

LONDON BOROUGH OF HARROW

Meeting:	Cabinet
Date:	20 April 2004
Subject:	Review of Middle Management Structure
Key decision:	No
Responsible Chief Officer:	Executive Director (Organisational Development)
Relevant Portfolio Holder:	Finance, Human Resources and Performance Management
Status:	Part 1
Ward:	N/A
Enclosures:	Appendix 1 Middle Management Structure Appendix 2 Professional Posts – descriptors

1. Summary

This report proposes a revised structure including revised pay and grading structure for the middle management tiers within the organisation.

2. Recommendations (for decision by Cabinet)

- 2.1 That subject to the outcome of further consultation as outlined in paragraph 12.0 the structure contained within Appendix 1 is agreed.
- 2.2 That the salary rates set out in paragraph 10.4 be agreed.
- 2.3 That using the frameworks agreed above, Executive Directors be required to undertake fundamental reviews of each service area within their Directorates, ensuring that services are organised in a way that secures improved service quality and organisational efficiency and effectiveness.

REASON: To enable progress of the New Harrow Project and build further capacity within the organisation.

3. Consultation with Ward Councillors

Not Applicable

4. Policy Context (including Relevant Previous Decisions)

Cabinet at its meeting on 16th July 2002 (Minute 51) agreed a revised executive management structure for the organisation.

5. Relevance to Corporate Priorities

This report is relevant to the vision and the strategic corporate priorities of the Council.

6. Background Information and options considered

6.1 Reasons for Change

The new structure fundamentally changed the nature and role of the executive management structure with the creation of new roles of Executive Directors and Directors. This new executive structure and the resultant changed departmental structures were a key element of the rebuild of the organisation that sought to bring about the permanent change in culture and resultant step change in performance. To continue the process the organisation also needs a middle management structure that:

- is in line with best practice;
- supports the proposed new way of working within Harrow and in particular the new directorate arrangements;
- enables joint, partnership and cross-organisational working;
- provides a consistent approach across the Council;
- facilitates the development of Middle Managers.

7. Process of the Review

7.1 The Council has been working with the Hay Group, a well-established firm of management advisory consultants. The review included: -

- all directorates with the exception of the Chief Executive's and the staff transferring to the ALMO. A restructuring of Law and Administration may follow on from the Strategic Review of this area currently underway.
- identification and types and levels of roles required for the new structure.
- numbers and types of roles required in each service area.
- development of a new pay and grading structure.
- development of a pay and grading structure for professional staff.
- development of a revised set of management competencies.

7.2 The review process has included: -

- meetings and discussions with:
 - Chief Executive
 - Executive Directors
 - Directors
 - Trade Unions
 - Elected Members
 - Focus groups with middle managers.

8. Proposed Structure

8.1 As a result of the above process a 4-tier management structure is proposed - this comprises:

Tier 1
Executive Director - Interprets long-term policy developments to shape responses and secure appropriate resources for effective and sustainable services. Ensure services are developed so that there is a coherent approach. Meeting community needs both internally and with other providers.

Tier 2
Director - Interprets medium-term needs and trends in order to shape and secure appropriate resources for the service and to ensure it can fulfil the Council's objectives.

Tier 3
Group Manager - Devises solutions to specific problems (programmes, resources, and performance priorities) where 'right and wrong' answers are not available and significant evaluative judgements of a characteristically 'managerial' nature are required.

Tier 4
Team Manager - Tackles difficult problems (professional, technical, resources, people) where solutions are identifiable from existing knowledge policies and procedures and are demonstrably correct.

8.2 This template has been applied to each directorate and appendix 1 sets out the proposed structures in each of the directorates. In addition Directorates have also taken into account the external factors the council needs to address in the short to medium term for example integration of services with health and internal factors such as where service improvement is essential. These considerations have resulted in a role of Group Manager Plus being identified for Children's Services in People First alone. These 2 posts are essential to enable the improvements in service quality required.

8.3 However it must be recognised that any organisational structure can only address issues that are known at the time. Therefore there may well be issues that emerge in the future that will result in proposed revisions to this structure.

9.0 Professional Posts

9.1 The review has also been looking at 'Professional' posts. These are the post-holders that are the Council's experts in particular areas or those that have specialist or technical roles rather than managerial ones. The aim is to have a career grading structure that recognises professional expertise rather than managerial responsibilities and that can provide alternative progression routes for individuals. The outline job responsibilities that differentiate between the different levels of professional posts is attached as appendix 2.

9.2 If members agree these proposals then senior management within each directorate will use them as they develop specific proposals for the professional structures. (see paragraph 11.0 below)

10.0 Salary and Grading

10.1 Hay have advised on the pay levels required for posts within the middle management

structure, given the nature of the roles and comparative rates of pay across London.

10.2 Current Position

Below Director level, Harrow currently employs around 200 staff graded as Senior Managers (SM). The pay structure for SM grades consists of 4 broad overlapping bands (SM1, SM2, SM3 and SM4) each of which has eight incremental levels. Progression through the levels of based on length of service i.e. an increment each year in grade.

10.3 Proposed salary ranges

It is proposed to replace the 4 existing grades with two broad salary ranges one for group managers and one for team managers. Each broad salary range would have a 'bar' and allocation to the higher salary range will be controlled by criteria relating to job size validated by job evaluation. Subject to establishing a robust performance management system, it is proposed that progression through the salary scales will be related to contribution and will no longer be linked to length of service.

10.4 Salary Ranges

Hay has proposed that using comparative salary data for the whole of London that the pay ranges should be: (all salaries quoted are inclusive of London weighting)

Group Manager (plus) – salary range £ 63,000- £73,000

Group Manager - salary range £46,000 - £62,000

Team Manager - salary range £36,000 - £50,000

For comparison SM1 - SM4 is currently in the range of £34,000 - £57,000.

'Junior' Professionals - salary range £17,000 - £26,000

Professionals – salary range £27,000 - £35,000

'Senior' Professionals - salary range £36,000 - £56,000

It is anticipated that for certain key professionals a market supplement may be required to recruit and retain appropriate professional staff in line with the council's current agreement.

It is proposed at this stage that existing staff who are designated as 'professionals' will move across on their current salary point until the review of the 'professional' grades is complete (see below). They would then be assimilated to the appropriate point on the new scale.

11.0 Next steps

11.1 If the above proposals are agreed by members, it is proposed that Executive Directors be instructed to use the structure and salary frameworks set out above and undertake fundamental reviews of each of the service areas within their directorates.

They will be required to produce revised structures that ensure that the directorates can meet the challenges and deliver the corporate strategic priorities contained within the Corporate Plan and Community Strategy. In developing the revised structures, Executive

Directors must have regard to ensuring that services are organised in a way that secures improved service quality and organisational efficiency and effectiveness.

The time scale for this work is as follows: -

11.2 Group Managers

- It is proposed that these posts be filled in one tranche and all advertised and subsequently, the successful appointments announced, at the same time. This will enable staff to apply for more than one post across directorates if necessary.
- By 31 July 04 to have completed the internal process by which staff will be appointed to these posts.
- From September 04 any posts not filled internally will be advertised externally.

11.3 Team Managers

- 1 September 04 begin process to fill these posts
- By 30 November 04 to have completed the selection process for posts at this level. It is not proposed to handle these posts as one tranche as the means of filling them will vary across directorates.
- From December 04 any remaining team manager posts will be advertised internally and then subsequently externally

11.4 Remaining structures including professional posts

- By 30 November 04 Executive Directors will have completed their reviews of all service areas and begun the consultative processes on the structures below team manager. These processes will identify the numbers and levels of professionals, other non-professional and all other posts within the service areas.
- The filling of these posts will be completed by 31/3/05.

12.0 Consultation

12.1 Consultation with Trade Unions and staff has started on the above proposals. Initial responses have been that it is difficult to comment in detail without the full context for the proposed changes and until the professional posts have been identified and salary scales have been determined. There is some concern that redundancies will result. Whether any redundancies will come about as an outcome of this process is dependent upon the completion of the review of professional posts and the structures below team manager and the outcome of the selection process for the new structures.

12.2 The implementation of the revised structure will be by means of the protocol for organisational change agreed with the Trade Unions. The Protocol includes the formal consultative process to be followed, the application and selection procedures, redeployment and arrangements should any redundancies result.

12.3 Further detailed consultation with Trade Unions and individual employees will be required at each stage of the implementation process.

13.0 Financial Observations

13.1 The financial effects of the proposed management structure are set out below. In arriving at the figures consideration has been given to the cost of the existing management structure for those staff on local M grades. The figures indicate that the restructuring of the top management structure is cost effective and produce a saving overall. The method employed in arriving at the financial outcome is set out below.

13.2 Following a report by Hay, Executive Directors have considered a new structure and whether posts should be treated as Group Managers, Team Managers or Professional. The structure distributed for consultation has been used for costing purposes in arriving at a comparative total for the new structure.

13.3 Existing costs have taken actual salaries including London Weighting and additions for national insurance and employer pension contributions. Executive Directors have split the current structure into two sections, those deemed to be managerial posts and those that have been classified as professional. This split has been taken as the base data for comparative purposes. In addition the cost of leased cars has also been included in the overall costings.

13.4 In costing the new structure, salary ranges used are those discussed and agreed as a basis by Executive Directors, following recommendations by Hay on comparative salaries within London local government. The 'proposed' salaries include London Weighting and are applicable for the financial year 2004-05, thereby including any provision for pay awards.

13.5 The salaries assume a long scale with a bar included within the scale. It is considered that some posts would be graded below the bar and others above the bar.

13.6 The overall position compares the cost of the new structure for Managers with the existing and indicates costs at the average cost. In comparing overall costs it is considered prudent to use the average cost, as it is unlikely that all employees would either be on the minimum of the scale or the maximum. It is also assumed that over time the lease car scheme will cease, therefore savings are also included for this less an allowance for essential users.

13.8 Similar work has been carried out on a global basis for professional staff that are currently on the M grades. For the purposes of this exercise it is assumed that it will be cost neutral in assimilating staff onto the new professional grades. The reason for this is that at this stage detailed structures below the Managers has yet to be formulated, as it is part of the appointments and consultation process.

13.9 It should be noted that at this stage a review of the Chief Executives Department is currently in progress but does not form part of the review of the management grades as presented in this report. Therefore a provision of £150,000 has been included within the overall costing.

13.10

	£000
Current cost of 'Management Structure' including leased cars and an allowance for pay awards	8,542
Proposed structure at 'average' salaries	8,502
Net annual saving at average salaries	40

13.11 Currently over £1m of senior management time is charged outside of the General Fund, to Capital, HRA, Pension Fund and Grant Aided Accounts. Until such time as a full review of support service charges takes place, which is due for this summer, it is prudent to assume that such changes will be similar for the new structure to the present structure.

13.12 Indicative costing have indicated that, overall, sums included within the 2004-5 budget and three year MTBS are achievable, and the review of Support Service Charges will enable accurate charges to non General Fund Accounts to take place. This is extremely relevant given the increase in the capital programme, and the setting up of the ALMO.

14.0 Legal Observations

The Protocol for Organisational Change has been agreed between the Council and the Trade Unions, and is thereby incorporated into employees' contracts. Provided this Protocol is observed the Council can lawfully introduce the new structure proposed in this report.

Background Documents

Protocol for Organisational Change
Report to Cabinet 16th July 02 - New Harrow Project

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