

# Cabinet SUPPLEMENTAL AGENDA

**DATE: Wednesday 15 January 2014**

## AGENDA - PART I

### RESOURCES

**KEY 18. SENIOR MANAGEMENT STRUCTURE (Pages 1 - 32)**

Reference from the Overview and Scrutiny Committee to the Report of the Director of Legal and Governance Services.

## AGENDA - PART II - Nil

*Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda item has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-*

<u>Agenda item</u>	<u>Special Circumstances/Grounds for Urgency</u>
18. Senior Management Structure – Reference from the Overview and Scrutiny Committee	Due to the proximity of the meetings, the reference from the Overview and Scrutiny Committee was not available at the time the agenda was printed and circulated. Members are requested to consider the reference, as a matter of urgency, prior to making a decision on the substantive report.

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**LONDON BOROUGH OF HARROW**

**CABINET – 15 JANUARY 2014**

**REFERENCE FROM OVERVIEW AND SCRUTINY COMMITTEE (SPECIAL) – 8 JANUARY 2014**

**REVIEW FROM THE CHALLENGE PANEL CONSIDERING THE DELETION OF THE POST OF CHIEF EXECUTIVE**

Members received a report of the Divisional Director of Strategic Commissioning which accompanied the report from the Challenge Panel which had considered the deletion of the post of Chief Executive to the Council.

The Chair reminded Members that it had been agreed at the previous meeting to hold a special meeting in order to consider the report from the Challenge Panel. Members therefore agreed to consider the report as a matter of urgency for the reasons set out on the supplemental agenda.

The Chair of the Challenge Panel introduced the report and thanked all those who had participated in the review, particularly in light of the time limitations. The Panel had limited their work to the post of Chief Executive and had tried to avoid contentious issues. It had been felt that any criticism of the action that had been taken was inappropriate and the aim had been to achieve a cross party report.

A Member of the Challenge Panel endorsed the sentiments outlined by the Chair of the Panel but indicated that he wished to suggest two amendments to the report, the first of which was to insert the words 'try to' at the end of the second line of paragraph 3 of 'The need for Change' after 'in order to'. The second amendment suggested was the inclusion of 'some' to the second sentence of paragraph 3 of 'Timing and Flexibility' prior to the words 'staff' and 'residents'.

The amendments were considered, debated and challenged by other Members of the Committee. In response to a Member's view that it was a matter for the party in control to make the decision as to the future of the post, the Chair of the Panel stated that it had been felt that as the Council was 'hung', for such a major decision, cross party support should have been sought. This was the Panel's advice for any future major decisions.

Members discussed whether there was evidence to support the view expressed in the report that staff and residents were affected by the deletion of the post. A Member stated that he received no comments from residents or staff about the deletion of the post. Another Member, in contrast, stated that a number of residents had raised the issue with her, questioning how the organisation would manage without the post of Chief Executive. Members questioned the weighting of the report if quantifying the numbers of staff and residents were omitted.

A co-opted member, in speaking about the position, expressed the opinion that officers would have views on the post of Chief Executive to the extent that they felt the person in the role was performing well. She added that she was concerned that staff had not been consulted. In response, a Member reminded the Committee that

any decision to change the senior management structure of the Council was entirely in the purview of the Leader of the Council.

The Chair of the Panel stated that the view of the Challenge Panel was that the process had been flawed and that in order to avoid such problems in the future it was suggested that scrutiny consider it to ensure that such issues did not occur again. Another Member disagreed in that it would mean that the roles and responsibilities of the Leader of the Council required changing. The role of the Leader was to run the organisation.

The co-opted member stated that the impact of not having a post of Chief Executive in other authorities did not appear to have been evaluated and perhaps that a lesson that could be learnt was to consider this before going down a particular route. In addition, she questioned, regardless of political party, what would happen in terms of fairness if there was no independent post of Chief Executive.

Having debated and subsequently amended the proposed amendments, which received cross party agreement, it was

**RESOLVED:** That (1) the report from the Challenge Panel be endorsed subject to the following underlined amendments:

The Need for Change – paragraph 3 first sentence

‘ We feel that change of this significance warrants cross party consideration and as a hung Council ultimately cross party consensus should have been sought in order to try to ensure that there is general support for the proposal and not to destabilise the organisation at what is a particularly difficult time.’

Timing and Flexibility – paragraph 3, second sentence

‘We also feel that it may be that staff and residents have been unsettled by the political upheavals of the last few months and that again, introducing the proposals when there has been a clear mandate for change might have been more constructive and given the changes greater resilience.’

(2) the report be referred to Cabinet.

## **FOR CONSIDERATION**

### Background Documents:

Draft minutes of the Overview and Scrutiny Committee (Special) – 8 January 2014

### Contact Officer:

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**REPORT FOR: OVERVIEW AND  
SCRUTINY COMMITTEE**

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<b>Date of Meeting:</b>	8 January 2014
<b>Subject:</b>	Report from the Challenge Panel which considered the Deletion of Post of Chief Executive to the Council
<b>Responsible Officer:</b>	Alex Dewsnap, Divisional Director, Strategic Commissioning
<b>Scrutiny Lead Member area:</b>	All
<b>Exempt:</b>	No
<b>Enclosures:</b>	Report from the Challenge Panel

**Section 1 – Summary and Recommendations**

This report accompanies the report of the challenge panel which considered the proposed deletion of the Chief Executive's post.

**Recommendations:**

Councillors are recommended to:

- I. Consider the findings of the challenge panel
- II. Endorse the report from the challenge panel
- III. Refer the report to Cabinet

## **Section 2 – Report**

### **Introduction**

In October the Leader of the Council launched a consultation on proposals to delete the post of Chief Executive of the Council. On Tuesday 26th November, the Chief Officer Employment Panel confirmed the departure of the existing Chief Executive and the appointment of an interim Head of Paid Service. The Overview and Scrutiny committee wished to contribute to the discussion re the future leadership of the organisation and this challenge panel was commissioned. The purpose of the investigation was to offer comment to the Leader of the council with regard to the configuration of the senior management of the council in particular, the proposal to permanently delete the position of chief executive and the consequential impact on the managerial capacity of the organisation.

As part of the panel's deliberations, councillors considered evidence of change in other boroughs, and academic opinion in so far as it exists in order to understand the potential implications of the deletion of this senior post.

The panel's focus was on:

- The reasons for the change
- What will replace the current arrangements?
- Risks associated with the change

The panel took place on 4<sup>th</sup> December and the report which is attached to this cover outlines the outcome of their discussions.

### **Financial Implications**

There are no financial implications associated with this report

### **Performance Issues**

There are no performance issues associated with this report

### **Environmental Impact**

There will be no environmental impact associated with this report.

### **Risk Management Implications**

There are no risk management implications associated with this report.

### **Equalities implications**

No equalities impact assessment has been undertaken with regard to this report.

### **Corporate Priorities**

All

### **Section 3 - Statutory Officer Clearance**

Not required for this report.

### **Section 4 - Contact Details and Background Papers**

#### **Contact:**

Lynne Margetts, Service Manager Scrutiny  
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#### **Background Papers:**

None

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December 2013

## **Overview and Scrutiny Committee**

# **Deletion of the Post of Chief Executive to the Council Report from Scrutiny Challenge Panel**

Members of the review group  
Councillor Bill Phillips, Chairman  
Councillor Anthony Seymour  
Councillor Victoria Silver  
Councillor Bill Stephenson  
Councillor Yogesh Teli

Draft version 4



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## **CHAIR'S FOREWORD**

This report summarises the outcomes of the scrutiny panel's consideration of the Leader's proposal to delete the position of Chief Executive to the council. As scrutiny councillors, we wished to understand the reasons driving the Leader's decision and to offer her our opinion with regard to the change. I would like to thank the Leader for meeting with us on 4<sup>th</sup> December and for her positive engagement with our scrutiny challenge panel.

Whilst we recognize the decision to change the senior management structure of the council is entirely within the purview of the Leader of the Council, we hope that the comments and observations which we offer in the pages below will help whoever is Leader to reach the most suitable decision for a council in the 21<sup>st</sup> Century. It is important to note in this context that no final decision has been taken to delete the post of Chief Executive and that any such decision has been postponed until after the Council elections in May.

I commend this report.

**Councillor Bill Phillips**  
Chair of the Challenge Panel

## SUMMARY

In general terms we agree with the Leader of the Council with regard to the need for change – these are unprecedented times and the old ways of delivering savings don't necessarily work any more. Increasingly, we are forced to look at the overall function, structures and direction of the organisation rather than simply taking percentage cuts from individual departmental budgets.

Having said this, we would suggest that current circumstances may have actually increased the need for a senior independent management position which can identify strategic direction and drive change through for the authority. We feel that combination of service delivery role and corporate leadership could create confusion in this regard.

Having expressed our understanding with regard for the need for change, we would suggest that the proposal to delete the post of Chief Executive has lacked the level of engagement which we feel such a significant decision requires, we would urge that the organisation considers how any such similar decision is reached in the future and makes this as inclusive a process as possible.

We would also urge the Leader and her Cabinet to ensure that the implications of the decision to change are closely monitored in terms of the effectiveness of the managerial structures, the impact on services and the reputation of the authority.

## INTRODUCTION AND SCOPE

Local authorities are facing unprecedented budget reductions, which are requiring them to consider significant changes to how their organisations are structured in order to maximise the value derived from the resources available. Not immune to these changes have been the senior management structures and councils across the country are making radical changes to their management structures.

It is within this context that changes with regard to the most senior officer position in Harrow Council, the Chief Executive were announced. This project was commissioned by the Scrutiny Leadership Group, following the announcement by the Leader of the Council of her intention to delete the post of Chief Executive of the Council. On Tuesday 26<sup>th</sup> November, the Chief Officer Employment Panel confirmed the departure of the existing Chief Executive and the appointment of an interim Head of Paid Service. The current Corporate Director of Community Health and Well Being will take on this interim role in addition to his existing role.

The purpose of this scrutiny investigation is to offer comment to the Leader of the Council whomever they may be with regard to the configuration of the senior management of the Council in particular, the proposal to permanently delete the position of Chief Executive and the consequential impact on the managerial capacity of the organisation.

As part of our deliberations, we have considered evidence of change in other boroughs, and academic opinion in so far as it exists in order to understand the potential implications of the deletion of this senior post and thus to offer our advice to any future Leader as they reach their conclusions with regard to future managerial structure and capacity.

The focus of the panel has been on:

- The reasons for the change
- What will replace the current arrangements?
- Risks associated with the change

The formal scope for the project is attached at Appendix One.

## POLICY BACKGROUND

In order to consider the Leader's proposal in more detail and to offer effective challenge, we considered a range of information regarding changing patterns in senior management structures. This information is included as Appendix Two to this report. For ease of information we have summarised the information below.

Under section 4(1)(a) of the Local Government and Housing Act 1989 every relevant authority must designate one of its officers as head of paid service. That officer has specified reporting duties under section 4(3) and (4).

The *Society of Local Authority Chief Executives* proposes that:

*'The role of the Chief Executive is situated within the political and organisational context that surrounds it and it is essential to understand that context in reaching an understanding of their proper roles and responsibilities.....One core element is to provide leadership within a framework. The main challenges in the policy context that surrounds Chief Executives and their changing role include increased emphasis on performance management, organisational change and development, changes in political management arrangements, the increased role of partnerships in service delivery and the need to work with others to transform deprived communities. The common thread through these issues is the need for the Chief Executive to show leadership through complex change.'*

**Dr Nicholas Dobson** in 'Local Government Lawyer comments as follows:

*'Whilst authorities are free to abolish chief executive posts locally (if they do so properly.....) they cannot do away with the statutory function of head of paid service.*

In response to both the statutory requirements and reflecting the changing nature of local authority management, a number of authorities have changed their senior management structure. There appear to be three models in those authorities which have deleted the post of Chief Executive:

- City Manager/Director – independent but reduced salary
- Shared role across senior management team
- First amongst equals, maintaining existing responsibilities and adding some of Chief Executive's responsibilities.

A number of local authorities have replaced their Chief Executive with a Managing Director post:

- Bristol City Council – have a city director
- Dartford Borough Council – have a managing director
- Guildford Borough Council – have just recruited a managing director
- Hastings Borough Council – have a head of paid service
- Royal Borough of Windsor and Maidenhead – have a managing director
- Reading Borough Council – have a managing director
- Rother District Council – have two rotating managing directors
- Telford Council – have a managing director
- Wychavon District Council – have a managing director

Authorities which have allocated Chief Executive responsibilities to officers from within the existing senior management team (as at 2013) include:

- Isle of Wight – have three strategic directors
- Rugby Borough Council – have a pair of directors who interchange the head of paid service role

- Salford Council – are sharing the role amongst three strategic directors but the plan is to appoint a council manager – Salford has a city mayor
- West Lancashire District Council – have a dual executive director who share the post.
- Wiltshire Council – have three corporate directors

For some authorities, a variation of this model, in terms of locating the senior managerial responsibilities within the existing senior management team, is that of 'first amongst equals'. In this model, a single manager is asked to take on the responsibilities of Head on Paid Service in addition to her/his responsibilities for a specific service. This is the model which Harrow has temporarily put in place with the appointment of the Corporate Director of Community Health and Well Being, in his existing role, to the role of Acting Head of Paid Service. **Kent County Council** has adopted a similar model – a corporate director (Business Strategy and Support) is also the county's head of paid service.

In addition to the models in which the authority has chosen to delete the post of Chief Executive, there is also a significant number of authorities (40) which have now chosen to share a Chief Executive post.

## **FINDINGS AND OBSERVATIONS#**

The paragraphs below summarise the findings of this scrutiny challenge panel following the discussions with the Leader of the Council on 4th December, 2013

### **The post not the person**

All members of this challenge panel wish to place on record their gratitude to the former Chief Executive of the Council who resigned from his post in November. We wish to emphasise that these discussions with regard to the future of the post he occupied do not suggest a shortcoming in his capacity or competence, but reflect the need to consider alternative managerial structures which all parties may wish to investigate in the light of the budgetary constraints facing the authority. Michael Lockwood has been an asset to the authority and has steered us through some difficult times winning the council the accolade of Best Achieving Council of the Year in the Municipal Journal awards in 2011. We are profoundly grateful for his leadership and the contribution he has made to the Council's improvement journey over the last six years.

### **The Need for Change**

We understand the motivation behind the Leader's proposal to delete the Chief Executive position. We accept that the Council faces unprecedented financial challenges which will see the need to make significant budget savings. She emphasized to us, that her focus has been on the need to make innovative changes to how the council is run whilst at the same time ensuring that front line services and services to our vulnerable residents are safeguarded.

Whilst the financial pressures are a significant driver of the need for change, the Leader also emphasised her belief in the need to find different management models and different structures in order to make these savings sustainable. The challenge panel acknowledges the difficult circumstances which any administration will need to address and we endorse the Leader's ambition to protect services and trust that her focus from this will not waiver. We also acknowledge that the extent of the savings required of the authority will inevitably precipitate fundamental change to the council at all levels within it.

We feel that change of this significance warrants cross party consideration and as a hung Council ultimately cross party consensus should have been sought in order to ensure that there is general support for the proposal and not to destabilise the organisation at what is a particularly difficult time. We would point out that similarly difficult decisions with regard to the senior management structure have previously taken place with much broader consultation than we have seen in these circumstances. We return to the principles of the decision making process below.

The panel would also have welcomed more information from the Leader with regard to the research and evidence base upon which the proposed changes and the specific model chosen have been based. The panel's own research suggests that whilst a number of authorities have considered change in their senior management models, there does not appear to be a huge amount of evaluation of these changes.

### **Timing and flexibility**

As we discuss below, the Leader has made it clear to us that she has tried to build flexibility into the proposed deletion of the Chief Executive position, recognising that the party which is successful at the May 2014 elections may wish to revisit the proposal. We would recommend therefore that the issues we have identified during our discussion with the Leader are considered by the incoming administration in order to take into account the potential risks that this challenge panel has identified. In this context we welcome the Leader's engagement with us and also her acknowledgement of the contribution the challenge panel can make to this or any other future Leader's deliberations.

We welcome comments from the Leader that she has built flexibility into the proposed deletion of the post of Chief Executive. Whilst she is confident in the robustness of the proposal, we were reassured by her commitment to this flexibility and an understanding that the decision might not be something with which all parties are comfortable as all parties will have different requirements of a senior management structure at different times. Whilst a decision with regard to the deletion will be made by the Conservative cabinet in January, she is clear that the council's election results may mean that this decision is reversed, thus no permanent decision will be made prior to the local elections. However, the Leader felt, that, should the Conservative Party be successful at the local elections in May 2014, she will already have made one of the key decisions she feels is necessary in order to address the significant saving requirements facing the authority and will therefore hit the ground running should she be successful.

We take the view that waiting until after the elections in 2014 would have perhaps demonstrated a clearer mandate for change than has been possible given the political turbulence which has resulted in the changes in administration during 2013. We also feel that staff and residents have been unsettled by the political upheavals of the last few months and that again, introducing the proposals when there has been a clear mandate for change might have been more constructive and given the changes a greater resilience.

### **Senior Management Capacity**

The Leader emphasised to us her confidence in the arrangements now in place to lead the organisation. She emphasised her confidence in the Acting Head of Paid Service, who is also the Corporate Director for Community Health and Well Being. She reflected on the fact that he is already undertaking a number of the duties undertaken by Chief Executives in other boroughs and is already a key member of the Corporate Strategic Board and Health and Well Being Board. She also commented on the support available to him in his capacity as Corporate Director from an exceptional management team in Community Health and Well Being which is already delivering high quality, cutting-edge services.

Whilst we do not dispute the competence of the Acting Head of Paid Service or his management team we wish to place on record our concern that the deletion of the Chief Executive's post has reduced the senior management capacity at what is a critical time for the organisation. In particular, we are concerned that at a time when we need to find significant savings, independent, corporate oversight has been reduced. Whilst the deletion of the Chief Executive's post may well deliver 250k savings per year, it may also mean that the strategic, independent/impartial vision required to deliver the transformational reconfiguration of our organisation and the significant savings we know the organisation will be required to make has been reduced. It should be noted that a major restructuring of senior management has only just taken place saving £1million a year leaving in place a management structure which the Chief Executive considered to be the minimum viable to run the organisation and cope with all the challenges facing it.

We are also concerned that, despite his unquestionable competence and professionalism, the capacity of the Corporate Director of Community Health and Well Being to also undertake the role of Acting Head of Paid Service may be significantly stretching. In particular, we would welcome clarity on the time ratio split this single officer will be required to make in order to deliver the two functions/roles. Therefore we urge the administration to ensure that in delivering savings, they don't only risk the loss of strategic vision but also that they don't run the risk of overburdening a highly valued, senior member of staff and undermining the success of the work of his directorate.

The Leader emphasised to us, that she is a strong leader who does not need the level of support from a Chief Executive which other leaders might. She also pointed out that she has high expectations of the members of her cabinet, who she expects to engage in the strategic thinking for their respective areas of responsibility: she expects a much more directional role from her councillors than other leaderships might have done.

Not all Leaders or even herself will have sufficient capacity to operate without a Chief Executive. It is clear that the Leader sees her own role as potentially very different from other council leaders who may need significantly more support than she feels she needs. She has a management style that has been honed by running her own business, but she accepts that other leaders may not have that experience and "will need a chief executive that will tell them what to do". Whilst she emphasised to us her belief in her own capacity to function without the support of a chief executive to guide her strategic thinking, we remain concerned that not all leaders will have that level of confidence in their own ability to run a large organization and thus the deletion of the post could have a longer term, disruptive impact.

### **Senior Management Independence**

We have made a number of references to the need for independent leadership at this time of significant financial constraint. We wish to reiterate these concerns. We feel it is crucial that the organisation is led by a strong negotiator – both internally with directorate management teams and staff representatives and also with partners with whom we seek challenging agreements.

We also feel that reputationally, with our residents and our partners, that it is important to be clear where the buck stops, this may not be the case where the role of Head of Paid Service and some of the responsibilities of a Chief Executive are merged with the head of a specific service, we feel that perhaps some 'clear water' between roles might be helpful.

In order to safeguard managerial independence, particularly during difficult negotiations with regard to directorate budgets, the Leader commented that she felt that the independence of the Acting Head of Paid Service will be augmented by the reversal of the previous management reorganisation decision to remove the S151 officer from the Corporate Strategic Board. We acknowledge this.

Again, these comments are made, not in anyway to disparage the skills and professionalism of the Acting Head of Paid Service/Corporate Director of Community Health and Well Being but are made in order that the organisation can perhaps pre-empt any potential issues.

### **Monitoring and Assessment**

We would also wish to raise with the Leader whether or not the impact of the previous reconfiguration of the senior management structure of the council has been fully assessed. Whilst we acknowledge that she had made clear her concern with regard to the position of the S151 officer (removed from the Corporate Strategic Board), we would have expected more consideration to have been given to the outcomes of the previous changes in order to fully assess the implications of the deletion of the post of Chief Executive. We were not given any assurance that this assessment and the overall capacity of the management structure has been undertaken as part of the proposal for deletion of the Chief Executive position.

We were advised that a number of other authorities have changed their senior management structures. Our own research (see Appendix Two) confirms this but it does not suggest that wholesale deletion of the post is common, rather, that authorities have chosen to deliver savings by maintaining a senior, independent post but sharing it with other authorities. Our research also suggests that very little assessment has been undertaken of the efficacy of any of these arrangements and therefore we suggest that the council monitors the impact of any change very closely. We would suggest that in particular the impact on performance, staff morale and organisational reputation are incorporated into this process. In this context we welcome the Leader's commitment to consider the outcome of the experience of the model proposed and her acknowledgement of the potential need to reassess role and structures as experience of the role develops.

Whatever the model chosen we remain concerned that options chosen are properly and fully assessed for the risks they entail for the resilience of the organisation in what are very uncertain times. We welcome the Leader's commitment in this regard and her statement that if she thought there was any risk to the authority, the change would not happen. We urge her to maintain this objectivity.

### **Process of Delivering the Change**

The Leader advised us of the difficulties she has encountered in terms of the process of deleting the post of Chief Executive. Proposals to delete senior organisational posts would have been discussed with the Chief Executive, clearly, this was not possible in these circumstances. The Leader commented therefore, that she was very much in uncharted waters in making the change. She advised that she sought legal and Human Resources advice in order not to put the organisation at any risk.

Whilst the process complied with legal advice sought by the Leader, with hindsight there might be lessons which the organisation could learn to improve the outcomes, which have seen the postholder resign. Whilst the panel does not wish to be prescriptive in terms of what a process might look like or how the organisation should incorporate the process, a number of difficulties could be avoided through the introduction of a structured approach. We would suggest that the following might be considered as relevant issues to address in any formal process:

- Independent advice – should advice be sought from outside of the organisation
- Evidence base for change – learning from other authorities
- Engagement process – who is involved in drawing up proposals
- Consultation process – whose opinion is sought in challenging proposals
- Constitutional incorporation – should any process be included in the council's constitution

We would suggest that the experience of other authorities, which have made similar changes is sought if the council accepts the need to develop a formal process.

## **CONCLUSION#**

These are the findings of the Scrutiny challenge panel which met on 4<sup>th</sup> December 2013 to consider proposals to delete the post of chief executive to the council. We offer them in good faith to the Leader of the council and her cabinet in the hope that they are able to support her in reaching appropriate decisions with regard to the future management structure of the council.

Scrutiny Challenge Panel Members

Cllr Bill Philips

Cllr Anthony Seymour

Cllr Victoria Silver

Cllr Bill Stephenson

Cllr Yogesh Teli

## APPENDIX ONE

### DELETION OF CHIEF EXECUTIVE POST CHALLENGE PANEL DRAFT SCOPE

VERSION HISTORY 1st November 2013

1	<b>SUBJECT</b>	<b>Proposal for the Deletion of the Post of Chief Executive to the Council</b>
2	<b>COMMITTEE</b>	Overview and Scrutiny Committee
3	<b>REVIEW GROUP</b>	Councillors Cllr Sue Anderson Cllr Vina Mithani Cllr Bill Phillips Cllr Linda Seymour Cllr Sachin Shah Cllr Victoria Silver Cllr Bill Stephenson Cllr Yogesh Teli  Co-optees None
4	<b>AIMS/ OBJECTIVES/ OUTCOMES</b>	To consider the robustness of the proposal for the deletion of the Chief Executive post To consider whether associated risks with the deletion of the post have been identified and mitigated To consider the robustness of the consequent senior management structure proposals To consider whether risks associated with the future senior management structure have been identified and mitigated To offer comment to the cabinet with regard to the proposal as part of the consultation process
5	<b>MEASURES OF SUCCESS OF REVIEW</b>	The review is able to offer constructive comment to cabinet on the proposed deletion of the Chief Executive post and consequent management arrangements as part of the consultation period  The challenge panel's comments are considered helpful by cabinet
6	<b>SCOPE</b>	The review will restrict itself to consideration of the implications of the proposed deletion of the Chief Executive of the council post and the robustness of the subsequent management structure resultant from this deletion.

7	<b>SERVICE PRIORITIES (Corporate/Dept)</b>	
8	<b>REVIEW SPONSOR</b>	N/A
9	<b>ACCOUNTABLE MANAGER</b>	N/A
10	<b>SUPPORT OFFICER</b>	Lynne Margetts, Service Manager Scrutiny
11	<b>ADMINISTRATIVE SUPPORT</b>	Lynne Margetts, Service Manager Scrutiny
12	<b>EXTERNAL INPUT</b>	Stakeholders, partners, agencies, experts, advisers
13	<b>METHODOLOGY</b>	Round table discussion with cabinet members to consider Reasons for the deletion Timing of the deletion Risks and mitigations of decision and subsequent management arrangements Consideration of evidence from other boroughs that have deleted the Chief Executive post on the risks, mitigations and success factors associated with their activities Consideration of the views of partners agencies
14	<b>EQUALITY IMPLICATIONS</b>	
15	<b>ASSUMPTIONS/ CONSTRAINTS</b>	The project will need to be completed in time for consideration as part of the consultation process
16	<b>SECTION 17 IMPLICATIONS</b>	None
17	<b>TIMESCALE</b>	See assumptions and constraints
18	<b>RESOURCE COMMITMENTS</b>	Project costs will be met from within existing scrutiny resources
19	<b>REPORT AUTHOR</b>	Lynne Margetts, in consultation with challenge panel members
20	<b>REPORTING ARRANGEMENTS</b>	Outline of formal reporting process: To Portfolio Holder [ ] TBC ..... To Cabinet [ ] TBC .....
21	<b>FOLLOW UP ARRANGEMENTS (proposals)</b>	TBC

# Scrutiny Challenge Panel: Deletion of Chief Executive Post Briefing Paper



## **INTRODUCTION**

This brief paper provides members of the 'Deletion of the Chief Executive Post' challenge panel with some background information from which to develop lines of enquiry and to support their discussions with the Leader of the Council. It provides:

- A view of the role of the local authority chief executive – both in general terms and specifically within Harrow Council.
- A sense of the change in local authority leadership patterns
- Academic opinion on the deletion of chief executive posts
- Suggested lines of enquiry which the panel might wish to pursue

## **PURPOSE OF THE CHALLENGE PANEL**

The full scope for this challenge panel is attached as Appendix One.

The project was commissioned by the Scrutiny Leadership Group, following the announcement by the Leader of the Council of her intention to delete the post of Chief Executive of the Council. On Tuesday 26<sup>th</sup> November, the Chief Officer Employment Panel confirmed the departure of the existing Chief Executive and the appointment of an interim Head of Paid Service. The current Corporate Director of Community Health and Well Being will take on this role in addition to his existing role.

The purpose of this scrutiny investigation is to offer comment to the Leader of the council with regard to the configuration of the senior management of the council in particular, the proposal to permanently delete the position of chief executive and the consequential impact on the managerial capacity of the organisation.

## **ROLE OF THE LOCAL AUTHORITY CHIEF EXECUTIVE**

Under section 4(1)(a) of the Local Government and Housing Act 1989 every relevant authority must designate one of its officers as head of paid service. That officer has specified reporting duties under section 4(3) and (4).

**Dr Nicholas Dobson** in 'Local Government Lawyer comments as follows:

*'Whilst authorities are free to abolish chief executive posts locally (if they do so properly.....) they cannot do away with the statutory function of head of paid service. And if an authority does wish to dismiss the officer designated as head of paid service this needs to be carefully in line with the 2001 Regulations and other legal requirements.*

*In reality the functions of senior politician (elected mayor or otherwise) and non-political chief executive are different and there are many examples of successful top leader/chief executive teams (Sir Richard Leese and Sir Howard Bernstein of Manchester City Council being one). Apart from essential working chemistry, the key is for each to recognize the different, individual attributes each brings to the authority and for one not to try to be the other. Because if for practising politicians to dabble in management is to tango on a minefield, then for chief officers to trespass over the political divide is to court a sharp downward Snakes and Ladders slide. But as austerity becomes ever more austere, there will inevitably be more and painful changes and experimentation at top authority table as politicians search for increased savings'.*

The **Society of Local Authority Chief Executives** proposes that:

*'The role of the Chief Executive is situated within the political and organisational context that surrounds it and it is essential to understand that context in reaching an understanding of their proper roles and responsibilities.....One core element is to provide leadership within a framework. The main challenges in the policy context that surrounds Chief Executives and their changing role include increased emphasis on performance management, organisational change and development, changes in political management arrangements, the increased role of partnerships in service delivery and the need to work with others to transform deprived communities. The common thread through these issues is the need for the Chief Executive to show leadership through complex change..... Chief Executives:*

- *Set an example through personal conduct- integrity and openness;*
- *Champion and display values of public service and excellence in service delivery;*
- *Set the right cultural tone through relationships with those they lead and influence;*
- *Show emotional commitment to all staff and services;*
- *Support, inform and listen to elected members;*
- *Provide clear guidance on levels of quality that citizens and customers must expect - not just quality of services and processes but also having a clear vision of the desirable outcomes for citizens and communities;*
- *Advise members on the correct level of resourcing for services;*
- *Ensure that the conditions exist to support effective interdepartmental and interagency working that minimises risk for vulnerable service users and partner organisations;*
- *Ensure effective community engagement.*

*Local government is multi-functional in nature with a variety of professional domains which codify knowledge and best practice in respective service areas. The challenge is to create a unifying and corporate managerial approach for the whole organisation. Corporate management approaches that connect service strategies to resources, that align plans to service objectives and outcomes and rigorously monitor performance, are all crucial and Chief Executives play a key role in this process.*

*Chief Executives are accountable for the performance of their organisations. While they do not appoint statutory officers they must not be merely a spectator in this process. Chief Executives are responsible for the management and leadership of all chief officers and for their delivery to the Council and to the community. SOLACE believes the accountability for providing this leadership of statutory officers is central to a Chief Executive's role."*

**John Tizzard** writing in Public Finance in 2011 poses the question 'Why we need chief executives'

*'The relationship between chief executive and leader/elected mayor is one of the most important in any local authority. These are complementary roles and should be seen as such. Politicians should determine policy and programmes, decide on the levels of taxes and charge, be the primary outward ambassador and 'face' of the authority to promote and defend policy and its implementation, and to shape the wider local place.*

*In contrast, the core role of the chief executive is clear. It is to turn the political will of the leader/mayor and council into tangible outcomes for local communities. It is a managerial and leadership role, leading an often large organisation; setting both tone and culture; leading change management programmes; fostering and developing talent; and ensuring that outcomes are achieved through behavioural change, partnerships, networking, commissioning, service delivery and contracting. It is a vital 'executive' role – but it is not, fundamentally, a political role.*

*The chief executive has a responsibility to deliver the politically determined programme but also to advise on any problems, unintended consequences, financial or legal constraints. She/he must ensure that the senior management team is fit for purpose, lead this team and hold them accountable for their performance and contribution to delivering the authority's business plan. She/he must challenge the senior team and the wider organisation; build relations with local partner organisations; and ensure that internal vested interests do not prevent innovation and shared partnership working.*

*In extremis, the chief executive has a duty to intervene and prevent unlawful or fiduciary unsound decisions that a leader/mayor may wish to pursue – although usually the relationship should be such that such matters are addressed well before there is a need for intervention. Without chief executives, where would this independent responsibility come from?*

*The modern chief executive has to be: a great leader; excellent strategist and communicator; a skilled networker and negotiator; an able diplomat; and above all, has to be able to secure the delivery of outcomes in an efficient, effective and accountable manner.'*

The **Local Government Association** in 2011 surveyed 103 local authorities to assess their view of the role of Chief Executive. Respondents identified significant challenges to the roles and to local authorities:

*'falling income, rising demand for services, the need for collaborative delivery, keeping pace with ever-changing technology, engaging communities through social enterprise, and all the while trying to manage ever more demanding politicians'*

Survey results show:

*'55% believe the chief executive position in local government will be more important in five years.... they are clear about the reasons why leadership matters: 75% say that delivering services and outcomes with or through partners means direction and strategy must be clearer than ever; 70% say that falling income means they can't do everything so will be forced to make difficult decisions; and 43% see the council as playing a leadership role in encouraging the community to change its behaviour.'*

Survey respondents suggest that the key components of effective local government leadership include:

- the ability to make change happen (50%),
- long-term vision (43%),
- inspiring charisma (34%) and
- conviction (28%)

And these are much more important than 'softer' qualities

- creativity (7%),
- humility (5%) and
- empathy (4%).

One respondent said:

*"Chief executives are hostages to a raft of often conflicting goals and ambitions, and need real toughness and resilience in dealing with these. The importance of 'speaking truth unto power' has never been more important, whatever the political or career risks. I have no intention of being chief executive of cloud cuckoo land."*

The respondents comment that Local Authorities are changing dramatically and that clarity of leadership becomes of even greater importance at times of instability.

**Jonathan Flowers**, Local Government Market Director, Capita, writing in Local Government Chronicle, whilst recognising the need not to simply reject models of corporate management which do not include Chief Executives poses the following questions:

- Who gets the chief executive's mail? If something arrives addressed to the chief executive, whether it's a complaint from a resident or a letter from the secretary of state, who gets it? Is it always the same person?
- Who chairs the corporate board meetings? If a corporate director is ill or unable to attend work, to whom do they send a message letting them know?
- Who represents the council at Solace meetings?
- Is there one person that others tend to turn to when they want to know how an initiative or an issue sits with the wider narrative of the organisation and its change?
- Is there one person for whom local partners get grumpy when they don't turn up for meetings, or if they send someone else instead?
- Who ensures that opposition groups are briefed on developments, and advises them on their manifestoes coming up to the election?
- Is there one person who tends always to be up first at staff events?
- ... and who is the "head of the paid service"?

### **Role of the Chief Executive in Harrow**

Harrow council's constitution determines the chief executive's role as follows:

- Overall corporate management and operational responsibility (including overall management responsibility for all officers).
- Provision of professional advice to all parties in the decision making process.
- Representing the Council on partnership and external bodies (as requested by statute or the Council).
- Promote the importance of the ethical agenda and to sustain the highest standards of ethical behaviour on the part of the Council's officers in the performance of their duties in accordance with the requirements of the Code of Conduct for Council Employees set out in Section 5B of the Constitution

### **ACADEMIC OPINION**

Changes to the senior management structure of local authorities is a growing phenomenon with a number of models being pursued, the most popular of which is the sharing of Chief Executives and senior management bodies and there is also growing interest in the elected mayor model. Less popular is the deletion without replacement of the senior officer position

This is not an area where a great deal of academic investigation has been undertaken and where it has, opinion appears to be divided.

Ian Briggs of INLOGOV comments that the Chief Executive of a local authority is the figurehead for the organisation, providing a balance to political considerations. He comments that he *'can't conceive of an organisation as complex as a local authority without a need for a clear figurehead in the executive role'*. He feels that whilst local authorities are facing unprecedented financial difficulties, the organisations must think beyond cost and consider the role of the senior officer and the expectations that staff have of this role. To delete the role of Chief Executive will, he feels, destabilise the relationship between politicians and staff. He feels there are issues with regard to accountability and also to impartial arbitration at the top of the organisation. At a time of greater financial difficulties the natural requirement for independence at the top of the organisation increases. Sharing such a role amongst senior peers might not be seen as independent and thus not an appropriate model

Professor Colin Copus from the De Montford University feels that political ambition and current financial difficulties provide the 'perfect storm' from which proposals for significant changes to senior management structures in local authorities will emerge. He feels that this will *'allow elected members to assert their primacy'*, suggesting that where changes are being proposed, elected members may feel that their authority has been undermined or not acknowledged.

## **CHANGES IN LOCAL AUTHORITY LEADERSHIP PATTERNS**

### **AUTHORITIES WITHOUT A CHIEF EXECUTIVE**

There appear to be three models of senior management in those authorities which have deleted the post of Chief Executive:

- City Manager/Director – independent but reduced salary
- Shared role across senior management team
- First amongst equals, maintaining existing responsibilities and adding some of Chief Executive's responsibilities

A number of local authorities have replaced their Chief Executive with a Managing Director post:

- Bristol City Council – have a city director
- Dartford Borough Council – have a managing director
- Guildford Borough Council – have just recruited a managing director
- Hastings Borough Council – have a head of paid service
- Royal Borough of Windsor and Maidenhead – have a managing director
- Reading Borough Council – have a managing director
- Rother District Council – have two rotating managing directors
- Telford Council – have a managing director
- Wychavon District Council – have a managing director

Members might wish to explore the differences between a managing director and a Chief Executive.

**The Institute of Directors** uses the terms interchangeably

*'The managing director/chief executive is the most senior full-time executive of the company (except when there is an executive chairman). The role of managing director and chief executive are virtually the same. (The latter title originally comes from the US.)*

*The managing director/chief executive is responsible for the performance of the company, as dictated by the board's overall strategy. He or she reports to the chairman or board of directors.*

*Responsibilities include:*

- *formulating and successfully implementing company policy;*
- *directing strategy towards the profitable growth and operation of the company;*
- *developing strategic operating plans that reflect the longer-term objectives and priorities established by the board;*
- *maintaining an ongoing dialogue with the chairman of the board;*
- *putting in place adequate operational planning and financial control systems;*
- *ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees;*
- *closely monitoring the operating and financial results against plans and budgets;*
- *taking remedial action where necessary and informing the board of significant changes;*
- *maintaining the operational performance of the company;*
- *monitoring the actions of the functional board directors;*
- *assuming full accountability to the board for all company operations;*
- *representing the company to major customers and professional associations;*
- *building and maintaining an effective executive team.'*

**Under the Companies Act 2006, managing directors' duties are:**

- *'To promote the long-term success of the company (rather than the interests of, say, the majority shareholder).*
- *To act within the company's constitution and powers, ie only do things the company is authorised to do, and that they, the directors, have power to do (rather than the shareholders).*
- *To exercise independent judgement (ie not take instructions from a third party or, for that matter, a dominant director, on how to run the company).*
- *To exercise reasonable skill, care and diligence.*
- *To avoid 'situational' conflicts of interest, ie any situation in which his interests do or may conflict, directly or indirectly, with the company's. This includes where a director exploits any of the company's property, information or opportunities.*
- *Not to accept benefits from third parties that are offered because they are a director (or because they did, or omitted to do something as a director).*
- *To declare any direct or indirect personal interest in any proposed transaction or arrangement to be entered into by the company (a 'transactional' conflict) to other members of the board, either at a board meeting or in writing.'*

Authorities which have allocated Chief Executive responsibilities to officers from within the existing senior management team (as at 2013) include:

- Isle of Wight – have three strategic directors
- Rugby Borough Council – have a pair of directors who interchange the head of paid service role
- Salford Council – are sharing the role amongst three strategic directors but the plan is to appoint a council manager – Salford has a city mayor
- West Lancashire District Council – have a dual executive director who share the post.
- Wiltshire Council – have three corporate directors

For some authorities, a variation of this model, in terms of locating the senior managerial responsibilities within the existing senior management team, is that of 'first amongst equals'. In this model, a single manager is asked to take on the responsibilities of Head on Paid Service in addition to her/his responsibilities for a specific service. This is the model which Harrow has adopted with the appointment of the Corporate Director of Community Health and Well Being, in his existing role, to the role of Head of Paid Service. **Kent County Council** has adopted a similar model – a corporate director (Business Strategy and Support) is also the county's head of paid service.

Comments from two of these authorities were given in interviews with the Guardian Newspaper in 2011:

#### **Wiltshire**

*'We have a clear distinction between officers and members, but in Wiltshire politicians lead and that is how it should be'* Jane Scott, Leader

#### **Rugby**

The Leader's role is to represent the authority externally, two executive directors deal with internal issues. They both fulfil the role of chief executive and strategic director – see appendix. The model, the Leader comments, requires trust between councillors and officers.

Opinion on the efficacy of the arrangement is divided. Having implemented the system, the Leader, Cllr Craig Humphrey, acknowledges the model might not suit everyone. The leader of the Labour opposition comments that whilst there is a clear financial imperative for deleting the Chief Executives post, the change has blurred the political and administrative boundaries

*'Sometimes it is really difficult to differentiate the leader's political and executive role'* Cllr Jim Shera

#### **AUTHORITIES SHARING A CHIEF EXECUTIVE**

There are a significant number of authorities which have now chosen to share a Chief Executive post – a full list together with an analysis of political control is given in Appendix One.

A study of the growing move towards senior management mergers was undertaken by I&DeA in 2009. It identified benefits as follows:

- *'financial savings from reductions in the size of management teams*
- *greater opportunities for efficiencies from shared services*
- *savings from joint procurement*
- *a higher profile for the councils, which in some cases can represent combined populations of nearly 250,000 people*
- *the combined teams can be made up of the best individuals from both councils.'*

Chief Executives themselves were asked as part of the study to identify some of the factors which need to be considered and need to be in place if sharing of chief executive posts are to be successfully implemented:

- *'ensure no large cultural differences*
- *there must be similarities in the areas covered by the councils*
- *the communities need to have some similarities*

- *both authorities must trust the chief executive services.*
- *there needs to be clear and well understood governance*
- *politicians must be able to trust and work with each other'.*

Examples and comments from some of those boroughs sharing a Chief Executive position are given below

### **Tri-Borough**

Perhaps one of the most innovative local authority groupings in the country, the Tri-Borough (Hammersmith, Royal Borough of Kensington and Chelsea and Westminster) has not chosen to delete the post of Chief Executive. Instead, two boroughs, Hammersmith and Kensington and Chelsea, share a Chief Executive and Westminster has retained a separate Chief Executive.

Guardian Local Leaders Network published an article 'Hole at the Helm: Councils Abandon the Post of Chief Executive' in 2011 through which they had sought the views of a number of other boroughs which have chosen to share the Chief Executive position.

### **South Holland, Lincolnshire**

The council is sharing Chief Executive with neighbours (Initially with Luton and Breckland, Breckland only since October 2013). Whilst the sharing of managerial responsibility in the new model places more emphasis on the role of elected members, the Leader of the Council, Cllr Gary Porter feels that the top job has to stay.....Councillors *'don't have the talent to take on the job... I don't have the skills necessary to take on the job'*

### **South Oxfordshire**

Council Leader, Cllr Ann Ducker raises concern with regard to the ambition of some councillors. *'Paid staff are there to deliver, councillors are there to make sure they do, mixing the two will introduce politics where it has no place'*



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