

BRECKLAND COUNCIL

FULL COUNCIL - 13TH MAY 2010

REPORT OF THE CHIEF EXECUTIVE

SHARED SERVICES

South Norfolk and Breckland Councils have been exploring sharing services to increase the critical mass of the two authorities, whilst maintaining local control of service delivery in a time of budgetary constraint.

A number of vacancies at both South Norfolk and Breckland are providing the opportunity and additional impetus to expand on the initial lessons learned from sharing staff between the two authorities and to move more quickly to an interim Joint Corporate Management Team (CMT) led by an interim Joint Chief Executive.

Bringing the senior management teams together at this point in time means the two Councils can maintain stability and continuity of service whilst minimising cost and maximising opportunities for our staff.

This report seeks authorisation for the Councils to appoint an Interim Joint Chief Executive and to establish an aligned set of portfolios that match a new interim management structure.

None of these short-term interim arrangements pre-empt or pre-determine the vital work of scrutinising the wider and bigger shared services project, which relies upon the scrutiny of the business and implementation plan, which will take place in public during May and June.

If it is decided against the shared services project, then, at that point, the interim arrangements described in this report can and will be unwound with the post holders returning to their substantive posts.

1. Background

- 1.1. Breckland Council and South Norfolk Council are exploring the possibility of sharing services. A feasibility study has identified and evaluated options for the delivery of shared services, and it concludes that there could be significant savings and efficiencies.
- 1.2. The draft study has been considered by both Councils and both have agreed to move to the next stage of producing a more detailed business case. The Councils have had the first draft of a business case produced by consultants, and this suggests there is further evidence to support the move to a single paid service.

- 1.3. Preliminary work has also begun on draft proposals for a legal framework, and subject to agreement by both Councils, these will enable the Councils to formally agree the process or otherwise.

2. Current Position and Issues

- 2.1. Both the consultants' draft business case and the draft legal framework will be scrutinised and carefully considered through joint and individual meetings of Scrutiny, Cabinet, joint Corporate Management Team and the Shared Services Project Board, along with talks with staff and trade unions before being presented for consideration by each Full Council on 21 and 24 June 2010 and prior to any initiation of the shared services process.
- 2.2. Councillors will be in a position to ensure that implementation of the agreement is fully and properly evaluated and considered when each Council service produces its own business case that will be put forward for evaluation and appraisal by the proposed Transformation Director, in accordance with the project timetable which will form part of the agreed Business Case.
- 2.3. Nothing proposed in this report pre-determines the evaluation process. These proposals are interim measures only which come to an end on or before the 31 December 2010. They are recommended in order to maintain the Councils' performance in the delivery of services and to ensure the shared services project maintains momentum, as both Councils need stability and consistency in their senior management, while also continuing to focus on the quality and cost of public services.
- 2.4. The move to establishing the interim arrangements is a positive opportunity, which both Councils wish to take and has arisen as a result of a number of vacancies arising in both organisations' leadership teams. The vacancy created by the departure of the Breckland Council Director of Finance and Governance has already enabled an interim sharing with South Norfolk Council's Director of Corporate Resources.
- 2.5. Another key vacancy is also set to arise at Breckland Council following the stated intention of the existing Chief Executive to take up the role of Chief Executive of Luton Borough Council. Breckland also has a further vacancy for a Director of Community Services and additionally, South Norfolk Council has a vacancy for a Deputy Chief Executive and a Director of Environment and Recycling.
- 2.6. Alongside an interim resolution to these key vacancies, the report also proposes an interim but key realignment in the political portfolios and management structure for both Councils to maximise the opportunity as well as more effectively managing the workload, responding to leadership issues and saving money.
- 2.7. The proposals do not affect the current statutory duties and responsibilities of the Chief Financial Officers (the Section 151 officer) and the Monitoring Officers, who will remain as now.

Monitoring Officers

South Norfolk Council – Tim Mobbs

Breckland Council – Maxine O’Mahony

S151 Officers

South Norfolk Council – Andy Radford

Breckland Council - Mark Finch

- 2.8. Should either Council not approve the business case for shared services at their meetings in June 2010, the respective Chief Executives will undo the proposed interim appointments described in the next section and officers will revert to their substantive roles.

3. Interim Alignment of Cabinet Portfolios Proposal

- 3.1. Some of the Cabinet portfolio responsibilities of both Councils are different and so work has been undertaken by both Cabinets to resolve those non-alignments with senior staff. Through alignment across the two Councils, the proposals as set out seek to offer a more efficient and effective relationship between Portfolio Holders and the Interim Joint Corporate Management Team. If there were no interim realignment, Directors in the interim management structure would find themselves reporting to a number of different Cabinet Members across two different political structures with the risk of duplication and inefficiency.

- 3.2. It is therefore recommended that Council agree the following interim portfolios:

- External Affairs and Communications
- Economic and Commercial Services
- Planning and Housing
- Environment and Recycling
- Communities and Place Shaping
- Governance and Corporate Resources
- Transformation

- 3.3. A more detailed description of the Services within each portfolio is shown in Appendix One.

4. Interim Management Structure Proposal

- 4.1. At present, the combined Corporate Management Teams of both Councils are made up of 10 posts - two Chief Executives, two Deputy Chief Executives and six Directors. It is proposed through the shared services approach that a final Corporate Management Team would have one Chief Executive, a Deputy Chief Executive and three or four Directors. The precise responsibilities of these posts have yet to be finally defined, but with aligned service teams, such efficiencies as set out above can be made.

- 4.2. In order to reach this permanent position, the Councils need sufficient leadership capacity to deliver the transformation as well as maintaining high levels of performance

and customer service. And so it is proposed and recommended that an interim management structure be put in place, with a view to streamlining numbers over the coming year to deliver ongoing efficiencies and savings.

- 4.3. It is recommended that Councillors agree to establish on an interim basis the following Director roles, which align with the proposed portfolios:
- Deputy Chief Executive with Economic and Commercial Services
 - Director of Planning and Housing
 - Director of Environment and Recycling
 - Director of Communities and Place Shaping
 - Director of Governance and Corporate Resources
- 4.4. It is recommended that these roles be filled on an interim basis through internal recruitment, in the first instance. It is proposed to establish a Joint Appointments Panel. Interviews and appointments will be made by a Member Panel of the Leaders, Deputy Leaders and relevant portfolio holders. The panel would also include, (once the appointments are made) the Interim Joint Head of Paid Service, and the Joint Interim Deputy Chief Executive as advisors, following appointment to these posts. These interim appointments would be effective from 1 June, up to the 31 December 2010. The posts would be open to all permanent employees of Breckland and South Norfolk Councils in the first instance. Should a post remain unfilled, the recruitment process would be opened up to external applicants.
- 4.5. Directors will be paid based on current salary levels (and associated benefits) of current Director posts - which is Band 3 for South Norfolk Council and Grade 3b for Breckland Council. The Interim Joint Deputy Chief Executive would be paid on Band 1 of an existing South Norfolk employee, or Grade 2 of an existing Breckland employee. Any subsequent additional performance related pay for Interim Joint Directors and the Interim Deputy Chief Executive would be subject to the agreement of the Interim Joint Chief Executive and the Leaders, and subject to any existing, relevant Council policies or procedures.
- 4.6. It is proposed to recruit an Interim Director of Transformation through open competition, with internal applicants able to apply. The appointment would be effective for 18 months and remunerated on the same pay scales as other Director posts, although a salary enhancement may be considered for an exceptional candidate.
- 4.7. This newly formed interim Joint Corporate Management Team would be tasked with delivering the shared services agenda while maintaining existing or higher levels of performance and customer service, unless otherwise agreed.
- 4.8. If the proposed interim management structure is agreed, it will be at a reduced overall cost, but the savings attributable to each Council depends on the current level of budget. Details are provided in paragraph 9.3. The period of appointment to the interim positions would come to an end on or before 31 December 2010 with the option to extend this period as the agreed business case may require.

- 4.9. The total salaries of all members of the interim Joint Corporate Management Team will be shared equally between both Councils. All the existing officers would remain as employees of their existing Council.
- 4.10. The interim structure is outlined at Appendix Two.

5. Interim Chief Executive Proposal

- 5.1. For the purpose of appointing an interim Chief Executive, the intention would be that the remaining CEX(s) would be ring fenced. The appointment of a Joint Chief Executive, from a Breckland Council perspective will require a recommendation from the Appointments Panel.
- 5.2. Subject to the recommendations of the Appointments Panel, it is recommended that an Interim Joint Head of Paid Service be appointed, effective from 14 May 2010 and that this individual be confirmed as the Interim Joint Chief Executive across both authorities on the departure of Breckland's current Chief Executive on 25 June 2010, subject to the appointee agreeing the terms and conditions of the post. All members of the joint interim Corporate Management Team would report to the joint Head of Paid Services. The appointee would continue in that role until either the interim joint post is disestablished or a permanent appointment is made following an open competition, whichever is the sooner.
- 5.3. Subject to agreement to proceed with the shared services arrangements by both Councils in June, the recruitment for a permanent Chief Executive is planned to commence with an advert being placed in early September. Professional recruitment agencies will need to be engaged to run this process on behalf of both of the authorities. The appointment process for the permanent Joint Chief Executive would be scheduled for completion not later than the 1 December 2010 and will be part of the June report to both Councils.
- 5.4. If agreed by Councillors, the proposal would mean that the appointee would take managerial control of both Councils, acting as Head of their Paid Services. They will oversee the production of the Implementation Plan with detailed timescales for action, the initial transformation stage and the creation of an efficient and effective single delivery organisation. They will also be responsible for ensuring that existing or higher standards of service delivery are provided across the authorities, unless otherwise agreed. They will be accountable to both Councils for their performance and be responsible for carrying forward the changes in governance and management approved by each Council following production of the Shared Services Business Case.
- 5.5. It is proposed that Breckland Council's current Chief Executive, Trevor Holden will from 14 May 2010 until his proposed date of departure on 25 June 2010, continue to report to the Breckland Council Leader.

6. Draft Agreement

- 6.1. A draft Agreement setting out both Councils' policy objectives, underlying principles and values and Meeting Protocols is being developed and will be part of the Scrutiny process alongside the draft business case consideration. It will outline the concept and general approach to Shared Service Interim arrangements, and set out some ground rules.

- 6.2. This Agreement would not be a legal document but would form the basis of the Legal Framework Agreement to be agreed at the June Full Council meetings.

7. Other Options

- 7.1. It could be proposed that the two Councils proceed directly to a permanent arrangement, but all arrangements will remain interim until Councillors have carefully and properly considered and agreed the business case and legal framework.
- 7.2. It may also be proposed that both Councils should wait, and do nothing, but there is the necessity to maintain performance in the delivery of services to the public, as both require stability and consistency in their senior management, while also maintaining a focus on the quality and cost of service. The “do nothing” option would, however, increase the risks of a decline in performance levels and that would have an adverse impact on services to the public.
- 7.3. It is also possible for each Council to independently appoint to any vacancy until a final decision on shared services is made. This would, however, risk increasing costs and extending the time for implementation and completion of the initiative and consequently put at risk not only the shared services project, but also the continued delivery of services.

8. Relevant Corporate Objectives

- 8.1. All.

9. Implications and Risks

Financial implications

- 9.1. The first draft of the business case identifies early areas of savings in senior management and back office functions. These are projected to deliver savings of £2 million per year to be shared between the two Councils. Subject to the pace of change on shared services being maintained, and a key justification to adequately resource an interim Management Team, these savings can be delivered from April 2011. This will enable savings to be reflected in the financial year 2011/12 budgets and could offset the anticipated loss of government grant. It would mean both Councils being able to continue providing high quality services to customers.
- 9.2. The total cost of the two current Management Teams is £1,013,000 including on-costs (i.e. pensions and national insurance). The cost of South Norfolk Council's and Breckland Council's Management Teams are broadly similar, each consisting of 1 Chief Executive, 1 Deputy Chief Executive and three Directors. In moving to a Joint Corporate Management Team it is essential that the costs are consistent with the agreed Business Plan.
- 9.3. The financial implications of the proposed joint interim Management Team are shown below:

	Breckland DC (£000)	South Norfolk DC (£000)	Total (£000)
Current CMT Cost for 2010/11 (assuming all posts filled)	481	532	1,013
Proposed CMT Cost with 7 Chief Officers FY 2010/11	389	389	778
Saving	92	143	235

The above table includes full on-costs. It also assumes that existing Directors in the two Councils will be successful in securing the Interim Joint Director posts. If other staff were successful, then the cost to the two authorities would increase due to salary protection for existing Directors.

The table also assumes that the Interim Joint CMT is effective from 1 June 2010 to 31 December 2010; and then the Joint CMT becomes a Chief Executive, a Deputy Chief Executive and 3 Directors. This is in line with the proposed Management Team in the draft feasibility study and draft business case.

Subject to both Councils approving the business case, it should be noted that the sharing of management posts below Director level and back office functions is likely to lead to greater savings for South Norfolk Council. The position will reverse when the project moves to Phase 2, where the greater proportion of savings are likely to be received by Breckland Council.

9.4. In terms of the cost of the interim joint Corporate Management Team the following proposals are recommended for Councillors' approval:

- All interim appointments will be effective up to 31 December 2010, but may be disestablished earlier, or extend as the agreed business case may require;
- No appointments will be made to Chief Officer or Deputy Chief Officer appointments without the prior approval of both Cabinets. For the purpose of this report Chief Officers are defined to be all members of the Corporate Management Team and Deputy Chief Officers are defined as officers who are required to report directly or are directly accountable to one or more of the chief officers.
- Prior to the agreement of any joint structure, in full or in part, the establishments at service managers and below will remain as present, although the presumption will be for temporary appointments to vacancies in back office functions (as defined in the feasibility study and business case).
- The Interim Joint Chief Executive will ensure that during the transformation phase all employee costs are met from existing staff budgets, with the final structure delivering savings consistent with the indicative figures in the agreed Business Plan.

- All costs of posts within the Interim Joint Management Team are shared equally between authorities.
- 9.5. Officers will review the Council's Rules of Financial Governance, Contract Standing Orders and constitution shortly. Pending this work being completed and considered by the two Councils, existing rules and procedures will apply.

Legal implications

- 9.6. The proposals in this paper precede agreement by both Councils to adopt a shared services framework agreement with detailed provisions for secondment, dispute resolution and termination arrangements. The use of temporary secondments to make interim appointments minimises the issues involved.

Risks

- 9.7. The key risk is not delivering the shared services agenda, which will bring important savings and efficiencies at a time when Central Government's anticipated grant cuts to local councils begin to bite, following the General Election. This has serious implications for customers and residents because it would mean significantly reduced services. Also, the combined Corporate Management Teams have already been working on a number of initiatives, and creating one Joint Interim Team will provide clear leadership and direction, minimising risks, and avoiding duplication and inefficiency.
- 9.8. The pace of change is another risk, as both Councils, teams and individual members of staff work hard together to deliver the shared service agenda and continue to deliver high quality services. Having an effective Interim Joint Management Team will reduce the risk, as will effective internal and external communications.
- 9.9. The capacity of the Interim Joint Management Team will have a direct bearing on the pace of change.

10. Conclusion

- 10.1. Both Councils acknowledge the significant benefits that shared services can bring in making savings and efficiencies, cutting costs and delivering the best of both Councils' high quality services. To ensure both Councils continue to deliver these high quality services during the transition, an Interim Joint Corporate Management Team with the capacity to both manage services and deliver change is essential. The proposals recommended in this report deliver this capacity within existing budgets, and would place both Councils at the forefront of the shared services agenda.
- 10.2. The vacancies which have become available offer a real opportunity for both Councils to have an interim shared leadership team, with all the benefits that brings, to make substantial savings, slim down and rationalise management structures making them more efficient and effective and give both councils the opportunity to see shared services in action, rather than on paper.
- 10.3. The proposed interim arrangements also achieve all the above, without pre-empting either Council's final decisions on the bigger and more permanent shared services initiative, which will be made in June.

11. Recommendations

11.1. It is recommended that Council agree the following proposals:

- a) Alignment of Cabinet portfolios as at Appendix One.
- b) Agreement of the interim corporate management structure as at Appendix Two.
- c) The internal recruitment of interim Joint Directors, with external recruitment only being undertaken where a role cannot be filled by an internal applicant.
- d) That all interim appointments would be up to 31 December 2010, but may be disestablished earlier as required, or extended by approval of both Councils.
- e) Directors will be paid based on current salary levels (and associated benefits) of current Director posts. Any subsequent additional performance related pay for Interim Joint Directors and the Interim Deputy Chief Executive would be subject to the agreement of the Interim Joint Chief Executive and the Leaders, and subject to any existing, relevant Council policies or procedures
- f) No appointments will be made to Chief Officer or Deputy Chief Officer appointments without the prior approval of both Cabinets. For the purpose of this recommendation, Chief Officers are defined to be all members of the Corporate Management Team and Deputy Chief Officers are defined as officers who are required to report directly or are directly accountable to one or more of the chief officers.
- g) Establish a Joint Member Interview Panel with delegated authority to recruit all Interim Joint Chief and Deputy Chief Officers. The panel to consist of the Leaders and Deputy Leaders of each authority and the relevant portfolio holder, supported by both the Interim Joint Head of Paid Service and Interim Joint Deputy Chief Executive where these appointments have been made.
- h) Immediate open contest to appoint a Joint Interim Director of Transformation for a fixed term of up to 18 months only.
- i) The total salary costs of the Joint Corporate Management Team will be shared equally across both authorities.
- j) Subject to agreement to proceed with the shared services arrangements by both Councils in June, the recruitment to a Permanent Joint Chief Executive is commenced with an advert to be placed in early September and an appointment offered by the 1 December 2010 and details of the process and cost will be incorporated in the report presented to the June Council meetings.