



## **JOINT REPORT TO BRECKLAND & SOUTH HOLLAND COUNCILS**

**South Holland District Council 15<sup>th</sup> December, 2010**

**Breckland Council 16<sup>th</sup> December, 2010**

### **Proposal for joint management arrangements**

**Report of: Joint Chief Executive Officer, Leader of  
Breckland Council & Leader of South Holland District  
Council.**

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#### **SUMMARY**

This report brings forward proposals for a joint shared management structure between Breckland and South Holland Councils. It follows from their appointment of a joint chief executive earlier in the year. Amongst a number of benefits it will deliver considerable savings which will contribute towards the public sector cost reduction required of Local Authorities by the Government's Comprehensive Spending Review.

The report is written to give an overview of the programme of work with various detailed documents appended to the main report.

## **Recommendations**

The recommendations contained within the report are as follows:

- (a) The joint management structure as at Appendix A be approved.
- (b) The current posts that fall within the scope of the shared management proposals, as set out in Appendix B, are approved.
- (c) The structure be implemented using the process as described in Appendix C
- (d) The core competencies as described in Appendix D be incorporated as requirements of all jobs in the new structure
- (e) The chief executive officer (CEO) be authorised to approve voluntary redundancies / early retirements subject to consultation with the two Leaders.
- (f) That South Holland Council state their intention to follow their practice of 2 years pay protection ( subject to caveats) where a person is assimilated into suitable alternative employment but where the grade is less than their present salary and that HR be asked to follow due process to introduce a written policy.
- (g) That a Joint Appointments Committee is established in accordance with Appendix E.
- (h) That a Joint Appointments Appeals Committee is established in accordance with Appendix F.
- (i) The Memorandum of Agreement in Appendix G covering the way in which the two Councils intend working with each other be approved.
- (j) That each Council pays from its reserves the sum of £ 400,000 into a transformation budget to be controlled by the Chief Executive in consultation with the Leaders of the Councils.

## **INTRODUCTION**

In August 2010 Breckland and South Holland Councils agreed to the appointment of joint Chief Executive. They required proposals to be

brought forward for the Councils to approve and then implement a shared and joint management structure. The aims included to

- Make more efficient use of their investment in managerial capacity
- Make savings in 2011/12 and beyond which will contribute towards the reduction in expenditure required of local government within the Government's Comprehensive Spending Review. This is to be done through management savings with the aim of protecting frontline services delivered to the public.
- To achieve a leaner management structure capable of supporting democratic executive leadership.
- To permit both the Council's to continue to operate independently and respond to the needs of their communities.

The Council's had accepted that the structure of the new management arrangement should be built upon three core functions of the local authority.

- Commissioning services ( internal & external)
- Local government of place (place shaping)
- Organisational governance (democratic accountability)

## **PROGRESS TO DATE**

A project team comprising officers from both councils has been working on the tasks necessary to bring about the joint management structure. This team has reported in to a board which includes the two Leaders and two other elected members from each authority. A scrutiny chairman from each authority has also been invited to attend as observer.

Staff were initially consulted on the proposal informally and then through a formal 30 day consultation period which concluded on the 2<sup>nd</sup> December. Throughout the process the Trade Unions have been kept informed and consulted as appropriate. A copy of the staff consultation was also sent to all elected members. The proposals have been

considered by Scrutiny committees at both Councils, and at Breckland by the General Purposes Committee and Local Joint Consultative Committee.

The board has considered the views which have been expressed and now present for Council approval their proposal for joint management shared by the two authorities.

## **THE STRUCTURE**

The structure was designed based upon the three core functions which both Councils considered earlier in the process.

Some of the issues which were considered through the consultation process were:

1. Is there a need for a separate deputy CEO for each authority? The conclusion of the board is that to do so would work against the primary objective of a single team of managers serving both Councils and be divisive. This therefore does not form part of the proposal.
2. The sufficiency of the capacity within the management structure. Reducing from over thirty Managers to less than twenty managers undeniably reduces the overall available capacity to the two authorities. If we do not reduce capacity here we will need to reduce capacity in frontline and operational staffing. The challenge is to judge whether there remains sufficient capacity to enable both authorities to work effectively albeit that there will need to be new ways of working, some changed expectations and a culture of positive management, effective delegation and staff empowerment. The structure is "flat" and does retain capacity in key service disciplines. It also enables the following tiers to be similarly "flat". The board has made some adjustments based upon the views expressed and our judgment is that the proposed structure balances affordable capacity with business requirements. This will need to be kept under review.

3. There were a lot of comments specific to individual services and their place and grouping in the new structure. There is no perfect structure and there will always be differing views around the detail. Having considered and weighed the responses which sometimes had differing views the board recommend the attached structure as fit for purpose.
4. The absence of a detailed business case. It is important that this point is understood and accepted. With some shared service projects the approach has been to develop a detailed business case of how the shared service will operate and a comprehensive prediction of savings. This is the approach that South Holland took with its shared back office services with East Lindsey. They commissioned "Sector" and then "Tribal" to work on business cases to support the proposal before it was taken any further. A similar approach was taken in development of proposals for joint working between South Norfolk and Breckland. It is argued that this business case led approach gives more certainty and possibly more confidence to members in signing up to a shared service. However, it takes time and can be costly. In this present case the decision to merge management is based upon business sense, emerging good practice, political steer, the need to act quickly to make savings from year 2011/12 and the recognition that all business cases are based upon assumptions which in this age of uncertainty are themselves uncertain. The approach being taken is one where a direction of travel has been set which the two Councils support but with the knowledge that we will need to adjust and steer our way through these uncertain times.
5. The role of elected members. With fewer managers working across two Councils the role of executive elected members (portfolio holders) also changes. The Leaders will consider the briefs of portfolio holders in the light of the new structure when approved. Change however will go beyond this in a more fundamental way.

The executive members will be the ones with a sole focus on the individual Council and they and the Directors will also be the ones that will be working across service boundaries with a focus on outcomes on some of the cross cutting and hard to resolve issues. It is suggested that investment in training for executive members both individually and collectively will become an important component of the implementation arrangements.

6. The ability to change and innovate. Both Councils have a reputation for innovation and being leaders in new ways of working and thinking to tackle the requirements of their communities. Some concern was expressed that the new structures with reduced capacity may no longer allow this to happen. For this reason specific separately identified capacity for transformation, innovation and change has been included.

Taking into account the comments received through the staff consultation and the feedback which has been received from scrutiny at both Councils the Board recommends the structure at Appendix A. This has a reduction from 36 posts to 18 management posts. The Board similarly recommends the approval of the list of posts within the scope of the project as set out in Appendix B.

## **IMPLEMENTATION**

Part of the staff consultation was upon the implementation procedure. This requires agreement on a joint process to be used with all affected staff regardless of which of the two Councils they are presently employed by. The process as documented within the consultation has been independently reviewed and amended by independent recruitment consultancy "attenti", taking into account the objectives of the Councils and the staff feedback. attenti has sought independent legal advice in order to ensure that this process does place either Council at risk from subsequent appeal or legal action. The details of this legal advice will be

provided in the form of a verbal update. The proposed selection is set out in Appendix C to this report

Key to achieving the right people into the right jobs are the requirements contained within the **job descriptions and person specifications** for each post. The staff consultation and scrutiny raised discussion on the merits of generic job descriptions as against requirements for professional skills. Attenti have thoroughly reviewed and considered the competencies which all managers working within the new structure will need. Successfully working for two different client authorities in leaner management structures and with less resources available to the Councils will require different competencies. The board are therefore recommending a set of core competencies as set out in the attached Competency Framework ( Appendix D ) which all managers must have. However in addition we recognise that there are other technical competencies required on a post specific basis and that each job description and person specification will need to be tailored to reflect this. Following Council approval of the structure and these principles the job descriptions and person specifications will be finalised to reflect both the requirement for core competencies in all posts and job specific technical requirements. Samples of a Job Description and Person Specification are included as Appendix J

As part of the consultation process all staff were invited to indicate their future wishes with regards the proposed new management structure. A very small number indicated that, if available, they might chose to accept **voluntary redundancy or early retirement** were this to be offered. It is recommended that in these circumstances AND where this suits and eases the business objectives that the Chief Executive is authorised to approve these subject to consultation with both the Leaders. Redundancy costs and early release of pension costs vary considerably from individual to individual, the average redundancy cost is

£14,100 and early pension release £33,000. Nine staff are of an age where early release of pension is an option. The maximum liability across the two Councils for redundancies and/or early retirement costs is calculated as £669,000.

Where staff are offered a job which represents suitable alternative employment but this new job carries a lesser salary than their existing job the expectation is that they will receive **pay protection** for a limited period. At Breckland this eventuality is already covered by an approved policy and requires no more consideration. At South Holland custom and practice has been to offer 2 years pay protection but this is not enshrined in a formal policy agreement. It is recommended that South Holland members agree to offering 2 years of pay protection to the Councils staff within the scope of this project where they are offered suitable alternative employment at a lesser salary, as this would offer considerable comfort to such staff. It is also recommended that the HR team follow due process to introduce a formal written policy for pay protection in the longer term for the Council.

Once the structure is approved by Council the job descriptions and person specifications will be finalised as described above and these will then go through the **job evaluation** process to fix a salary for each post. Both Councils use the Local Government National Job Evaluation Scheme and can therefore jointly evaluate the new posts. It is intended that the Breckland banding scheme is then used to fix salary bands as the South Holland scheme does not fully cover these tiers of posts.

At both authorities the appointment of directors is made by member panels. It is recommended that a **joint appointments committee** is formed for this purpose, and that each Council appoints 4 members each (one from each to be Executive members) to this Joint Appointments Committee plus one substitute member from each Council. The terms of reference for this panel are at Appendix E. At South Holland Head of

Service posts have also been member appointments but this tier of management will no longer exist. In addition, it is recommended that a Joint Appointment Appeals Committee is constituted as set out in Appendix F in order to determine appeals from relevant persons in respect of decisions of the Joint Appointment Committee relating to the appointment of Directors.

## **MEMORANDUM OF AGREEMENT**

Throughout the period of joint working between the two authorities it has been said that this needs to be a relationship built on trust with a simple methodology for distributing the benefits. A simple memorandum of agreement between the two authorities was envisaged. Interestingly the project team have visited one of the longer established joint arrangements and this was their advice to us. The Chief Executive has also spoken to other colleagues who work in a similar fashion. A recommended Memorandum of Agreement between Breckland and South Holland is attached at Appendix G.

On the issue of sharing costs it is recommended that for the shared management structure project costs, transition / implementation costs and ongoing running costs are shared on a 50:50 basis. Existing management costs suggest these as reasonable. As other services are added other metrics such as council tax requirement, budget requirement, population, council tax base, dwellings etc may be more suitable and each new sharing project will consider suitable cost & benefit sharing.

## **FINANCIAL INFORMATION**

Appendix K provides details of the financial data that underpins the financial information below.

**Annual Costs.** Based upon their present salaries the costs of the existing staff who are in scope of this project are £ 2,341,500 This includes salary, NI and pension contribution, as well as car allowance.

The new structure if costed at the mid point of the estimated pay band ( subject to job evaluation) costs £ 1,265,700

Until the job evaluation and recruitment processes are completed it will not be possible to calculate the costs of any pay protection that may initially be enjoyed by some individuals. However the pay model based on recruitment at the highest grade point amounts to £1,454,100. These costs indicate a potential gross annual saving in excess of one million pounds which may be reduced in the early years through pay protection. These savings do not include the saving which is already being made on the joint CEO.

From this saving there are some additional costs. These include additional travel costs estimated at £ 29,000 per annum and the running costs of video conferencing £ 3,000

Additionally we know that some managers presently also carry an operational workload which in some cases will need to be backfilled. For this reason and to allow for backfilling with operational capacity where this is needed both Councils have not taken all the savings and have each budgeted for £350 000 savings in 2010/11 leaving a capacity reserve for year one. By the following year we will be clear on the total full year effect and a further report shall be brought to members at that time in order to seek agreement concerning an approach to dealing with long term capacity issues going forward.

**Set up costs** will be needed on an “invest to save” basis to bring about the changes. The set up costs will be needed for project costs, redundancy and early release of pension costs, establishing video conferencing links, additional training and implementation support. It is

recommended that each Council transfers from OD reserves £ 400,000 into a transformation budget to be controlled by the Chief Executive in consultation with the Leaders of the two Councils.

## **SYSTEMS ISSUES**

In order to realise the benefits of joint management and not to introduce inefficiencies into working practices the joint managers will need integrated IT and communications for their email, calendars, file sharing etc. Surprisingly the project team has not been able to identify one of the earlier shared CEO or management arrangements which has satisfactorily resolved this. This need not delay implementation as adequate “work arounds” can be used initially but access to specialist advice and maybe some investment will be needed to resolve the matter. Because this will benefit other shared arrangements it is intended as a first step to approach the Local Government Group network group of joint CEOs to see if there is an appetite for a shared project to resolve this issue.

## **RISK REGISTER**

Throughout the project a risk register has been maintained and used to identify where action needs to be taken to mitigate against risks. A copy of the current risk register is attached as Appendix H.

## **EQUAL OPPORTUNITIES**

An Equality Impact Assessment has been prepared for the proposal and is included as Appendix I.

## **CHIEF OFFICER COMMENTS**

The Monitoring Officer and Chief Finance Officer (Section 151 Officer) at both Councils are posts within the scope of the management restructure. Legal advice was received that in these circumstances best practice is for these statutory officers to appoint deputies for the purpose of the restructure. This they have done.

### **Comment of the Deputy Monitoring Officer for Breckland Council**

"I am satisfied that Breckland Council has the power to enter into Shared Management Arrangements. It is important that the Council is informed of the full legal, financial and human resources implications of the proposals and procedures contained in this Report, and evaluates any drawbacks that are revealed. I understand that the legal assessment will be available at Council on 16 December."

### **Comment of the Deputy Monitoring Officer for South Holland District Council**

The Deputy Monitoring Officer will provide a written response to Members of both Councils. (*To Follow*).

In addition some staff within scope are on the National service conditions for chief officers. These permit any chief officer to address the Council on the proposal if they so wish. The CEO will inform each Council before the item is taken if any chief officer has notified an intention to address Council.

### **BEYOND JOINT MANAGEMENT**

In the discussions which led to the appointment of the joint CEO it was always stated that following the next phase of joint management would come a further phase of developing joint service delivery through commissioning; be that externally, through other shared service partners or even internal service provision.

Immediately following the implementation of the joint management structure it will be necessary for all of the newly appointed service managers to work with the directors to ensure that they have a functional structure which will continue to provide services to the two Councils based upon their current ways of working. It is here that it may be necessary to build in some operational capacity as explained above. They must avoid a drop in performance of public facing services resulting from the

management changes. Remaining staff will be keen to see where they fit into the new structures.

Following this practical and necessary step will come the transformational work of identifying opportunities for improvement and savings through better commissioning and service redesign. This will be a planned programme of work and the Breckland Business Improvement Team is being asked to collect data and consider selection criteria to determine a schedule and timetable for each service to be reviewed. The project board will agree a programme and individual service proposals involving new joint services will come to both Councils for approval.

## **Lists of Appendices**

**Appendix A – proposed new management structure**

**Appendix B – proposed in-scope posts**

**Appendix C – proposed selection process**

**Appendix D – Recommended core competencies**

**Appendix E – terms of reference for joint appointments committee**

**Appendix F - terms of reference for joint appointments appeals committee**

**Appendix G – Memorandum of Agreement**

**Appendix H – risk register**

**Appendix I – Equalities Impact Assessment**

**Appendix J – draft person specification and person specification incorporating the core competencies**

**Appendix K – Supporting financial data**

**Appendix L – Opinion of the Deputy Section 151 Officer for Breckland Council (Pro-forma B)**

**Appendix M – Opinion of the Deputy Section 151 Officer for South Holland District Council (*To Follow*)**