



Northumberland County Council

Staff and Appointments Committee

20 February 2023

Senior Management Restructure Proposal

Report of the Chief Executive and Head of Paid Service, Helen Paterson

Purpose of the Report

The purpose of this report is to set out and seek agreement to a proposal for a management restructure across the Council consistent with the revised Executive Director structure.

The Committee approved the revised executive arrangements (tiers 1 and 2) at its meeting in September 2022 and this was subsequently also approved by full Council, with progressive implementation since that time. This proposal covers the necessary senior management restructure (tiers 3 and 4) and the proposal is appended to this report as Appendix. This Appendix is currently exempt from publication as it contains information relating to the individual and information which is likely to reveal the identity of an individual.

Recommendations

To agree the following recommendations:

1. Approve the proposed senior management (tiers 3 and 4) restructure for consultation as detailed in Appendix 1 (exempt from publication for reasons set out above) to this report.
2. To note that the proposed restructure is subject to formal consultation with affected colleagues and Trade Union representatives, in keeping with the Council's Management of Organisational Change policy (Appendix 2).
3. To note that following the results of formal consultation, the Chief Executive will consider any required adjustments and the finalised structure will be brought back to a meeting of this Committee during April for final approval.

4. That proposed Tier 3 roles are established at either Band 16 or 17 and proposed Tier 4 roles at either Band 14 or 15. For salaries over £100,000 formal approval of this Committee will be required in line with the Council's Pay Policy.

Links to Corporate Plan

This report is relevant to all areas of the Corporate Plan as it relates to the senior management structure and population in the organisation. This necessarily has to be fit for purpose in order to deliver the Plan in an effective and efficient manner.

The rationale and design principles which have been applied to the development of the restructure proposal have ensured that it is robust and resilient while also being affordable. The Chief Executive continues to have direct oversight of the whole process to ensure that the management structure moving forward is able to deliver the priorities of the administration. In parallel, it will enable enhanced coordination and integration while ensuring a standardised approach across disparate services to ensure consistency and the application of good governance.

Background

The restructure was initiated as part of a programme to ensure that moving forward the organisation has the right capacity and capability to deliver its ambitions whilst being sustainable and providing value for money. The Council is going through a period of major change on many different fronts, so it is important to have the right organisational design which balances both technical skills and expertise alongside leadership capability in a way that promotes collaborative behaviours and accountability.

The reasons for undertaking the restructure involve the following:

- Corporate Governance review findings and recommendations (Caller Report) including the prevailing culture within the organisation.
- The need to ensure integration with the outputs of the Strategic Change Programme.
- Alignment with corporate plan priorities.
- Budget constraints and affordability pressures.
- A structure which had evolved in a piecemeal manner over a long period which was no longer fit for purpose.
- A management population with too many interims, fixed term contract and acting up roles leading to a profound lack of stability within the most senior ranks of the organisation.

As well as providing the Council with an organisational design across its senior team which takes account of current and future needs, the approach has been to work with colleagues in an inclusive way in order to reach a solution which recognises the areas where there is consensus and address areas of difference.

This means that the final proposal is informed by evidence of what is most likely to be the best fit across the whole organisation as well as within different Executive Director

portfolios. It has also been crucial that financial constraints have been factored in from the outset and some choices have had to be made both to create a more standardised structure but also because there will be insufficient resource to fund everything that is desirable.

Design Principles

The proposal has also been informed by the need to offer some development opportunities for existing staff as well as create attractive roles for new recruits. This is important in a market which is challenging both in terms of retention and attraction.

Some important design and delivery principles were applied from the start in order to promote collaboration, cohesion, fairness and transparency. This was amplified to embody the following elements:

- A flatter and less hierarchical structure which is simpler, more responsive and cost effective.
- Consistent spans of control, role profiles and titles.
- Fairness and equity across the structure including pay bands.
- Economies of scale.
- Greater opportunity for integration.
- Substantive roles throughout with the removal of interim and seconded positions unless there is a regulatory requirement.
- A restructure which empowers management and values experience and innovation.
- A cultural shift brought about by new behaviours – led from the top and across all the leadership team
- Engagement and consultation with those affected and execution based on strong communication and transparency.

Developing the Proposal - Key Considerations

The Chief Executive and Executive Director posts were agreed by the Council in September 2022 along with an indicative allocation of functions within each Executive Director (ED) portfolio. The process of making appointments to the tier 1 and 2 posts is complete (and in some cases subject to approval by full Council) though a small number will not take up their positions until May 2023 due to notice periods.

Work on the wider senior management / leadership team (tier 3 and 4 posts) commenced in October 2022 and as with the above stage, external support was provided (by Penna and an independent HR consultant who had worked with the Council since late 2020). It has been important to continue to obtain an external perspective on the restructure proposals so that conventional thinking was challenged, best practice was identified, and appropriate benchmarking was conducted. This would not have been possible purely by using internal resources. This also enabled a more focused consideration of the design principles as laid out above.

Taking the agreed tier 2 (ED) structure as a starting point, a number of alternative models for the restructure of the wider leadership team and its associated functions

were developed. This work was undertaken following extensive research across a number of comparable councils.

What rapidly became clear was that (not surprisingly) there was no one model of best practice and organisations are diverse. However, the benefit of this approach was to challenge the conventional way that the Council has been organised and at the same time, the thinking of the Executive Management Team.

A number of structured events involving this team and the Council's external advisors were held to consider a number of options from strategic, functional, operational, financial and governance perspectives. Accordingly, there is no "right" answer but rather the careful blending of all these perspectives to arrive at a balanced proposal.

An Executive Management Team member was designated to lead on each of the new Executive Director portfolios and the management structures which are positioned below them. This was also undertaken by the Chief Executive for other specific functions which also report directly to the new Chief Executive (e.g. Fire and Rescue Service, Workforce and OD).

Outputs were challenged and debated by the Executive Management Team to ensure that there was a robust process and strong justification for each portfolio and its senior management structure as well as consistency across the organisation to avoid silos being formed.

From the start, it was important to ensure there was visibility for those colleagues directly affected. The affected staff were engaged with a survey and workshops along with regular briefings on progress, consultation requirements and the likely timeline for implementation. This was then followed by a series of more focussed discussions with affected colleagues led by allocated members of the Executive Management Team regarding a preferred restructure option under each proposed Executive Director portfolio.

The proposed senior management structure was then devised, and this is referenced in Appendix 1 to this paper. In effect these charts cover tiers 1 - 4 of the organisation in order that the Committee has a clear overall picture. It should be noted that there is a diversity in respect of each portfolio which is to be expected given the wide range of services that the Council delivers for its residents.

This does not of course pre-empt the formal consultation process with affected staff and their Trade Union representatives as required under the Council's approved policies for the management of organisational change.

During this time there was the transition from the interim to the appointment of the substantive Chief Executive. The new Chief Executive was fully sighted and closely involved in formulating options, and providing scrutiny and consideration of a proposal which provides the best fit with the overall rationale and design principles. This has been a crucial part of ensuring a smooth transition on 8 February with clarity about the structure and process of positioning the wider leadership team.

Affordability

The 2022-23 budget assumed management savings of £1.000 million would be delivered. To date around £0.737 million of recurring savings have already been identified.

It is estimated that the proposed restructure of tiers 1 to 4 will once fully implemented deliver further savings in the region of. £0.681 million per annum. Of this figure, it is estimated that savings of £0.592 million per annum will be delivered against the £1.000 million target (at 2023-24 pay rates and inclusive of oncosts) bringing the total to £1.329 million per annum.

Some of these savings will be achieved through a time-limited scheme of voluntary redundancy (VR) which is now closed. There are a number of proposed voluntary redundancies, details of which are the subject of a separate report for consideration by this Committee. It should be noted that all VR requests from senior officers are subject to approval by this Committee and any exit packages of £0.100 million or more require the approval of full Council.

In a small number of cases where a suitable alternative offer of employment cannot be made and there are no viable redeployment options, there may at some point in the future be the need to consider compulsory redundancy for some employees.

In broad terms the affected management population (Tiers 3 and 4) was taken as pay band 14 and above i.e. from a salary of £73,511 per annum (£95,926 including oncosts at 2023-24 pay and oncost rates) and this amounted to some 52.91 FTEs with an annual salary bill totalling £6.300 million. In addition, a number of band 13 posts were also identified as being in scope and affected by the restructure proposal.

This proposal will see the number of tier 3 and 4 staff on band 14 increase to 57.51 FTEs, but at a gross cost of £6.507 million per annum.

However, as a consequence of the proposed restructure of tiers 3 and 4 there are gross salary savings at Band 13 and below totalling £0.934 million (10.8 FTEs).

Taking into account tiers 1 - 4 it is estimated that there will be a reduction to the overall wage bill of the Council in the region of £0.681 million.

	£	£
Gross cost of the current structure (2023-24 excluding pay award)		7,429,257
Gross cost of the proposed tiers 1-4 structure (2023-24 excluding pay award)	7,770,494	
Less: Posts below Band 14 being removed from the Structure	(1,022,730)	6,747,764
Gross Saving		681,493

The key changes for tiers 3 and 4 are as follows:

- Service Director posts at band 15 and above reduced from 19.9 to 15.5, a reduction of 4.4 FTEs with an estimated saving of £0.583 million per annum. These figures exclude the Deputy and Assistant Chief Fire Officers.
- Head of Service (and other) roles at band 14 and above increased from 31.01 to 40.01 FTEs.
- 10.8 FTE band 13 posts deleted.

There are still decisions to be made regarding some of the existing posts once the structure is filled.

Job descriptions for all the Tier 3 and 4 posts have been rewritten to ensure much greater consistency with regard to roles, job size and pay bands across the Council. This will remove any anomalies which have evolved over a number of years.

Upon completion of the proposed restructure, it is forecast that the savings target of £1.000 million will be exceeded but it should be recognised that it is likely that there will be some transitional costs (pay protection, temporary roles) which will need to be expended before that occurs and it is estimated that it will be 18 months before the Council receives the full financial benefit. The figures above also assume that any grant or external funding for the posts in the new structure remains at the current budgeted level.

The proposed structure recognises the clear need for affordability but also balances this with a robust structure and leadership team which can manage and deliver the Council's Plans.

Next Steps

Following consideration and approval by the Committee, the Chief Executive will hold a briefing meeting with the management population on the same day.

Formal consultation on the proposal will then commence on 21 February and this will run for 30 days. The consultation will involve Executive Directors, the impacted staff and Trade Union colleagues in order to discuss the proposal in more detail. Plans are in place to roll out a comprehensive process with a dedicated portal for providing information and capturing the representations of colleagues for consideration.

Following the completion of consultation and then taking into consideration the outputs of the consultation, the final proposal will be notified to Staff and Appointments Committee in mid-April.

The new structure will then be populated through a process of slotting in, ringfencing and a mix of internal and external recruitment (if needed during the second half of April and into May). It is anticipated that this process will be completed by the end of May when the structure goes live.

A further critical phase of work will flow from this restructure to address the consequential impact on functions, service delivery and staffing through various levels in the organisation. The restructure execution plan and the other transformation plans which the Committee is aware of (including the Strategic Change Programme and

resultant operating model moving forward) must be integrated and aligned to maximise all benefits. In addition, significant OD interventions on a sustained basis are required in order to address culture change issues and a fundamental shift in organisational behaviour.

Implications

Policy	Oversight of HR policies and procedures
Finance and value for money	<p>The financial information relating to the Council’s proposed structure of management tiers 3 and 4 is contained within the body of the report.</p> <p>The proposed structure if approved will result in significant recurrent salary savings for the Council totalling £0.681 million, once the structure has been populated and all transitional costs have been expended.</p>
Legal	<p><u>Collective Consultation</u> Under s188 of Trade Union and Labour Relations (Consolidation) Act 1992 (TULRCA), where an employer proposes to dismiss 20 or more employees at the same establishment as redundant within a period of 90 days or less then it must carry out collective consultation:</p> <ul style="list-style-type: none"> • Where the proposed dismissals are between 20 and 100, the consultation period should be 30 days. Failure to do so may render the dismissals unfair. • The employer must also inform BEIS by submitting a form HR1 to the Secretary of State. Failure to do so is a criminal offence. <p>Dismissals within a 90 day period include both compulsory redundancies and voluntary redundancies. It is important to note that voluntary redundancies within the previous 90 days need to be included when assessing whether the threshold of 20 has been reached.</p> <p>When there is a proposal to make redundancies, and the total figure will be less than 20, Northumberland County Council follow the Redundancy Policy which includes the 30 day consultation with Trade Unions and individuals. This is not a legal requirement under TULRCA but included in the policy as it is considered to be best practice.</p>

Procurement	Agreed via procurement process for Penna and independent HR consultant
Human Resources	All consultation and changes will be made in line with appropriate employment policies and processes. Relevant legal advice has been sought as required.
Property	N/A
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	This process will be conducted in line with best practice in relation to promoting equality and diversity within the Council's employment processes.
Risk Assessment	Consistent with Corporate Governance Review.
Crime & Disorder	N/A
Customer Consideration	N/A
Carbon reduction	N/A
Health and Wellbeing	The recommendations will support the health and wellbeing of employees.
Wards	Not related to any particular ward but covers the whole of Northumberland.

Appendices

Appendix 1 – CONFIDENTIAL - Senior Management Structure Feb 23 (subject to consultation)

Appendix 2 – Management of Organisational Change policy

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Monitoring Officer / Interim Director of Governance	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Chief Executive	Helen Paterson
Portfolio Holder(s)	N/A

Authors and Contact Details

This report has been prepared by:

Steve Crosland – HR Consultant

Background papers:

None

Linked Report:

StAC report and Minutes – 20TH September 2022

Full Council and Minutes – 21st September 2022