorised to take all necessary action to undertake and implement the review of Finance and Corporate Support Services and to implement the new management structure below Head of Service level.
- 2.8 That, subject to any material issues arising from the proposed consultation in DENS, the senior management capacity in that Directorate is increased as described.

### 3. POLICY CONTEXT

- 3.1 Full Council, on 24 January 2012 (Minute 61 refers), reviewed the authority's senior management structure, and merged the then posts of Chief Executive and Director of Resources to establish a single post, later called Managing Director, who was also Head of Paid Service. In this new streamlined structure the Head of Finance was appointed the authority's designated Section 151 Officer in place of the Director of Resources, it not being lawful for the Head of Paid Service to hold this post.
- 3.2 Following the resignation of post of Managing Director in July 2016, the Personnel Committee, at its meeting on 8 December 2016 (Minute 20 refers), agreed to re-introduce the title of Chief Executive for the appointment of a new Head of Paid Service, with a view to the postholder taking on the more 'outward-looking' duties of a traditional Chief Executive post, in addition to managing the authority through the difficult budget and transition process.
- 3.3 Before this, at your meeting on 6 October 2016 (Minute 10), the Personnel Committee had agreed to appoint an interim Strategic Finance Director, to be the authority's designated Section 151 Officer, a move which was seen as necessary to ensure that the Council met the financial challenges that it faced in the short term.

### 4. THE PROPOSAL

- 4.1 The Council recruited me as its new Chief Executive in early June 2017. Following my appointment I have undertaken a top-level review of the authority's senior management structure, with particular reference to establishing a robust structure with sufficient capacity to meet successfully the challenges facing the authority in implementing its transformation programme to deliver the ambitious savings to ensure that the authority can operate within its budget going forward.
- 4.2 Over recent years, the Council has been successful in securing savings in the cost of senior management, at the expense of retaining and growing in-house capacity to meet the above challenges and to underpin improvements across the Council. This has been particularly the case in Finance, where the interim Strategic Finance Director is of the view that the loss of senior management resource has not assisted the service in meeting the budget challenges currently faced by the authority. In particular, the post of Chief Accountant, has been re-established and a candidate has been offered the role subject to references; and where appointments are needed particularly to strengthen the business partnering with directorates.
- 4.3 In addition, as shown in answers to Council questions in January and February 2017, the authority has been relying on interim managers and consultants to cover key senior management roles, including in Finance and Human Resources. A key objective of my review has been to move to identify the senior management posts that we need in our permanent establishment in Finance and Corporate Support Services, and to start the process of making permanent appointments to them.
- 4.4 The authority currently faces significant and unprecedented challenges of organisational change, arising not just from the transformation agenda but also from the move to a Children's Services Arms-length Company, and in the evolving relations between Social Care and the NHS. In this regard, the authority has not had a Head of Service for Human Resources since 2013, and the position of HR Manager has been covered on an interim basis since 2015. This review will restore resource to this key corporate area by re-establishing and recruiting a dedicated Head of HR, running a service which includes both HR Manager and Change Manager posts.

The authority historically has had a thin central resource handling corporate procurement. This is an area directly involved in the transformation programme and offering significant scope for a strategic approach to secure savings across service areas. Over the medium term, the increased corporate procurement function will be expected to deliver the following outcomes in addition to the existing programme of routine procurement activity. Delivering these outcomes will in part require the support of further external support resources which are in the process of being commissioned:

- Review of existing contracts and non-contract spend to identify opportunities to deliver spend reductions and associated budget savings over and above those savings already identified in the Council's financial plan.
- Review current governance and control processes to identify short terms actions that might be put in place to improve spend control pending longer term solutions;
- Identify opportunities to increase existing budgeted savings and/or achieve them more quickly than the current plans anticipate. Validation of achievability of those savings proposals already identified.
- compliance/forensic audit of historic payments to identify potential recovery of overpayments etc.
- Initial review to target savings in excess of £3m net of consultancy costs (approximately 2% of existing third party spend in the Revenue budget) with a proportion to be delivered within 2017/8 for full year effect in 2018/9.
- Cultural, behavioural and control system changes to create a new corporate environment for decision making on spend with third parties to deliver long term overall value for money

4.5 No change is proposed to the Customer Care and Transformation Service. The Head of Legal & Democratic Services will lose day-to-day management for HR, but gain Councillor Services from ENCAS. The review will settle the future reporting line for the Corporate Communications Team.

## 5. CONTRIBUTION TO STRATEGIC AIMS

5.1 These proposals are important to the achievement of all six of the Council's Strategic Aims as set out in the Corporate Plan 2016-19, but in particular to the aim of remaining financially sustainable to deliver the service priorities set out in the Plan.

## 6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 The proposals concern the internal senior management of the authority. It is neither appropriate nor required for them to be the subject of external consultation.

6.2 I have consulted with the Corporate Management team, the heads of service in Finance and Corporate Support Services, other people directly affected by the proposals, and the trades unions.

## 7. EQUALITY IMPACT ASSESSMENT

7.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.2 In this regard you **must** consider whether the decision will or could have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief.

7.3 At this stage it is not considered that an Equality Impact Assessment (EIA) is required. The proposals will give a higher corporate priority to the HR Service, which has the corporate responsibility for overseeing equality in employment practices. The responsibility for overseeing equality in service delivery across the Council will remain with the Delivery Team under the Head of Customer Care and Transformation.

## 8. LEGAL IMPLICATIONS

8.1 The authority's power to appoint staff and to determine their terms and conditions of employment is under Section 112 of the Local Government Act 1972. This power has been delegated by full Council to the Personnel Committee to exercise.

8.2 There are mandatory Standing Orders governing the recruitment, appointment and dismissal of senior management staff in a local authority, as set out in the Council's Officer Employment Procedure Rules in Part 4 of the Council Constitution. These derive from the Local Authorities (Standing Orders) (England) Regulations 2001, as amended by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015. They were and were adopted by full Council on 26 March 2002, and revised by full Council on 7 July 2015. They cover Director and Head of Service posts in the authority, where any external recruitment process is the responsibility of the Personnel Committee.

8.3 The Personnel Committee has delegated powers to appoint Corporate Directors, the Monitoring Officer, the Section 151 Officer, and posts covered by the Mandatory Standing Orders, which are posts falling within the definition of Deputy Chief Officer in Section 2(1) of the Local Government & Housing Act 1989. This includes the heads of service posts mentioned in this report.

## 9. FINANCIAL IMPLICATIONS

9.1.1 The net costs of the proposals over the medium term period to 2019/20 will be met from the change fund set up for change costs (per Policy Committee July 2017). Thereafter the net cost of £422,000 per annum will need to be built into the base budget and hence are most likely to require offsetting savings elsewhere, including from procurement initiatives led by the Head of Procurement and Contracts with the strengthened team.

9.1.2 The financial implications of these proposals are set out in the table below:

| Post                                  | Estimated Annual Salary | Estimated Annual Oncosts | Cost in 2017/18 | Cost in 2018/19 | Cost in 2019/20 |
|---------------------------------------|-------------------------|--------------------------|-----------------|-----------------|-----------------|
| Director of Resources                 | £ 130,000               | £ 39,000                 | £ 28,167        | £ 169,000       | £ 169,000       |
| Head of Finance (new)                 | £ 100,000               | £ 30,000                 | £ 21,667        | £ 130,000       | £ 130,000       |
| Head of Human Resources               | £ 90,000                | £ 27,000                 | £ 19,500        | £ 117,000       | £ 117,000       |
| Head of Procurement and Contracts     | £ 90,000                | £ 27,000                 | £ 19,500        | £ 117,000       | £ 117,000       |
| Head of Finance (redundancy)          |                         |                          | £ -             | £ 89,923        | £ -             |
| Recruitment                           |                         |                          | £ 48,000        |                 |                 |
| Less savings                          |                         |                          |                 |                 |                 |
| Strategic Director of Finance         |                         |                          | £ -             | £ -             | £ -             |
| Head of Finance (existing)            |                         |                          |                 | -£ 102,000      | -£ 111,000      |
| <b>Total cost</b>                     |                         |                          | £ 136,834       | £ 520,923       | £ 422,000       |
| <b>Funded by change fund</b>          |                         |                          | £ 136,834       | £ 520,923       | £ 422,000       |
| <b>Net pressure on revenue budget</b> |                         |                          | £ -             | £ -             | £ -             |

The above costs are based on assumptions as below:

1. New posts are filled on 1 February 2018
2. Strategic Director of Finance remains until the financial year end; there are no subsequent savings as the current interim post is supported by one-off funding
3. Existing Head of Finance departs on 30 April 2018

In respect of the proposal to increase senior management capacity in DENS, the net additional cost of the proposal is: £90k + on-costs pa.

This additional costs to 2019/20 will be met from the change fund set up for change costs (as per Policy Committee July 2017). This increase in management capacity should be viewed effectively as an "invest to save" proposal and so thereafter the net cost of an additional head of service will need to be built into the base budget and is intended to be offset by an increased income or surplus over the longer term.

## 10. BACKGROUND PAPERS

Appendix A: Outline Structure of Finance and Corporate Support services Directorate

**CORPORATE SUPPORT SERVICES PROPOSED STRUCTURE - new posts highlighted in yellow**

