

November 2011

Overview and Scrutiny Committee

**Senior Management Restructure Proposals
Report from the Challenge Panel**

Members of the Challenge Panel

Councillor Sue Anderson (Chairman)

Councillor Chris Mote

Councillor Paul Osborn

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CHAIR'S INTRODUCTION & ACKNOWLEDGEMENTS

The challenge panel was established at comparatively short notice in order to ensure that scrutiny comments could be submitted to the Chief Executive as part of his consultation on the proposed restructure of the senior management of the council. We are grateful to Michael Lockwood, Chief Executive, and Jon Turner, Divisional Director HRD and Shared Services, for meeting with us at short notice and enabling us to participate in the consultation process. However, we hope that in future, our requests for supporting information can be responded to in a more timely fashion in order that we are able to make the most effective contribution to the debate.

We met on 7th November and considered both the detail of the restructure proposals and also the process by which we will move to the new structure. Our findings are arranged under the following headings:

- Evidence base for the restructure
- Diversity of the Corporate Board
- Statutory officer posts
- Commissioning
- Process for delivering the change
- Review

This report constitutes the Overview and Scrutiny committee's contribution to the consultation process. We hope that our observations are helpful in securing the senior management configuration which the organisation needs to move successfully forward. On behalf of the members of the challenge panel, I commend this report.

Councillor Sue Anderson
Chair of the Senior Management Restructure Proposals challenge panel

BACKGROUND

On 21st October, the Chief Executive of the Council, Michael Lockwood, published his proposals with regard to the future senior management structure of the council.

His proposals are summarised as follows:

The deletion of:

- Corporate Director, Place Shaping
- Corporate Director, Community and Environment
- Corporate Director, Adults and Housing
- Assistant Chief Executive

The creation of the following posts:

- Corporate Director, Environment and Enterprise – to comprise the services in the Place Shaping Directorate and neighbourhood services from Community and Environment directorate which focus on place
- Corporate Director, Community Health and Wellbeing – to comprise services in Adults and Housing and community and cultural service currently located in Community and Environment Directorate
- Corporate Director, Resources – to combine all of the corporate services in the borough, including current Chief Executive's office, Finance and Legal and Governance.

The proposed means of recruiting to the new structure is as follows:

- Corporate Director, Community Health and Wellbeing – assimilation of existing Corporate Director of Adults and Housing
- Corporate Director, Environment and Enterprise – ringfenced interview of Corporate Director Place Shaping and Corporate Director Community and Environment
- Corporate Director, Resources – ringfenced interview Assistant Chief Executive

The current interim Corporate Director of Finance will be retained on contract for 18 months to support the transition to Corporate Director of Resources

The purpose of the restructure was highlighted to the challenge panel as an opportunity to secure a senior management structure which is fit for purpose, is able to respond to changing service delivery models, financial difficulties and a continuously changing policy environment, and which encourages a co-operative, cross-directorate working model by giving a more strategic role to the organisation's most senior managers. By structuring the organisation and its senior management around themes, the Chief Executive feels he can meet the administration's objectives and put the organisation on a firm footing to deliver the real outcomes which residents need and want.

OBSERVATIONS

Evidence base for the restructure

The panel sought assurance with regard to the evidence base used by the Chief Executive to restructure his senior management team, as previous reorganisation in the borough has resulted in significant difficulties for the authority.

We note that the Chief Executive chose not to seek the advice of our transformation partner, Capita, which we understand was because, in his view, whilst Capita can support the organisation through the *delivery* of change, they are not experienced in supporting the kind of structural change which the Chief Executive is proposing for the borough.

We note that the Chief Executive looked to peer authorities to assess impact of other reorganisations and other structures. We were reassured that he looked to industry best practice in devising his proposals but we were concerned about the robustness of the evidence that this provided.

The Chief Executive advised that he has grounded his proposals in an assessment of the needs of the organisation, whilst significant improvements have been delivered, the organisation must now step up a gear to meet the gap between where we are and where we want to be and this in the context of significant financial stress and changing government policy.

It is the Chief Executive's view that this model will enable the authority to deliver the administration's priorities and the job descriptions devised reflect this. It is his intention to improve horizontal working and improve behaviours, it is his opinion that there is significant competition between directorates and he wishes to see much greater co-operation. He feels that a move towards a commissioning model, which will focus on identification of need and outcomes will assist in this and his new structures support this by emphasising outcomes for service users rather than professional experience. We are concerned that there is no competency model in place and urge the Chief Executive to move swiftly towards his stated aim of building competencies around the existing CREATE values. In this context we endorse his ambition to further embed the CREATE values.

Diversity of the Corporate Board

We are pleased that it is the Chief Executive's ambition to oversee a corporate board which reflects the demographic profile of the borough. We are disappointed however, that the proposed process for implementing change (and we discuss this further below) will see the profile of the board 'deteriorate' – we understand that the number of women will be reduced from two to one and it will include no Black or Minority Ethnic officers. Whilst it is not our intention to suggest that appointment should be made on the basis of ethnicity or gender, we do feel that as far as reasonably possible the process for filling posts should enable the possibility of women or members of the BME community reaching the highest managerial positions in the authority.

Commissioning

We note that in the response to our pre-panel enquiries, significant justification for the structural changes is given to the need to move the organisation towards a commissioning model. Whilst we are excited by this prospect, we have concerns about the capacity of staff, particularly at the senior management level of the organisation, to deliver such a significant shift – we return to this point in our discussion of the process for delivering the restructure. We recognise that in order to deliver real commissioning, and particularly in a borough as diverse as Harrow, staff will require a

new skill set and change in behaviours and again, we welcome the Chief Executive's assertion that he wishes to ensure the CREATE values are at the heart of the restructure.

We note his assertion that the commissioning model and a focus on outcomes and not professions and functions should be the future motivation of the organisation and that the commissioning model is the vehicle through which to deliver a re-focussed organisation. We welcome the development and use of joint intelligence across the authority and with partners which can help to facilitate the shift to the commissioning model. We urge the authority to ensure that the skills base required to enable the authority to utilise this increasing understanding of need is in place. In this context, we were pleased to hear that the council is embarking on an extensive training needs analysis in order to identify the skills gaps which need to be addressed if the organisation is to move effectively towards the commissioning model.

We would urge the authority to consider the speed of change and also to ensure that clear communication with regard to the implementation of a commissioning structure is in place with all staff and residents. There may be compelling argument to support the move but it must be clearly articulated. In this context, we welcome proposals for a corporate Director sponsor for the move to commissioning.

It is important that recognition is given to the different skill set required in the new job descriptions for corporate directors.

Statutory Officer Posts

We are particularly concerned about the position of the Section 151 and monitoring officers and their potential removal from the corporate board. We are aware that CIPFA guidance suggests that an authority's Chief Finance Officer should be a member of the senior board and should share the same status as others in order to ensure that s/he has sufficient authority over her/his peers with regard financial matters. We are also aware, from CIPFA surveys, that 88% of Directors of Finance in public service organisations have a seat on the senior board 'by right' ¹ A survey by CIPFA ² in 2005, also found that in 93% of London Boroughs and 78% of metropolitan/unitary authorities in England, the Director of Finance reports directly to the Chief Executive. We welcome the Chief Executive's comment that both the Section 151 and monitoring officers can still have 'dotted line' accountability directly to him, however we remain concerned. We would observe that the requirement for the inclusion of an explanation in the council's Governance Statement if the Section 151 officer is not a member of the corporate board is further evidence of the presumption of this as a risk.

The Chief Executive commented that whilst the Section 151 and monitoring officers are both important roles for the authority, and he intends to strengthen the authority's finance function, he is seeking the best leader for the proposed Resources Directorate. Whilst it is appropriate for a finance function to be headed up by an accountant, this is not necessarily the case for a Director of Resources, and he advised that his research had revealed that a number of local authorities which have implemented a similar structure had not appointed an accountant to this role.

The panel reflected on CIPFA guidance regarding the dangers of extending the responsibilities of the Section 151 officer beyond finance to include more corporate services. This concern was echoed by the Chief Executive, who suggested that his new structure will ensure the officer can focus specifically on finance.

¹ Role of Director of Finance - YouGov Survey for CIPFA Annual Conference 2008

² Analysis of 2005 Survey of local Government Chief Financial Officers – CIPFA 2005

We remain concerned about the extent to which the council is securing sufficient financial safeguards in the new structure by either not appointing an accountant to the role of Director of Resources or consequently, not offering a seat on the corporate board to the Section 151 officer. Although we note the Chief Executive's reflection on structures in Hounslow, Hillingdon and Newham, we are concerned that insufficient scenario planning has taken place to identify the potential risks of the proposed shift of the Section 151 officer.

Having reviewed the documentation presented by the Chief Executive we are still not convinced that it is sensible to have neither the S151 Officer or the Monitoring Officer on the Corporate Board.

Process for delivering the change

Our most significant concern is the process which the council intends to adopt in order to deliver the proposed change. Given our concerns highlighted above with regard to both the diversity of the corporate board and also the significant skills/behaviour changes required at the senior level, we are disappointed that a more open competition is not proposed. This we feel would have resulted in the most beneficial outcome for both the organisation and internal applicants.

We were advised by the Chief Executive and Divisional Director HRD and Shared Services of the reason that the proposed process is being applied:

- It is important that due process is followed. The council's own procedures prescribe that the process followed must –
 - avoid redundancies
 - consider current senior managers suitability for posts in the new structure and whether they can be assimilated into a new post, can have a ring-fenced interview or whether the post could go straight to open competition.
- Failure to follow due process could result in employment challenge and risk of litigation
- At such a critical time for the organisation, it is important not to lose the existing corporate knowledge. The current team has come along way and the Chief Executive wants to build on what is in place and develop the team which has delivered the council's success.
- There is risk associated with 'unknown' appointments'.

We were advised that the Chief Officers Employment Panel is responsible for agreeing the selection process but deviation from HR advice brings with it risk.

Whilst these explanations are helpful, we remain concerned.

As mentioned above, the process will not address any of the organisation's diversity objectives and will effectively simply redistribute the existing staffing resources without addressing the real skill changes that a commissioning model requires. We feel that going to the market, though doing so may bring with it risk, means that the potential of recruiting the highest calibre staff to these senior positions could be more likely. We wish to emphasise that in saying this we are not suggesting that the highest calibre staff are not the officers currently in the employment of the council but we do mean that their competence will have been tested in a more robust way and the organisation can thus be assured of the quality of appointments. We recognise the Council's contractual obligations in this context but are concerned that this means the process adopted may fail to address the need to appoint the best candidate for the job.

With particular regard to the Corporate Director of Environment and Enterprise, who will be appointed for two years, it is possible that the whole process will need to be repeated in 18 months, with significant legal risks if the person appointed in this review is not reappointed in 18

months time. This seems excessive to us and we feel it might be more appropriate to run the process once.

Under current proposals, unsuccessful ring-fence interviewees are able to apply in a second round of external interviews. If they are then appointed at this second stage, the organisation runs the risk of demoralising incumbent officers who are then expected to continue in post. Whilst the proposed process is designed to minimise risk, we feel that the potential demoralisation of the organisation's leadership brings with it an equal, if different risk to the successful development of the organisation.

We note that previous Chief Officer appointments have included multiple assessments – multi criteria decision analysis – whereby candidates were interviewed by different panels of people – officers, partners, political party representatives - who came to independent decisions regarding their suitability. We feel this approach has merit and therefore should be used in the recruitment of the new Corporate Directors.

One of the most innovative propositions in the restructure proposals is the introduction of the Operations Board at the Corporate Leadership Group level. We welcome this proposal, which will enhance horizontal co-operation at this senior level in the organisation - we are pleased to note that it echoes the findings of the 'Measuring up: Harrow Council's Use of Performance' scrutiny review. Further to our comments regarding more open competition, we note that there may well be officers in this tier who would relish the opportunity to apply for these senior posts. We welcome the Chief Executive's commitment to the development of this tier of officers.

Review

We were reassured to hear that the Chief Executive intends to review the structure in 18 months time. As we have observed, the success of the changes depend on the development of a new skills set and a successful shift in the behaviours of the leadership of the organisation. Review in 18 months will enable positive experience to be replicated and mistakes to be remedied.

CONCLUSION

We are grateful for this opportunity to comment on the proposals and we hope our observations are helpful. We support the Chief Executive's assertion of the need to change and we commend his efforts to continue to improve Harrow Council. Where we have differences with his proposals this is generally in the pathway to that change, not the eventual destination.

Members of the Senior Management Restructure Proposals Challenge Panel